Management Discussion

Ashok Jaipuria - Chairman and Managing Director, Cosmo First Limited
Thank you. Good afternoon, ladies and gentlemen, and a very warm welcome to you for joining us on Cosmo First, September '26 results conference call. As we enter the festive season, I extend my warm Diwali greetings. To all our investors and stakeholders and present and future shareholders. This is the first time that I am attending a conference call for the investors as I have had quite a few requests that I should be with you, and hence I am there with you. I would like to mention that we have had a very volatile environment.

We have had a very volatile environment. Those environmental issues have really gone beyond any individual or company or the situation because either the Middle East war or the petroleum prices or the conflicts or global uncertainties These are all working towards where you create uncertainties. We in Cosmo are trying to battle with each and every one of them. Some we are able to anticipate and look forward to and have grown on those challenges, and some we are still grappling with. Now, Coming to Cosmo, I would like to tell you that I see Cosmo broadly in two parts.

One is the B2B business, which is our conventional business, and one is the B2C business verticals, which have been recently inculcated into the company. Our B2B businesses are profitable, delivering profitable growth. And strengthening market position with movement towards specialty sales. At the same time, our B2C businesses, which are very fairly nascent, are growing strongly, supported by sustained investments in brand building and scale. While profitability in B2C businesses will take some time to mature, However, some of them have reached maturity stage and are now giving desired results.

Growth has always been very central to our philosophy, but we are very picky and choosy on the growth as we remain focused on building and scaling businesses for the medium term. In this country, in this journey, we are going to do two capacity additions to further enhance specialty products in H2 of '27, one of the more- world's most advanced coating film line and nine-barrier sheet line, for which we will discuss further details. We have also moved towards a 10-meter line with the highest speed and the biggest capacity in the world on our BOPP films.

Polyester films also, we have now gone on new products which for the first time in India and possibly in the world to a large extent, we are doing well and we are growing in those businesses of, of PETG, which we are hopeful that will stand us well in the future. Our focus in films business on accelerating the specialty portfolio, strengthening the core business model, and having high level of customer satisfaction, driving superior returns on capital employed. Going forward, the growth capex will be increasingly aligned towards the specialty products and products with better margins, differentiation, and capital efficiency.

Aligned with specialty strategy, we are adding 16,000 tons of high-end chemical coated film capacity in second half of '27. Coming to specialty chemicals, we continue to scale strongly With the H1 '27 revenue growing 59% to approximately INR155 crores, driven by three niche verticals of coating chemicals, master batches, and adhesives. Our medium term, we see this business building at close to INR500 crores revenue with a 20% plus ROCE supported by sustained growth across these three verticals. Plastech, the other company which we have initiated two to three years ago, with an H1 '27 revenue growing 73% to INR75 crores as we continue to expand our presence in specialty rigid packaging.

The upcoming nine-layer barrier sheet film with 10,000 metric tons annual capacity will expand our

specialty product capabilities and support the next phase of growth with a relatively modest capital investment. Both the consumer businesses- Cosmo Consumer, which is the window films, paint protection film, and ceramic coatings, and Zigly, our pet care business- continue to scale up with 260% and 58% top-line growth respectively in H1 '27 year-on-year basis. In Cosmo Consumer, encompassing window films, paint protection films, and ceramic coatings, our focus is on expanding the distribution network and strengthening market reach.

Alongside growing our domestic presence, we are increasing our focus on international markets and exports, creating a larger addressable market for the business. This, as you know, is our ethos and our culture in Cosmo, that we believe that we should be competitive in the international market also. Zigly continues to build scale in the pet care ecosystem with its network now spanning on 48 centers, including three hospitals with medical care, strengthening our omnichannel presence and service capabilities.

Going forward, our focus remains on scaling services, particularly vet services, and growing our private label portfolio along with grooming. We believe it will support the sustained growth and an improved business mix. With vis-à-vis our competition going forward, company's priorities are very clear: deliver sustainable growth across businesses, improve ROCE, reduce our net debt while creating enduring value for all our stakeholders. As you are aware. We have embarked on a capex cycle of high investments in the large- last three years, which is roughly about INR1,250 to INR1,300 crores.

And now we will be in a position to fully leverage the capex done on various products. The company is also going for further increase in renewable power As we believe both in the environment and economic benefit to the company, which will be currently 2/3 of the next year, which will not only support environment but also generate annual power cost savings of approximately INR25 crores to INR30 crores as per latest assessment. Coming to Cosmo performance for September '26 quarter, We had a good quarter. Our consolidated sales have grown by 51% and EBITDA has grown by 38% on year-on-year.

Now, while Neeraj will share with you the financial results of the company, I would also like to mention that with me the management team is here with Pankaj Poddar, the Global CEO, Neeraj, the Global CFO, with Kulbhushan, who is head of our film and the direct B2C business- B2B businesses, and Saurabh, who is handling our daily pet care business. Over to you, Neeraj. Will you please take, sound the results with our investors, and then if there are any questions, we will be happy to address them. Thank you.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Sure, sir. Many thanks. So I'm going to first provide an overview of financial results for the Q2 FY '27. Consolidated sales for the September 26th quarter is INR1,388 crores, which is higher by 51% on year-on-year basis, backed by higher volume by 15% and increase in the raw material prices which got passed on to the customers. The company has posted EBITDA increase by 38% in September '26 quarter to INR177 crores compared to INR128 crores in September '25 quarter. The incremental EBITDA is primarily driven by five factors.

First, higher specialty volume by 20%. Second, higher overall volume of the company by 15%. Number three, better BOPP- base BOPP film margin by about INR7 per kg. Number four, enhanced performance of our USA film business, which has delivered more than 50% growth on year-on-year basis in quarter two. And number five, higher EBITDA by our new B2B business verticals by INR12

crore, which constitute specialty chemical increase by INR7 crore and rigid packaging plastic increase by close to INR5 crore. Q2 FY '27 EBITDA was also impacted by two non-repetitive items.

First, writeback of additional custom duties by the US subsidiary post receiving duty refund from the government of US about INR24.8 crores. Second, stock loss of INR7 crore due to sharp drop in the raw material prices. On net basis, these two known repetitive items added about INR18 crore in the Q2 EBITDA. If we exclude both of these, EBITDA for the quarter would have been INR159 crore, which is 24% higher on year-on-year basis. Q2 EBITDA margin is at 12.8% compared to 14% in the same quarter last year, as revenue increased by 51% on 15% volume growth, which reflects higher raw material prices linked realization.

As we discussed in past as well, margin percentage is not the right benchmark to look at for the performance of the industry, as raw material prices keep on changing. We generally look at the absolute EBITDA and contribution per kg as the key benchmarks, and both have improved on year-on-year basis. As mentioned earlier as well, the normalized EBITDA for Q2 grew 24% year-on-year. Our BOPP gross margin was running INR29 per kg in September 26 quarter compared to INR30 per kg in June '26 quarter and INR22 per kg in September '25 quarter.

On the other hand, BOPET gross margin was running at INR12 per kg in September '26 quarter versus INR9 per kg in June '26 quarter and INR6 per kg in September '25 quarter. You may also like to note that BOPET is a smaller business vertical for Cosmo, which is close to 10% of the BOPP capacity. Our specialty film margin remained broadly stable at close to INR62 per kg, and that's the reason why the company is focusing more on improving the specialty film sales. Our specialty and semi-specialty taken together is running close to 60% of total volume of the company, which is growing by about 10% CAGR growth rate from last six years, although our H1 '27 growth rate has improved to 20% on the specialty side.

The company has adopted concessional tax regime, which is popularly known as the new tax regime also. From FY '27, Q2 tax, include one-time credit of INR14 crore arising out of this transition. For FY '27, we expect effective tax rate to be tax income in the range of -6% to -7%. Now we'll move towards the business vertical-wise performance. Specialty Chemicals- the subsidiary continues to perform very well with 80% plus top-line growth backed by 60% volume growth on year-on-year basis. Q2 posted 23% EBITDA by the subsidiary.

Rigid Packaging- for Cosmo Plastech, Q2 was our second consecutive profitable quarter. With revenue of INR39 crore, up by 90% compared to last year, and with 8% EBITDA margins. Brand sales for the Plastech rose to 67% from 50% year ago. As chairman mentioned, the business vertical is going for an expansion in second half of the FY '27. With nine-layer barrier sheet line with annual capacity of 10,000 metric tons, which will further enable higher and improved specialty products with a very minimal capex. Moving to consumer businesses, both of our consumer businesses, Zigly and Cosmo Consumer, continue to scale up.

For Cosmo Consumer, revenue grew by 70% in Q2 and 2.6 times in H1 of FY '27. The EBITDA loss for the quarter two has increased to INR4.5 crore for the business vertical as it has started brand building with TV advertisement from July '26 onwards. Domestic paint protection film market is close to INR500 crore in this size, which is growing by 30% year-on-year. And hardly there is 1% to 2% penetration of paint protection film in the industry, as against 15% penetration in China. So to tap the opportunity, we have increased our paint protection film dealers from 150 till last quarter to 250 in this quarter.

Window film dealers have also grown to 150. With more than 100 cities presence. We also now have

four Cosmo Car Care Centers. Moving to Zigly, our pet care division. Zigly has grown by 47% in Q2 on year-on-year basis. The business mix is moving in a very good direction. Services were 68% of the offline sale in Q2. Also, private label sales has grown, in fact more than doubled in Q2 on a year-on-year basis. Moving to a few corporate- net debt at September 26th has reduced to INR1,057 crore, which is 1.9 times to EBITDA.

This is as against INR1,159 crore at March end. And this reduction of close to INR100 crore despite net working capital increase by INR148 crore due to increased raw material prices post-West Asia war. Needless to say, there is a very clear focus to reduce the net debt substantially in next two years as no major capex is planned in the short term. It is also clarified that majority of the debt related to two growth capex mentioned by the Chairman is already included in September '26 balance sheet. Well, on that note, we conclude our opening remarks and would be glad to discuss any questions, comments, or suggestions which you may have. Thank you.

Questions & Answers

Operator
Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. [Operator Instructions] The first question is from the line of Nirav Jimudia from Anvil Wealth. Please go ahead.

Nirav Jimudia - Analyst, Anvil Wealth
Yeah, good afternoon, team, and heartening to hear the comments from Chairman, sir. We wish that this would continue in the quarters to come. Sir, few questions from my side. So first on, you touched upon the specialty side of our business, and you also touched upon the US market, which is Now picking up in terms of volumes and you are seeing the increased traction over there. So just wanted to have your thoughts in terms of how much is the room of growth in terms of top line from the US Geography, like what we are at currently and what optically it looks like in second half or let's say for FY '28, if you can share your thoughts.

Also, with respect to the capacity utilization, what we have achieved in second quarter for the film business as a whole, how much is further room in terms of improvement in volumes? And I guess there would be improvement on the specialty side also, but some understanding in terms of the volume side, that would also help. And thirdly, in terms of the newer BOPP capacities which are coming up. So if you can share your thoughts here in terms of timeline of those capacities coming online, that would be helpful.

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Yeah, hi. US has grown 35% in the last quarter. It is expected to do roughly $70 million in this financial year. Our highest was during COVID time in the FY '22 when we did $60 million, and then when the duty was implemented last year, it came down to roughly $50 million. We are anticipating this to grow even further next year, and our target is to exceed $100 million target for the next year. From the volume perspective, we are roughly 90% utilized, and we still have roughly 8% to 10% potential to increase our volumes further.

BOPP lines, most of them will be coming or getting commissioned over the next two years. But what we have seen is that whenever multiple lines are being planned, some may get deferred. So we have to really see what happens. But then India is poised to easily consume 1.5 to 2 new big lines every year. And then, as we had stated many times in the past, that we are far more focused on growing a

specialty, on growing our exports, and we will continue to be on that track. In fact, we have recently commissioned a new coating line also to grow our specialty films.

Nirav Jimudia - Analyst, Anvil Wealth
Perfect. So just to follow up here, in terms of specialty volumes, anything in our mind in terms of the percentage mix in FY '28, A; and B, you touched upon reducing the debt, which is our main focus currently. So given the reasonable spreads in the commodity BOPP and the reasonable assumption of the specialty as well as the semi-specialty films, What sort of internal targets we have set in terms of reduction in the debt over next two years? Thank you so much.

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Yeah, this year we should be doing around 60% specialty, with an increase in volume that we are overall seeing. So even on our increased volume, we should be doing roughly 60%. Our next year target should be anywhere between 65% to 70%. And in the medium term, we would ideally like to take this number to close to 80%. What was the second question?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Net debt.,

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
The net debt, we are expecting to reduce by roughly INR300 crores to INR500 crores over the next two years.

Nirav Jimudia - Analyst, Anvil Wealth
Perfect, sir. Thank you so much, sir, and festival wishes to the entire team of Cosmo First. Thank you.

Operator
Thank you. The next question is from the line of Aman Agrawal from Nuvama AMC. Please go ahead.

Aman Agrawal - Analyst, Nuvama AMC
Good afternoon, team. Congratulations on good set of numbers. The question was mainly related to your BOPP spread. If I remember correctly, last quarter you did highlight that excluding the one-offs, it would have been INR20 on per kg basis, while the reported number was INR30. But excluding the gains, inventory gains and everything, it would have been INR20 per kg. And now this quarter, if we see the, margins are still, at elevated levels of somewhere around INR29 per kg. This is the base BOPP spread I'm talking about.

So, and this is despite an inventory loss of INR7 crore that you reported. Can you please help us understand, how should we think about this in terms of 4 kg spread, and what is the current spread that is prevailing?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Well, last quarter actually we reported INR30 per kg in Q1, and as you rightly picked, this quarter, Q2, we had INR29 per kg. So broadly aligned. But as you rightly pointed out, Q2 had one-time non-repetitive stock loss of close to INR7 crore, while Q1 had actually stock gain. So that's why, the reconciliation may not be visible upfront, but this is how the margins were.

Aman Agrawal - Analyst, Nuvama AMC
So actually, my question was from one- for 1Q, if you see, you did say in last call that excluding those one-off gains that you mentioned, 1Q margin would have been INR20 per kg is what I understand you said in last quarter. Now, if, you know, while comparing 2Q number, I'm referring more to that excluding gain numbers. So INR20 per kg is more of a comparable number I'm looking over here. And from that level, there's a significant improvement in margin which I'm not able to understand. So just, again, I think on this increase?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
No, I think there's some gap. So apple-to-apple comparison was INR30 for the last quarter.

Aman Agrawal - Analyst, Nuvama AMC
Okay, okay. Secondly, on FY '27 full year capex number, any guidance you'd like to give? I think first half is somewhere around INR90 crores. What's the plan for entire year?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Well, for this year we are looking at close to INR100 crore to INR110 crore of the capex. For the next year, we have actually, there would be maintenance capex and some possible, capex around the specialty growth, but that will not be very high kind of the capex. So capex plan for the next year is, although not yet freezed, it's not going to- I mean, it's going to be, maybe INR50 crore, INR70 crore kind of the range, but little premature to talk.

Aman Agrawal - Analyst, Nuvama AMC
Understood, sir. And lastly, on the Zigly business, sir, we have been talking for a long time of a possible transaction on that business. I understand you had given maybe a scale, rather reach a scale first for a particular level of scale and then look at some transaction coming in. Any update on that, sir?

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
See, the reason for us to talk about the potential transaction was that we believe that the Zigly's valuation is not rightly reflected in the Cosmo First valuation. So we continue to evaluate ways to bring that out. We will come back to you and inform the exchanges when we have something concrete to talk about, but we continue to explore options which help us achieve that objective. The key objective for us is that Zigly's next phase of growth should not weigh on the Cosmo's balance sheet, and that's what we are also trying to address through the various options that we spoke about.

So allow us to come back to you when we have something concrete to share with you.

Operator
Thank you. The next question is from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Kumar Sonthalia - Analyst, AK Securities
Good evening, sir. I have certain questions regarding this chemical business. So this quarter we have grown very well, but out of this sale, how much is third-party sale and how much is in-house sale?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Third-party sale was close to 17% in the quarter two.

Aman Kumar Sonthalia - Analyst, AK Securities
So how we foresee this third-party sale going forward?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Well, the growth rate for the third-party sale is even higher compared to the internal, group sale. So that way, in the years to come, you will see that ratio improving maybe towards 50-50 in the medium to long term.

Aman Kumar Sonthalia - Analyst, AK Securities
Okay, sir. Sir, in the Zigly business and Cosmo Consumer business, the growth is quite good, but if we compare with the previous quarter, the growth rate is quite muted. So what is the reason behind that?

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
See, let's talk about the two businesses separately. If you look at the Cosmo Consumer business, so there is certain element of seasonality which comes in Q2. Overall, if you see that the revenue growth even in Q2 was very high at 70%, and the H1 was 2.6 times of last year. The seasonality was weak because the demand for sun control films peaks in Q1, which is April to June summer, and July to September is slightly lower because of the monsoon.

Aman Kumar Sonthalia - Analyst, AK Securities
And about the jiggly business? Yeah,

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
Again, there is an element of seasonality in Q2 because of summers. The footfall slightly gets lower, on the lower side. Having said that, again, if you look at from a year-on-year expansion point of view, that's still more than 50%.

Aman Kumar Sonthalia - Analyst, AK Securities
So how do we foresee the growth going forward in both the businesses?

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
We continue to project more than 60% growth in both the businesses, and I think we are way on track, very well on track on both the businesses to achieve that level of growth.

Aman Kumar Sonthalia - Analyst, AK Securities
So in the second half, we are coming out with two value-added products. It's one coating line of 16,000 and one You have seen that 10-meter line of your film. So what type of margins we have in this for the business, since you said that's a very high margin business?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Yeah, it is a nine-layer sheet line which is for barrier film, barrier sheets, and the other is a coating line. Both these have very good margins. In fact, as regards barrier sheet line, We have only one other competitor in India. We already have one barrier sheet line and we are adding the second one now. As far as coating is there, we are one of the largest players in the world when it comes to films and coatings, and we are again adding our capacity because of the increased demand in the coated.

Both businesses have roughly 20-plus percent margins on it.

Aman Kumar Sonthalia - Analyst, AK Securities
And sir, we have applied for- we have participated in the tender of currency note. So any update on that?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
It is a confidential matter. Whatever is available in the public domain, that is all we can- I mean, it is there for the investors to look at. We have NDAs and we cannot share much on this.

Aman Kumar Sonthalia - Analyst, AK Securities
And one suggestion to the management, sir, since our equity is very thinly traded in stock markets. So if you can split the sales, it will be very good for the investors to trade.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Okay, noted. Thank you.

Aman Kumar Sonthalia - Analyst, AK Securities
Thank you, sir.

Operator
Thank you. The next question is from the line of Saransh Gupta from SVAN Investments. Please go ahead.

Saransh Gupta - Analyst, SVAN Investments
Yeah, thank you for the opportunity. I hope I am audible.

Operator
Yes, sir.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Yes.

Saransh Gupta - Analyst, SVAN Investments
Yeah, congratulations on a decent set of quarters. So, sir, I had few questions. Firstly, what is the current spread that is going around in the market for BOPP and BOPET?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Well, broadly it's in line with the average of the previous quarter.

Saransh Gupta - Analyst, SVAN Investments
And we expect that to stay at least for the quarter whole?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Sorry, say again please.

Saransh Gupta - Analyst, SVAN Investments
And how are we seeing the trend? Like, will it sustain at those levels? And like, how is it?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Well, I mean, as you know, Q3 generally has a seasonality aspect in the film business. Because

Christmas holidays for the export, and in India you have Diwali festival. So that, that's with that seasonality, they may be, up or down in terms of the margin. Other than this, we see broadly a normal quarter.

Saransh Gupta - Analyst, SVAN Investments
Understood, sir. And sir, if I rightly recall, you said that our specialty and semi-specialty segment would contribute around 60% of our So I believe that for the target of 65% to 70% next year, like, what will be the lever of growth? Like, where is this growth going to come from? And then to 80%?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Next year we had given a projection of 65% to 70%, and, there are multiple business verticals where within the film where this growth is going to come from. We are actually growing in all the business verticals, whether it is Packaging, labels, graphic. But our biggest focus lies in graphic and leading labels and synthetic paper. And in the times to come, we are also looking at security as one of the critical areas to focus upon.

Saransh Gupta - Analyst, SVAN Investments
And so secondly, I see that our consumer business has reported a loss because of increased advertisement expenses. So what can we assume as a timeline for it to become breakeven?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
See, we will continue to invest on the marketing cost for the next two years to build the brand in India to begin with. And therefore, next two years we expect that there could be some losses on this business. They are not so significant for us, and then we will taper it down as a percentage to our revenue.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
And just to add to it, if you exclude the advertisement and the marketing spend, the business is very close to operationally breakeven.

Saransh Gupta - Analyst, SVAN Investments
So we spend around somewhere- we spend somewhere around INR4 crores for the advertisement, if I'm right.

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
Just to, just to add, the way we look at this business is, the other foundational things that we are doing to build this from grounds up. So for example, The dealers that we have been able to add, the number of dealers for PPF has increased from 150 to 250. The window film dealers have increased by close to 150 now across 100 cities. So all those things along with the TVC campaigns that we are running will be able to help us build a brand. And that's the investment that we are doing in distribution and brand in the initial years.

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
And see, with the time, once our volumes scale up, our gross margins will also go up. Right now, the volumes, are growing, on this, year-on-year. And once they reach a certain level, the gross margin will almost go up by 30-40% versus what they are.

Saransh Gupta - Analyst, SVAN Investments
So I just wanted to understand, like, what would be the breakeven level, at least in terms of revenue,

because I believe that we have given a target of INR200 crores till FY '30.

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
I see it is all dependent on how much investments we do on the marketing costs. It's very difficult to give a number like this. As Neeraj mentioned earlier, that without marketing cost we are breakeven already, and therefore it is the prerogative, and we will see a situation quarter on quarter. Our objective is clearly to build the brand and be a very, very strong player to begin with in India.

Saransh Gupta - Analyst, SVAN Investments
Understood, sir. That answers my question. Thank you so much and all the best and happy Diwali to the team.

Saransh Gupta - Analyst, SVAN Investments
Thank you.

Operator
Thank you. Next question is from the line of Abhijit from 129 Wealth. Please go ahead.

Abhijeet - Analyst, 129 Wealth
Thanks for the opportunity. I hope I am audible. My first question is regarding our new 16,000 metric ton coating line, which is Coming online during H2 FY '27.

Operator
I'm sorry to interrupt you, sir, your voice is not very audible. Could you use your handset, please?

Abhijeet - Analyst, 129 Wealth
Yeah, I'm on hand. Is it audible? Is it better?

Operator
Yes, thank you, thank you.

Abhijeet - Analyst, 129 Wealth
Okay, yeah, so my first question, will be regarding the, new 16,000 metric ton coating line which is coming online during H2 FY '27. So, when this, when this line ramps up, will 100% 60% of the substrate comes from our own base film. And, related to this, within our own specialty basket, will the chemical-coated film earn a higher per kg margin than the current specialty average?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Yes, coated films in general earn better margin, and, we, this line has already been commissioned in last quarter. And over the next two to three years, we will like to fill up this entire capacity from the new line.

Abhijeet - Analyst, 129 Wealth
Yeah, so will we use- will the substrate come from our own base film? Will there be captive consumption?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Right now we use entirely our substrate on all the coatings that we do. Having said that, it doesn't mean that in the future we will not explore other substrates. But right now, for last 10-15 years, we have been busy coating our own substrate.

Abhijeet - Analyst, 129 Wealth
Understood. And regarding the semi-specialty margin, it declined from, I think, INR45 in the last quarter to INR40 in this quarter per kg. So can you help us understand what drew the drop in margin?

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Which margins are you referring?

Abhijeet - Analyst, 129 Wealth
Semi-specialty margin. It was-,

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Yeah, please go ahead.

Abhijeet - Analyst, 129 Wealth
Yeah, so last quarter I think it was somewhere around INR45 per kg, and, in the, in Q2 FY '27 it was INR40 per kg.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
The other two factors, one is the customer mix change and the product mix change. Excluding those, the margins were almost close.

Abhijeet - Analyst, 129 Wealth
Understood. And my second question is, with the decline in raw material prices since it has cooled off from the peak, are you still carrying a high-cost inventory that could cause another inventory write-down in next quarter?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Actually, the raw material prices in this month has gone up further. The market is very volatile and it is very difficult to say when the reversal will happen. It is purely dependent on West Asian crisis right now. And yes, at some point in time raw material prices will fall, but very difficult to predict when will they fall.

Abhijeet - Analyst, 129 Wealth
Understood. And, and in the last quarter you had mentioned about, port congestion and container delay. So is that shipping congestion issue completely resolved? And again, how much of Q2 FY '27 volume growth is still over from last quarter?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Yeah, so this situation is also changing, I would say, every fortnight. Last quarter it did become better. In this quarter again we have seen certain challenges on the port side. So we are monitoring this closely, and as we said, this is linked to more wastage crisis than anything else. So very difficult to project anything on this.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
But just to add to it, I mean, if we compare Q2 versus Q1 in terms of the port congestion situation, It has slightly improved in Q2, and that's why, I mean, it's reflecting in the better volume also for the quarter two.

Abhijeet - Analyst, 129 Wealth
Understood, understood. Yeah, thank you so much, and this is all from my end. All the best.

Operator
Thank you. [Operator Instructions] The next question is from the line of Kevin Gandhi from CapGrow Capital. Please go ahead.

Kevin Gandhi - Analyst, CapGrow Capital
Hello, sir. Thanks for taking my question. I hope my voice is audible.

Operator
Yes, please proceed.

Kevin Gandhi - Analyst, CapGrow Capital
Yeah, so just one question about the coating, specialized coating line of 16,000 metric tons and, the, nine-layer line. So just wanted to know what's the capex which you spend on these two capexes which you speak?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
All this capex has largely been included in the Q2 financials. So you may not expect any further capex on these two assets.

Kevin Gandhi - Analyst, CapGrow Capital
Okay. Okay. And okay. Okay. Okay. Got it.

Operator
Thank you. Thank you. The next question is from the line of Anil Nahata from Parami Financial. Please go ahead.

Anil Nahata - Analyst, Parami Financial
Yeah, congratulations on a very decent performance given the very tiring circumstances as mentioned by the Chairman. So that is very heartening to see. My first question would be to understand more on the JV with Korean entity and what is the scope of this JV and how- I mean, how it is going to pan out in terms of volumes and value over the next couple of years, products value, everything else. So I would appreciate if you can give us a slightly detailed explanation on this.

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
Yeah, so see, Korea and Japan are specialty markets. The customer approvals takes its own course of time, so it will happen in a phased manner. But then over a period of three to five years, we do expect decent margins to come from that geography. We are working on Japan side also by having our own team. And in Korea, we have done this joint venture to grow the volumes over there. But it is going to take some time because these markets, their approval process is longer than the other part of the world. And then the customer retention also is much higher.

Anil Nahata - Analyst, Parami Financial
And so this is basically us putting our products into their channel. Are we also taking their existing product into our channels in Europe and US?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
We are doing both.

Anil Nahata - Analyst, Parami Financial
Okay, okay. Thank you so much.

Operator
Thank you. The next question is from the line of Aaryan from Aequitas Investment. Please go ahead.

Aaryan Vadaria - Analyst, Aequitas Investments
So congratulations on a great set of numbers. I just wanted to understand the two lines which we are going to start in H2 FY '27. So can you give some kind of date as to when we will start and what is the revenue potential, additional revenue potential from these two lines?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
See, both are specialty assets, so they will take some time to grow on revenue, because in both the cases, we'll have to have customer approvals for them. So you will see quarter-on-quarter growth on both the numbers, and they're both high-specialty margin lines, so you will accordingly see progress.

Aaryan Vadaria - Analyst, Aequitas Investments
So at the peak, what is the revenue potential with these two lines?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
See, when it comes to coating, it will be a value-add on our film. The value-add potential, could be anywhere between $0.70 to $1 per kg. When it comes to a barrier sheet line over a base, sheet, it adds another, $0.70 per dollar to, on per kg basis. So as we said, both the assets are high margin businesses. At the same time, there are customer approvals which takes its own time.

Aaryan Vadaria - Analyst, Aequitas Investments
Understood, sir. And the second question would be that, you have mentioned that, the USA film business was good this quarter. So just wanted to understand, number one, was it good because it was a low base last year because of tariff? That is number one. Number two is that, we were I've been hearing a lot of companies say that freight rates have increased a lot. So it was very difficult to export the product because the freight rate was unsustainable. So are we facing that kind of problem? Because what has the volume growth been like in this quarter? So just wanted to get more understanding on the US sales.

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
On the specialty, on your previous question, I would also like to clarify that in spite of such a big base, We have grown 20% in H1 on the specialty in films, and in plastic we have grown more than 50%, and chemical itself has more than 50% volume growth. So all three businesses, where specialty is the focus, we are growing phenomenally well, and that is because of multiple efforts that the company is taking. On your second question of US, we have grown 35% in this quarter. You're right that partially the base was somewhat lower.

It was not lower because if you remember the previous calls, we had always stated that we did not lose any customer in US. So yes, our growth did not happen in the last year, but we were able to maintain all our customers and our entire volume. So 35% growth is largely efforts from the team

which led to such a phenomenal growth. And we expect this growth momentum to continue in the market because customers really liked our approach when the duties were levied. Most of the suppliers went away from the market while we were able to find an amicable solution with the customer.

So customers really loved our approach and therefore more and more customers want to work with Cosmo.

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
And just to add, in our last call we had indicated a growth from US business close to 25% in volume terms. So the current growth of 35% is- we are ahead of that guidance that we had given, and we are confident that we will be able to continue on that path.

Aaryan Vadaria - Analyst, Aequitas Investments
So the 35% growth is volume growth? That is a very good number. Yeah. Great, sir. All right. And, thank you for that, gentlemen, for joining as well. We hope to see you on the further calls. Thank you.

Operator
Thank you. The next question is from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

Kaushik Poddar - Analyst, KB Capital Markets
With all the kind of incremental capex on value addition, what is the kind of margin? What is your target margin, say, three years down the line?

Kulbhushan Malik - Chief Executive Officer - Films Business, Cosmo First Limited
See, what we are constantly trying is to improve our specialty margins and also grow specialty volumes. So we will continue to be on that track. We are continuously building products which have better margins than our existing products. So we will continue on that track. And, they do not increase significantly in a quarter. It takes a few quarters before you start seeing absolute per kg jumps or percentage growth. And I'm sure as an investor you must have seen that year-on-year we have not just grown volumes but have also grown the margins on the specialty.

Pankaj Poddar - Group Chief Executive Officer, Cosmo First Limited
And historically, if you have seen that, as a company we've always focused on specialty, and that's our strength. Over the last seven-year CAGR for specialty volumes, we have grown more than 10%. And even at the largest- one of the largest capacity base, we still hope that we will continue to be growing in specialty at a 10% volume growth minimum, while in this quarter we grew by close to 20%.

Kaushik Poddar - Analyst, KB Capital Markets
Okay, okay, the direction- okay, I get a sense of the direction. Thank you.

Operator
Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Thank you, and over to you.

Neeraj Jain - Group Chief Financial Officer, Cosmo First Limited
Well, thank you. So to summarize, all our B2B businesses are profitable now. The FY '27 focus for the company shall be on higher return on capital employed with higher specialty sales, sweating out the assets more efficiently, and substantially grow the B2B and B2C businesses. Further strengthen the financial resilience by reducing the corporate net debt over the next two years. So at the end of the con call, I would like to repeat the stretchy declaration once again. Certain statements in this con call may be forward-looking statements.

These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. These statements are not guarantees of future results. Many thanks for joining. Thank you.

Operator
[Operator Closing Remarks]