Management Discussion

Vinay Pandit - Investor Relations, Captify Consulting
Thank you, Nirav. ladies and gentlemen, on behalf of KAPTIFY Consulting Investor Relations team, I welcome you all to the Q2 and H1 FY27 earnings call of Kanpur Plastipack. Today on the call from the management, we have with us Mr. Manoj Agarwal, Chairman and Managing Director, And Mr. Shashank Agarwal, Deputy Managing Director. I would now request the management to brief us about the business and performance highlights for the period ended September 2026, the growth plan and vision for the coming year, post which we will open the floor for Q&A.

Over to the management team.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
I welcome you to Kanpur Plastipack's earnings call for the 2nd quarter financial year 26-27. Thank you all for joining us today and for your continued trust and confidence in the company. On behalf of Kanpur Plastipack, I extend a warm welcome to all our investors, analysts, and stakeholders to our earnings call for the quarter and half year ended 30 September 26. Building on the strong start we made in the first quarter, Q2 financial year 27 has been another quarter of healthy growth for the company.

Revenue for the quarter stood at Rs 235 crores, the highest quarterly revenue in the company's history, and profit after tax more than doubled year on year to Rs 15.1 crores. Compared with the first quarter, EBITDA grew by about 14.5% and the profit after tax by about 24%. This performance reflects the resilience of our business model the confidence of our customers, and disciplined execution by our team. The global business environment remained challenging during the quarter. Polypropylene prices moved back close to the high levels seen on March 26th owing to the continued geopolitical situation in the Middle East.

High energy costs in Europe continued to weigh on the chemical industry, one of the key users of FIBC, particularly in Germany. Although ocean freight eased during the quarter, they remained elevated, and constrained container availability continued to disrupt supply chains. Despite these headwinds, our diversified export presence, long-standing customer relationships, and agile approach to procurement enabled us to deliver robust growth in profits. Our focus remains unchanged. We continue to execute a long-term strategy of strengthening the quality of our business while creating new avenues of growth.

Rather than pursuing growth purely through higher volumes, we remain committed to improving our product portfolio, expanding into value-added applications, and building capabilities that support sustainable profitability over the long term. FIBC remains the cornerstone of our business. Contributing approximately 66% of our manufacturing revenue for the quarter. Over the years, we have built lasting relationships with customers in international markets, which has helped us maintain a stable business through changing market conditions.

Our customer base across Europe, North America, South America, and other markets gives us resilience and a broad base for growth. Our continued participation in international trade fairs has strengthened our inquiry pipeline and helped us expand our reach into new markets. As informed earlier, the capacity expansion of FIBC to add about 6,000 metric tons per annum in phases over 5 years and take the total capacity to about 24,000 metric tons per annum remains on track. Production has already started on the ground floor of the new building at Unit 3.

The first and second floors are now expected to be completed shortly. Our joint venture with

Essegomma Italy through Essekhan Private Limited continued to build its presence in premium Taslan yarn segment. The internationally recognized certification Global Recycled Standard, also called GRS, and OEKO-TEX will strengthen our positioning in markets, enhance customer confidence, and support value creation. These certifications are making- marking a significant milestone in our journey towards sustainable innovation, superior quality, and global competitiveness.

The response received from the customers has been encouraging, and we are confident of scaling up sales in the next half of the current financial year. Our entry into the non-woven textile, technical textile segment remains one of the company's key strategic initiatives. We see significant long-term opportunities in this business across automotive interiors, geotextiles, artificial leather, carpets, footwear, and other industrial applications. Despite slight delays due to heavy rains, We remain on track to commission the non-woven fabric facility in this current quarter, with the first line expected to be commissioned by the 15th of November '26.

Once operational, this business is expected to gradually become an important contributor to our growth while complementing our existing packaging portfolio. Together with our investments in premium polypropylene yarns and specialized applications, It reflects our vision of transforming Kanpur Plastipack into a well-diversified industrial packaging and technical textiles company, expanding our addressable market while also improving product differentiation and value addition. Our entry into these spaces will also open up opportunities in select B2C-linked applications and further diversifying our business model.

Sustainability remains central to the way we operate. During the quarter, about 52% of our power requirement was met from renewable sources. We continue to strengthen our ESG practices through responsible manufacturing, energy efficiency, recyclable product designs, and internationally recognized certifications. Overall, while near-term market conditions may continue to see volatility, we remain confident in the strength of our business model our customer relationships, and the strategic investments we have already- our objective remains clear: to build a stronger, more diversified, and future-ready organization capable of delivering sustainable growth and long-term value for all stakeholders.

With that, I would like to invite our Deputy Managing Director, Mr. Shashank Agarwal, to take you through the operational and financial performance in more detail. Thank you, everybody.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Thank you and good afternoon to everyone joining us today. As the chairman highlighted, we have continued the momentum of the first quarter into Q2. Let me briefly take you through the financial performance for the quarter. For the second quarter of FY27, on a standalone basis, despite a very challenging global environment, the company reported a total income of Rs 238 crores Reflecting a growth of about 43% year on year. EBITDA for the quarter stood at Rs 25.4 crores, registering a 55% growth year on year.

The margin improved from 10.67% to 9.83% in the corresponding quarter of the previous year, broadly in line with 10.69% in Q1. PAT stood at Rs 15.10, almost doubled on a year-to-year basis, while basic earning per share increased Rs 6.16 compared to Rs 3.25. For the half year ended 30th September, the total income stood at Rs 445.64, up by 28%, EBITDA at Rs 47.59 crores, and PAT at Rs 27.25 crores, more than double of Rs 13.07 crores of H1 FY26. Basic EPS of the year stood at 11.11 compared to 6.26 in the corresponding period.

On a consolidated basis, total income for the quarter was 240.22 crores and PAT at 16.06, up by 100% year on year. Export realizations remain strong. Export sales were 119.81 crores, marginally higher than 119.16 even though the export volumes were lower at 4,757 tonnes against 6,591 tonnes during the quarter. Realizations continue to remain strong with an average selling price increasing by 14% compared with the previous quarter. PP prices rose again during the quarter towards the- which was seen towards the end of March 26th, but our pricing discipline enabled us to largely pass on the increase in the input costs.

As a result, manufacturing segment margin improved to 11.65% from 8.95% in Q1 FY27 and 6.34% in Q2 FY26. This, coupled with our disciplined procurement strategy and improved product mix, contributed to stronger margins during the quarter. On trading, segment revenue was Rs 78.96 crores compared to 16.87 in Q2 FY26. The company reported a trading profit of Rs 1.16 crores compared to Rs 2.59 in the corresponding quarter of the previous year. As I mentioned earlier as well, primary focus continues to remain on our core manufacturing business.

Given our understanding of the polymer market and established procurement capabilities, selectively capitalize on opportunities arising from market dislocations globally price volatility wherever they align with our risk management framework. On the other operating incomes and other incomes, other operating incomes for the first quarter was- for the- for this quarter was 13.11 crores, of which 12.4 crores was export incentive under the DFIA scheme. Against Rs 2.64 crores in Q2 FY26. Since DFIA income is recognized on realizations of the licenses, it varies significantly from quarter to quarter.

Also, this was suspended in Q1 FY27 by the Government of India. Other income for quarter was Rs 3.52 crores which includes foreign exchange gain of Rs 2.24 crores. Other income for half year was Rs 7.85 crores, of which Rs 5.57 crores was a net gain on foreign exchange. As an export-oriented company, a large part of our receivables are in foreign currency, and the gain reflects the exchange rate movement during this period. We treat this as linked to our export business, but it depends on currency movements and should not seen as a recurring trend.

Higher employee cost- employee benefit expenses for the quarter stood at Rs 21.41 crores, an increase of about Rs 4 crores or 23%. As I explained in the last quarter, this primarily reflects the annual salary revision and increase in minimum wages in line with the state government's revised wage policy. This also includes the director's commission increase due to higher profits as compared to the corresponding period. Compared with Q1 FY27, employee costs were broadly stable. While this has increased our operating cost, the company continues to implement focused initiatives around cost optimization, operational efficiencies, productivity improvements, and value-added products to mitigate the impact and sustain healthy margins going forward.

Borrowings on the debt side. Total borrowings as on 30th September stood at Rs 162.61 crores, out of which Rs 39.76 crores was long-term borrowing and the balance Rs 132 short-term- sorry, Rs 132 crores was the total borrowing on 30th June '26, and the long-term stood at Rs 22.83 at that time. This increase is due to new term loan for our non-woven project. Our net worth stood at Rs 290.56 crores and debt-equity remained at 0.56 times. The increase in borrowings during the half year was driven by capital expenditure.

The capital work in progress rose by about Rs 37 crores during the half year to Rs 45.67 crores. As ongoing projects move towards completion. Yes Bank has sanctioned a term loan of crores for these projects, out of which Rs 27.38 crores has been availed as on 30th September. Higher receivables: trade receivables increased by Rs 26.32 crores to Rs 120.6 crores, in line with the higher selling

price. GST refunds and other current assets increased by Rs 11.19 crores. IGST refunds of Rs 12.64 crores were receivable as on 30th September '26.

Exports and product mix. Exports continue to be the backbone of our business. During the quarter, contributed 65% of our geographical mix, followed by North America at 17% and South America at 14%, the balance coming from Australia, Asia, and Africa. The diversified geographical presence helps us mitigate regional demand fluctuations. Based on product-based revenue mix, FIBC grew from 60- from- grew to 66% from 54%. Fabrics shrunk from, uh, to 18% from 20%. Multifilament remained stable at 9% from 8%.

UV master batches, small bags, and geofabrics all remained under 3% in this quarter. From an end-user perspective, our revenues remain well diversified across food and agriculture, industrial packaging, construction, automotive, and mining, reducing the concentration risk across demand cycles. Coming to the projects update, against a total project cost of Rs 106.9 crores, we had incurred Rs 78.86 crores or about 74% up to 20th October 2026. Some activities have taken longer than planned, mainly because of exceptional heavy rainfall in Kanpur during the monsoons and also machine commissioning issues related to overseas visa regulations.

FIBC capacity expansion was updated- was the update was given by the chairman. Non-woven technical textiles punching machine and was received on August 26th, and commissioning of the first line is now complete- is expected to complete by 15th of within our Q3 FY27 target. Civil work was held up initially due to the heavy rainfall and then the late arrival of the suppliers' engineers. The project is slightly delayed but within our targeted schedule. Roll management system and warehousing- the building for this shall be completed between 15th and 30th November.

The warehousing for trading division for IOCL has already been completed. On the manufacturing front, we continue to invest in automation, process optimization, infrastructure debottlenecking across our facilities to improve productivity, quality consistency, operation efficiency, and agility in the lead time. Valex Ventures, as we had indicated last quarter, our UK subsidiary regained its profitability regime in Q2 FY27 after a small loss in Q1, supported by customer supplies scheduled after the implementation of the free trade agreement and structural changes that have been undertaken there.

Order book and outlook during Q2 FY27, the order book and demand was affected by a couple of factors. First, the polymer prices historically remained at the highest levels. At these prices, customers are reducing their inventory levels. Second, the energy crisis in Europe caused by shortage of oil and gas has driven up power costs and hit industrial activity, particularly the chemical sector in Germany Europe is our largest market, accounting for almost 65% of geographical mix, and the weak- the weakness in the European demand remains our area of concern going forward.

The third factor was the El Niño weather conditions that affected agriculture output and also fertilizer demand in agriculture-based economies such as Brazil, reducing the demand for bulk packaging in these segments. Fourth, The ocean freight cost remains high and container availability at Kanpur ICD was also affected during this period. This raised the landed cost of our products for overseas buyers and had led some customers to defer purchases. We continue to issue regular market advisories to our customers to enable timely commercial discussions and fair pass-through of cost increases.

We do see some easing out on this front. Our diversified customer base across Europe, North America, South America, and markets with long relationships give us resilience during these tough times. Despite lower volumes, our focus on realizations and improved product mix helped us to

continue with the profitability. Customers are buying closer to their immediate requirements. Most of our order book continues to be for dispatch within a month. Consistent with the demand visibility of three to 4 weeks as mentioned earlier.

We have seen a slight dip in the average order quantity during this period. Looking ahead, we expect these conditions to persist in the near term and volumes in the quarter may also remain affected. We are monitoring demand extremely closely, particularly in Europe, and remain focused on protecting realizations managing working capital carefully, and widening our customer base. At the same time, FIBC capacity expansion nears completion, the completion of non-woven facility, and our continued focus on value-added products and new markets, we remain confident about our medium to long-term prospects of the business.

We are also exploring inorganic growth opportunities both in India and overseas to strengthen our market presence, customer base, and product portfolio. While we are actively scouting suitable opportunities, nothing material is visibly present today. We will remain selective and financially disciplined, focusing on acquisitions that create long-term value for our shareholders and fit well into the culture of the organization. With that, we conclude our opening remarks. Thank you once again for joining us today.

We would now be happy to take questions.

Questions & Answers

Operator
Thank you very much. We'll now begin the question and answer session. Anyone who wishes to ask a question may [Operator Instructions] If you wish to remove yourself from the question queue, you may [Operator Instructions] Participants are requested to use handsets while asking a question. Ladies and gentlemen, We will wait for a moment while the question queue assembles. Participants, you may [Operator Instructions] First question is from Madam Agastya Dave from CAO Capital.

Please go ahead.

Agastya Dave - Analyst, CAO Capital
Hello, am I audible? Yes. Thank you very much for the opportunity and congratulations on very good numbers. so especially, uh, I was very positively surprised with the inventory and the receivable numbers. They did not spike, uh, disproportionate to the revenue, uh, given what, what all has happened in the- on the raw material side. Uh, so, uh, the 3 months during the quarter were all very different, right? The raw material costs were all over the place. So can you provide some commentary what happened when the prices corrected and then the prices again went up?

I'm looking at the crude prices here, so I'm assuming that the product prices were also all over the place. So did you see any particular challenges? Is supply bottleneck in terms of raw material supply? So that's the first question. And second, a broader question. So over the next few years, can you give the effective increase in your capacities across all product lines now in terms of actual numbers, volume numbers?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Yeah, so I'll take the easier one first, which is the capacity expansion. So FIBC is currently- the capacity is about 18,000 tonnes and we plan to move to 24,000 tonnes over the next 5 years. Non-woven, the capacity will be around 12,000 tons a year. Uh, this capacity will be visible only in

the next financial year because half of this capacity is going to come up in this quarter and half of this capacity will come up by the end of the next quarter. On the multifilament side, the yarn business, uh, the capacity is, uh, 10,000 tons a year as well.

This used to be about 7,000 tons and due to this expansion, this is around 10,000 tons. On the geotextile front, the capacity is around 2,500 to 3,000 tons. Uh, on the polymer side, yes, we did see a dip in July when there was surplus of polymer, mainly due to the softening of the war situation during, uh, at the, at Hormuz and the government regulation on LPG production going away. But then by the time September came, this all started coming back again as it was the case in end of. So yes, you are absolutely right, we have seen extreme volatility during this quarter.

And yes, despite the troubles in the freight and despite the inventory buildup that is there, we have been- we have tried to remain extremely disciplined with our inventory. And our long-term relationships with our customers have helped us to keep the receivables in line.

Agastya Dave - Analyst, CAO Capital
So this volume destocking that you talked about in your opening remarks, uh, to what extent it has already happened? So channel inventory, how much of it has gone down by? And if, let's say,

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Can you please repeat again?

Agastya Dave - Analyst, CAO Capital
So you said that your customers are destocking. Because of the high prices and anticipate in anticipation of lower prices. So how much of that destocking has already happened? So let's say the peak peak numbers were at let's say hundred. How much has been falling? What could be the lowest? Agar sir, sorry we are losing your audio.

Operator
Can you repeat your question once again please? And can you come in a better reception area?

Agastya Dave - Analyst, CAO Capital
Sir, am I am I clear?

Operator
No, still breaking terribly.

Agastya Dave - Analyst, CAO Capital
Hello

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
I think I will so I try to answer it and then if something is left then you can please ask so I mean if the capability to destock is let's say 100 or understanding is that have been able to destock by about 40 in the previous quarter and we are ex

Agastya Dave - Analyst, CAO Capital
Okay, understood. So even after such a large amount of destocking, you have seen reasonably good volume growth, right? And, uh, so

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Volume growth is not visible. Our manufacturing volume has actually gone down.

Agastya Dave - Analyst, CAO Capital
Okay, okay, okay, okay, I, I understand that. Okay, okay. So, so probably this continues for one more quarter. After that, sir, do you think there would be further- will they like destock further. There would be a bare minimum that, that the channel generally keeps, right, for normal operations.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
We are in extreme volatile situations. We do not know what will happen

Agastya Dave - Analyst, CAO Capital
In the

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Beginning of next week. We do not know how the war will escalate. We do not know how long the energy crisis will go. We are unaware of how the winters will go. Uh, what is in our control, we are very confident of that. That is consistency and discipline, and we will continue to remain extremely disciplined and consistent.

Agastya Dave - Analyst, CAO Capital
Right, sir. Thank you very much, sir. Thank you very

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Much. Obviously, the relationship really comes out during this period. So, uh, our customer relationships have been very strong. We are receiving a record number of customer visits during this period. We have made a record number of customer visits during this period, so relationship is getting stronger.

Agastya Dave - Analyst, CAO Capital
Understood, sir. Thank you very much, sir, and thank you for explaining everything, sir. I was missing a couple of points. You clarified everything. Thank you very much, sir. Thank you. All the best.

Operator
Thank you. Participants, you may [Operator Instructions] Next question is from line of Vishwender Singh from Prudent Equity. Please go ahead. Vishweshwar, can you please unmute your line and proceed with your question? Yes,

Vishwender Singh - Analyst, Prudent Equity
Uh, so debt has been, right, uh, gone significantly higher. So what sort of peak debt are you looking at to end With this year and next year post the CapEx commissioning.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Sir, I have not understood the question. Could you be a little louder and clearer, please?

Vishwender Singh - Analyst, Prudent Equity
Is it better now? My voice is better now.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
[Foreign Speech]

Vishwender Singh - Analyst, Prudent Equity
Sir, [Foreign Speech] So what sort of peak debt are you looking to, have a debt to equity on our books for FY27 full year and FY28 post the commissioning of the CapEx?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
I'll just hand it over to CFO to answer the long-term debt, how much it will be. But the short-term debt is basically based on the raw material price increase, and if this remains, uh, the pricing at what it is today, we should be increasing our debt on the same number of days worth of revenue and inventory. But on the long term, uh, so, uh, as already announced in the last quarter that we are going to, uh, introduce a new project in which we are taking a Rs 40 crore piece of loan out which we have already taken near about Rs 27 crore of loan.

So, so the peak debt will be 40,

Vishwender Singh - Analyst, Prudent Equity
Uh, near about, uh, Rs 40 to Rs 45 crore in the, uh, by the end of this year. Got it. And on the expansion part, you mentioned that you had some delays due to monsoon and other construction activities. So post the commissioning, what sort of top-line growth are we looking at in FY27, FY28, sir?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
FY 27-28 for non-woven, uh, our targeted revenue is-

Vishwender Singh - Analyst, Prudent Equity
Can you please repeat, sir? Your voice was a little from- non-woven

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Revenue expected in FY 27-28 is between 100 and 120 crores.

Vishwender Singh - Analyst, Prudent Equity
And on the margin side, you mentioned somewhere 14 to 15%. So are we staying on that, or we see pressure

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
No, that's the expectation.

Vishwender Singh - Analyst, Prudent Equity
Okay. And now FIBC, what sort of additional revenue would you be seeing from that segment, sir?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Sorry, I can't understand.

Vishwender Singh - Analyst, Prudent Equity
Sorry, sir. FIBC capex [Foreign Speech] in this year and next year?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
So this year we are not expect. So I mean I am if you talk about manufacturing volume The expectation is only a minor 5 to 10% increase because the demand continues to be a problem. Uh,

next financial year, the expectation is about 20% growth in FIBC manufacturing volume. Revenue growth will definitely be there this year because of the increased prices, but manufacturing volume-wise, we are talking about a 20% growth next year.

Vishwender Singh - Analyst, Prudent Equity
Got it. And lastly, on the region-wise, our revenue has been like concentrated in the European segment, and we are hearing some pressure in the industrial demand from the continent. So are you also seeing similar sort of slowdown from your customers, or is it similar? Yes,

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
We are seeing a slowdown from our customers in Europe.

Vishwender Singh - Analyst, Prudent Equity
So are we sort of diversifying into more regions going ahead? And in majorly which area sir

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Yes, we are continuously exhibiting and we are meeting people across other regions and focus continues to continue to expand the market. So that remains this.

Vishwender Singh - Analyst, Prudent Equity
Okay sir that would be thank you

Operator
Thank you. Participants, remember to star and one to ask the question. Next question is from line of Saket Kapoor from Kapoor and Company. Please go ahead.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Yeah, uh, namaskar, sir. Uh, hope I'm audible. Yes, you're audible. Yes, yes, sir. Firstly, sir, thank you for a very exhaustive, uh, opening remark. Uh, you have captured all, all the possible points And also for the press release, that this was also- there was a good change, very positive change there also, and we hope that for the continuity. Firstly, about the other operating income part, if you could just give me the number, uh, that was for the incentive that we have received out of the Rs 13 crore, which is really a non-recurring one.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
So, uh, yeah, so crores was the other operating part, out of which, uh, IOCL is about Rs 0.34 and DFI is about Rs 12.4 and foreign exchange is about Rs 2.24. Yes, so yeah, Rs 12

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Crore will be the non-recurring number going there. We have been accounted for it.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
A portion of it would continue to remain recurring. because in Q1 this was completely absent, so this may be considered as a Q1-Q2 average. But going forward, uh, we would believe that 3 to 4 crores of, uh, export incentives would remain there.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
3 to 4 crores per quarter will be there?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Yes, yes, yes.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Okay, so easily we can eliminate that, uh, 7 to 8 crore from, from the Operating from the operating profit numbers. That is that the PBT number of Rs 21 crore has an exceptional item of Rs 8 to Rs 9 crore that is not non-recurring. That understanding is correct.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
The way I would see it is Q1 plus Q2 is Rs 12.4 crores. So yes, Rs 6 crores can be eliminated if you are only looking at a quarter result.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Correct, sir. Secondly, when you, when you mentioned, uh, about, uh, the, uh, the, the, uh, the order booking, uh, depleting from, from especially from the European customer, and now we are coming up with our CapEx, uh, for the FIBC. So if you could just give us outline, how are we then going to sell the expanded capacity? And for H2, What kind of incremental volume of FIBC would be, would be there for, uh, for selling other than what we manufacture today?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Yeah, so thank you for this important question. Uh, I would like to answer this in 2 ways. One is that yes, we will be absolutely ready whenever the demand comes back. So we will absolutely be ready when the demand comes back. And the second part of it is that we have to differentiate the factors that we can control and the factors that we cannot control. So global demand today is not in our control, but what is in our control is where we are selling to, and that is why we are expanding our geographies.

The moment the polymer prices stabilize and customers start rebuilding inventory, we expect the volumes to recover because of our long-standing customer relationships. We are also positioned very well for that. So in the near term, as I said, the coming quarter, half a quarter, one quarter, two quarter might be affected, but it is also good for the business to build muscle during this period.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Correct. And sir, as you mentioned to the earlier participant also, that it is very difficult to, to visualize how things will pan out going ahead because of so many variation as per your planning and as per the your experience what should be then be reasonable EBITDA margin that we expect for to going forward factoring all this degrees of market RM customer demand [Foreign Speech]

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
See, we are trying to manage our risks to our best abilities, so we would not like to give specific numbers at this stage. Initial months after commissioning of the non-wovens also, uh, we- there'll be trials, there'll be customer approvals, uh, so the contribution would come up in the following quarters. And to give a guidance in this volatile environment, I do not think is quite, uh, appropriate or judicious at this moment.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Right, but can you give the additional volume for H2 for FIBC that will be post the commissioning? And it was mentioned that both the machines were received, so if you could just explain to us the significance, uh, of the same. Does it pre-pone the CapEx, uh, or the commissioning, or what is the

significance?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Sorry, could you repeat the second part of it?

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Uh, sir, you have mentioned that we have received both the machines for the CapEx for FIBT. So non-woven has 2-

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Non-woven has 2 major machines. One of them will be commissioned by 15th of November and the other will be commissioned by middle of February.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Okay.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
FIBC ground floor is- FIBC ground floor is already commissioned. First and second floor will be commissioned by end of this month, that is November. But on how much capacity is being able to be utilized is dependent not on our capacity but on the basis of the demand that is there in the market. So the moment we see revival in the demand, we shall be able to utilize our capacities better.

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Right, sir. So I was just referring to the release wherein you have mentioned for under the FIBC that machinery for both Phase 1 and Phase 2 has been received, marking an important milestone in the project. I'll just have

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
A look at that. I'll answer this question. In the meantime, if there is anything else, then, uh,

Manoj Agarwal - Chairman & Managing Director, Kanpur Plastipack Limited
Correct, sir. I will also then join the queue, sir. And once again, sir, thank you for the elaborate discussion that is continuing. Like,

Operator
Thank you, participants. You may [Operator Instructions] Next question is from line of Lakshmi, individual investor. Please go ahead.

Lakshmi - Analyst, Individual Investor
[Foreign Speech]

Operator
Sorry your voice is breaking can you please come in a better reception area your voice still breaking

Lakshmi - Analyst, Individual Investor
Am I audible now, sir?

Operator
Yes, ma'am.

Lakshmi - Analyst, Individual Investor
Yeah, so, uh, my first question is, the Essegomma JV has commenced commercial production and sales. So what revenue has it generated in Q2, and what is the current capacity utilization? And also, when do you expect it to reach operating break-even?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
So, uh, in it has done lakhs. In Q1 it did 22 lakhs. Uh, and by- in the next financial year, our target is to do between 10 to 12 crores. Capacity utilization is still very low. Uh, we continue to get extremely good feedback from the market and approvals are, uh, going on. Um, it's a high gestation project. It takes time. But directionally it is moving absolutely in the right direction and we are happy with the direction and the speed both.

Lakshmi - Analyst, Individual Investor
And so what level of annual revenue and EBITDA levels can it potentially contribute at full utilization?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Rs 10-12 crore next year is what we plan to do. With the current capital investment, it would- it can go up to Rs 25-30 crores. But I explained in the previous quarter call as well, that the CapEx required for this is extremely low, so that will not be the bottleneck. It is market acceptance and market demand that will drive this product forward.

Lakshmi - Analyst, Individual Investor
Uh, okay, so my next question is that the company has indicated a phased FIBC capacity addition of up to 6,000 tons over the next 5 years. So how much additional capacity is now operational And the current utilization of the expanded capacity? And also, what incremental revenue can it generate without further major CapEx?

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
I think I answered this in the last couple of questions.

Lakshmi - Analyst, Individual Investor
Okay, sir. And one more question, uh, could you throw some light on how we are working on increasing the share of higher value-added products and EBITDA per ton Since I see that other- I, I see that the EBITDA per ton has increased YOY over the last three years.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Yeah, so, uh, percentage share of, uh, manufactured products went up from 54% to 66% in FIBC in this quarter. So FIBC is our target. We will continue to increase FIBC Volume, and that is positionally our aim. And also with the non-woven addition, that is all higher value added. So the entire capital allocation and management allocation is on higher value added products.

Lakshmi - Analyst, Individual Investor
Okay, sir, thank you for the opportunity. That's it from my side. Thank you.

Operator
Thank you. Participants, you may [Operator Instructions] As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Shashank Agarwal - Deputy Managing Director, Kanpur Plastipack Limited
Thank you everyone for joining the call and being patient with us. We invite you to our plant. Anybody can get in touch with Taptify to organize a plant visit. Thank you.

Operator
Thank you very much. On behalf of Kanpur Plastipack Limited, that concludes this conference. Thank you for joining us, and [Operator Closing Remarks] Thank you.