"Essel Propack Limited Q4 Financial Year 2014 Earnings Conference Call"

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ANALYST: **MR. PRASHANT KUTTY - SENIOR RESEARCH ANALYST, EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

MANAGEMENT: **MR. ASHOK GOEL - VICE CHAIRMAN & MANAGING DIRECTOR - ESSEL PROPACK LIMITED**
MR. A. V. GANAPATHY – CHIEF FINANCIAL OFFICER, ESSEL PROPACK LIMITED
MR. M. R. RAMASAMY - PRESIDENT, ESSEL PROPACK LIMITED
MR. ROY JOSEPH – REGIONAL VICE PRESIDENT – AMESA, ESSEL PROPACK LIMITED
MR. VINAY MOKASHI – FINANCIAL CONTROLLER, ESSEL PROPACK LIMITED
MR. AMIT JAIN - HEAD OF TREASURY, ESSEL PROPACK LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY 2014 results conference call of Essel Propack Limited, hosted by Emkay Global Financial Services. We have with us today Mr. Ashok Goel, Vice President and Managing Director, Mr. A. V. Ganapathy, CFO, Mr. M. R. Ramasamy, President, Mr. Roy Joseph, Regional VP AMESA, Mr. Vinay Mokashi, Financial Controller, Mr. Amit Jain, Head of Treasury of Essel Propack Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Kutty, Senior Research Analyst of Emkay Global. Thank you and over to you Mr. Kutty!

Prashant Kutty: Good morning everybody. Sorry for the delay. Thank you for joining us today. We would like to welcome the management of Essel Propack Limited and thank them for giving us the opportunity to host this call. I would now like to hand over the call to Mr. Goel for his opening remarks. Over to you Sir!

Ashok Goel: Thank you Prashant. Good morning ladies and gentlemen. First of all again let me welcome all of you to the investor's call of Essel Propack. I am sure all of you have received the investor's note and seen that this year has been historic ; milestones that we have achieved where the sales have crossed over Rs.2000 Crores. The profit has crossed Rs.100 Crores and the important milestones are that ROE & ROCE that is return on equity and return on capital employed has improved significantly and that is the direction we are heading towards.

As we have been mentioning that your Essel Propack now is also focused on non-oral care which basically has expanded its market about threefold, and therefore the growth opportunity and that too with value growth is kind of ensured. All the building blocks towards building the capability to service the non-oral care sector has been put in place and now it is the time for us to reap the benefits. So your company is on the growth path and the management is confident that we will continue to see this growth momentum for years to come. I think let me be brief on this and open the floor for questions, Ganesh you may like to mention some highlights. Thank you.

Ganesh Ganapathy: Thank you Ashok. In fact as Ashok mentioned, we are happy to present the results for this quarter as well as the full financial year ending March 2014 . In terms of the revenue growth, we have netted 16.1% and for the quarter alone our growth has been very good at 22.5%; the satisfying thing about this is that the growth is coming across from all the regions for us. AMESA grew at 11.1%, East Asia Pacific grew 18.3%, Americas have grown 7.1% and very important to us is where we are getting our strategy right in Europe, where 28% is the growth we have recorded for this year. So this is also getting reflected across in the growth we have achieved in the regions.

Our overall operating margin is 10.8% which has actually expanded by 60 basis point. A large part of expansion has been contributed again by the markets where we have been able to turnaround ; in America and in the case of Europe where the margins have gone up significantly for us and also in terms of our specific problem units we have progressed extremely well during this year. The US Arista and in the Poland operations compared to the last year we have significantly cut the losses and these are all on track as per the strategy which we explained to you before that we would have them soon running profits.

So I think that is the basic thing which we would like to present in terms of topline growth and the bottomline growth which is 30% in the consolidated balance sheet for the year, and that leaves us with enough strength to push through the next year.

Prashant over to you!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from line of Niraj Somaiya from Rose Red Management. Please go ahead.

Niraj Somaiya: Hello, Mr. Ashok Goel. Congratulations all of you on good set of numbers. First my question would be on your foray into pharma and other areas where you had talked a little bit last time, could you throw some more light on what you are doing and how is that market?

Ashok Goel: Niraj, thank you. Let us understand, Essel Propack has about 35% global market share in oral care category. Now we needed to grow - so we had a challenge to decide our future course. One choice was to grow the market share to 50%, other choice was to look at other categories and how we can build capabilities and also expand the market,. We chose the latter one . .

We needed to expand ; non- oral care market let us say it is about 12 million tubes globally. So we said why not look at the cosmetics and personal care which essentially were in the plastic tube and the bottles. These categories needed a different set of skills for us in terms of front-ending the customers & back-ending that means our manufacturing processes which were so far used to servicing millions of tubes in one SKU to run the machines.

In the non-oral care, we require producing 50,000 tubes and 100,000 tubes per SKU so we needed all those capabilities and internally that was the software aspect. The other aspect was the hardware itself - developing new technology both in terms of tube making as well as in terms of decoration and the third leg for that development was that how we can turn out the laminate substrate, which is customized to each product that gets built. All of these pieces were put together by us and that is what we have been building for the last five to six years. Today I can say that this market is again more or less about 10 to 12 billion tubes globally which is in big diameter high value therefore it has doubled up the market for us.

The third leg is the pharma sector as you mentioned. Pharma has traditionally been with aluminium and aluminium tube making process itself consumes a lot of industrial lubricants which may not be compatible with the FDA and DMF requirements; we have done a lot of innovation again on technology and on the laminate basically creating barrier properties for active ingredient that go into pharma products and that is again about 12 billion tubes globally.

So this way you can see that we have expanded the market threefold. We also need to understand that in aluminium tube technology, there has been hardly any technological innovation and there has been hardly any investments in that sector and therefore we believe that we can convert those into laminated tubes. We are seeing a huge amount of success in India, China, Egypt and some other geographies. So therefore we believe that we have increased our market pie three times. Which leads us to why not oral care? Oral care is not a villain. Oral care does provide us stability. It does give us long-term contract, fixed volumes but fixed margins. Why fixed margins because you need to understand that oral care or toothpaste by itself is a highly competitive product and therefore, if you see, the brand owners cost breakup, the packaging itself costs about 25% to 35%. with or without a carton. Therefore there is a huge amount of sensitivity and we understood that and we needed to go beyond that price sensitive market and this was the choice for us to grow in high value add cosmetic and pharma sector.

Niraj Somaiya: Do you need US FDA or anything like that or anyone can make pharma or do you need any permission to do this - I mean you need anything like that for doing pharma?

Ashok Goel: Yes of course you do; your facilities have to be certified or equivalent of drug master file (DMF) or equivalent FDA. Just for your information, all our plants are designed to be FDA compliant. Now where we make tubes for pharma particularly those plants will need only certification. We do not need to change anything just that the certification we need to get and that is it.

Niraj Somaiya: My second question would be that you are 2000 to 2500 Crores company I mean to double your revenue what strengths would you require may be in terms of the management, in terms of capacity and may be would it be in three to five years or five to ten years, what would you like to say if you are taking a long-term view from doubling it over from Rs.2500 Crores to Rs.5000 Crores or becoming a billion dollar corporation. Is it possible and do you aspire to do that?

Ashok Goel: I think you have asked many questions in one question Niraj. Let me respond. First of all we can easily double our profits in next five years which means that we can easily grow 20% profit after tax year-after-year so that is something. In spite of the fact that we do not give guidance , we feel that 20% is what we can deliver easily.

What we need to get - we know the technology, we have the knowledge in terms of how to manipulate various polymers and how to apply various combinations to provide the barrier properties required for a particular product. Now that sounds so difficult , knowing about general perception of the tube. The tube has to be designed to withstand and deliver what the products inside is supposed to be delivering to the consumer and therefore, we custom design every structure of laminate depending on what gets filled inside; so that knowledge we have and machines of course we have developed with our technology partners and we continue to develop even better and better machines. So materials we know, machines we know, management is all in place, we are a global company, we have global structures which is a mix of matrix and functional structure and which is working fine. We believe in being lean, mean and fast in all our business activities and we would like to retain the characteristics of the company which is what helps us to grow globally.

Niraj Somaiya: My third question would be on dividend payout, do you have any policy and also recently management did increase the stake, could you throw some more light what it was and what is your dividend, stated policy, any policy do you have?

Ashok Goel: Again two questions, first question dividend. Dividend we have recommended this time Re.1.25 on Rs.2 share which is a significant increase from last time and our policy would be that in the foreseeable future, until we review the policy again after a few years, it will be 20% to 25% of global profit to be paid as dividend. About promotor share increase, I think promotors current shareholding is 60.14% which is up high about 1% and the way I feel confident about the business I would say that the promotors will continue to buy the company shares and will continue to increase our holding.

Niraj Somaiya: That will be very good, that is a very positive step. Sir and what do you see in terms of now your oral and non-oral mix, what sort of blend would you be very happy over a period of time in your current and existing business and Europe you had a loss, what was the reason or could you just throw some more light?

Ashok Goel: Our stated objective for the time being is that our revenue share between oral and non-oral care should be 50% each. It was 40% last year. This year it is 39%, a drop of a percent on non-oral care ; as I had always been saying that it is a moving target for us because we continue to improve in oral care. Last year we had a new contract in Europe for oral care. India also we saw unexpected spurt in oral care demand. Obviously we could not let it go; so we grew faster in oral care last year, but we are on course as far as meeting our objective of 50% on non- oral care revenue share.

Niraj Somaiya: My last question would be on your margins. What do you see of blended margins could be both US and India and what sort of ROC, ROE are you looking at in the long-term. You have done a goodwill stake and your networth should have now be about 800 Crores. What sort of ROC and ROE in the long-term, would you be comfortable with and what sort of margins do you think in the next two to three years which is right now is about 16% to 17%, if I am not wrong?

Ashok Goel: Let me put this in perspective; last year ROE was 8.86% and ROCE was 11.6% that of course was with the goodwill. This year the numbers we have published is 16% ROE and 15% ROCE. The direction we are heading in the long-term meaning 2 years horizon,. we will be heading to meet this 20% target each ROE and ROCE but next year, I hope that ROE should be about 18% and ROCE should be about 16%. As far as EBITDA is concerned, this year it has been about 16.7% and we hope that next year we should touch 18%. Our target is to go to 20% global average.

Niraj Somaiya: Thank you very much Sir. Wish you all the best and I will stay in the queue.

Moderator: Thank you. The next question is from the line of Ujjwal Shah from Axis Securities. Please go ahead.

Ujjwal Shah: Thank you Sir for taking my question and congrats on very good set of numbers. Sir, just wanted some briefing on the European business. We had made profits in the last quarter but we are again into losses this quarter so any particular reason for the same and how do we see the year panning out ahead for FY 2015?

Ashok Goel: The full year number of course was expected to be in loss in Europe. We normally track our numbers or I would suggest that our numbers are tracked on trailing 12 months basis rather than quarter-on-quarter because it gets so confusing. We are so spread across the globe, different countries, different customer base, different seasonalities then between the categories there are seasonalities, so it gets so confusing so probably we are not a company which can be measured in a meaningful manner on quarter over quarter basis. So what I can tell you is that this financial year i.e. 2014-2015, Europe will be no loss or PAT positive between quarters here and there sometimes up and down that will happen.

Ujjwal Shah: Secondly Sir in terms of the business in America we have seen a good jump in the year gone by what were the reasons which contributed to it and how do we see it panning ahead for next year?

Ashok Goel: In America for everybody's benefit . we have three locations that is in US we have two plants and Mexico and Columbia. US Laminate Plant chugged along very well and it has improved on almost all parameters. So that has helped. Our second plastic tube plant has reduced its losses over previous year. So that has helped. For that plant again to preempt the question, this year we expect no profit no loss. Columbia has been doing well and we are increasing our market footprint from Columbia basically to explore to Andean region. Mexico we have got quite a few businesses opportunities this year; there have been ramping up delays from the customer's end, which will get sorted this year and therefore we expect Mexico to do much better than it did last year i.e. the year under discussion.

Ujjwal Shah: Fine thank you Sir. I will jump in the queue again.

Moderator: Thank you. The next question is from the line of Dixit Mittal from Subhkam Ventures. Please go ahead.

Dixit Mittal: On the European business you said that next year you will be PAT positive or something like that? You just mentioned that next year you will be PAT positive I just wanted to confirm?

Ashok Goel: PAT positive.

Dixit Mittal: Sir an indication like when do we expect Europe margins to be at least equal to American region margin Sir?

Ashok Goel: We will be PAT positive this year and if you notice our operating margins for Europe, it is around 2.8% negative and as you move to PAT positive, this will move even faster. Next year itself we should be touching somewhere around 5% to 6%. Thus it is a matter of just the ramping up and getting this volume, this should start moving up fairly well soon, because there is leverage here.

Dixit Mittal: Finally on this EAP off late we have seen some margin compression happening so is there a particular reason or they will go back to the previous 18%, 19% kind of level Sir.

M. R. Ramasamy: China has a peculiar situation in the last two years. The oral care market is almost flat. The growth is about 2%. A lot of work has been done on pharmaceutical and cosmetic market. We have spent a lot of capex's in the last one-and-a-half years, which should fructify in the coming years, so we will see an improved margin in the coming years. It normally takes about anywhere between 6 months and 12 months to get customers accurate predictions in this business and their procurement policies and everything has to be changed. Most of the work is in the completion stage, we will see a margin improvement in the current year.

Ashok Goel: In fact we are already getting some business in cosmetic category in China but that is the beginning. You must also keep in mind that we had some internal reorganization where some of the corporate functions have moved into China. China is carrying that cost which otherwise would have been in India. So there is some cost increase. We expect China to do much better. In fact China is one geography which is so far continued to be dependent on oral care and now we put the building blocks there in place for non-oral care. We are setting up another factory in southeast of China that should be up in running July this year and from there we will see the growth coming on the non- oral care business.

Dixit Mittal: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Manish Gupta from Rare Enterprises. Please go ahead.

Manish Gupta: Thank you for taking my question Sir. Could you talk a little bit about what the competitive scenario is in the Indian market? Who are the players, how big or small they are relative to you?

Ashok Goel: Let us talk about **category specific -** whether it is plastic or laminate.

Manish Gupta: May be you can take both the segments separately Sir?

Ashok Goel: For laminated tubes there are three major players other than us. One is Albea, which is collaboration of Alcan and Betts then Sri Rama and there is one Indian company called Skypak.

I do not know if they are listed company or not, I doubt they are, so these are the players other than us. We hold about 60% market share in the country in the laminate sector category. For plastic tube it is significantly Essel and one more company which is called 3D. I think Rakesh Jhunjhunwala is the significant investor in that then there are smaller players and when I talk about smaller players there should be 8 or 10, so I would not even know the names. So that is the status even in plastic tube our market share is about 40% and we continue to grow.

Manish Gupta: Sir between these two segments of plastic and laminate which one is more profitable?

Ashok Goel: I stopped distinguishing between plastic and laminate, my friend. We talk about oral care and non-oral care. Obviously believe that non-oral care is much more value added and therefore in absolute amount is much more profitable.

Manish Gupta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Umesh Patel from Sharekhan. Please go ahead.

Umesh Patel: Thanks for giving me the opportunity. Couple of questions from my side Sir; just wanted to know if I look at the Q4 performance other expenses were significantly higher around Rs.115 Crores, 20% of sales again is the normal average of 95 Crores to 96 Crores, what was there, is there any one of time that we have adjusted in Q4?

Ashok Goel: We are just looking at it. Do you have any other questions?

Umesh Patel: I also wanted to know if you can give us volume growth for each regions like AMESA ,EAP, US and Europe for FY 2014?

Ashok Goel: I am sorry Umesh we cannot give you volume growth.

Umesh Patel: I just wanted to know as we are getting to big multinational players like Colgate, P&G, so what was your thought, how customers are growing in US and European market in terms of market shares as well as volumes?

Ashok Kumar Goel: Good question. You talked about customers, right as the category. Let us start with India. I think almost all customers of course Colgate is the largest customer for us in India has grown significantly. We know in tube terms, but you guys from the FMCG sector track it by tonnage, which may not be relevant when it comes to tube growth, so tube growth we have significant growth of about 15%. We believe Unilever is growing. P&G is not yet our customer in India. So I cannot tell you. We have grown with Unilever across the geographies, across the globe in all categories, oral care as well as non-oral care. We continue to get inroads into P&G more so in non-oral care. GSK also we are growing. So these are four customers, L'Oreal we are growing then there are many, many local customers in every geography.

Umesh Patel: Sir out of this customer size you mentioned which are the top five customers contributing significant revenue to your overall topline growth?

Ashok Goel: From global perspective I would say that we would be with each one of them, we would be about 30% to 35% of their purchase.

Umesh Patel: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Congratulations on good set of numbers. Sir, as you said about like non-oral care contribution has declined from 40% to 39% during FY 2014. Can I get the figure for Q4 also Sir in the same respective? Sir you said non-oral care contribution had declined from 40% to 39% for FY 2014, for Q4 can we get the same figure Sir?

Ashok Goel: Q4 is around 38.5% non-oral care.

Hitesh Taunk: Vis-à-vis FY 2013 Q4?

Ashok Goel: It has grown by about 1.2%.

Hitesh Taunk: Sir for FY 2014 what could be the contribution of oral and non-oral care business in India Sir?

Ashok Goel: In India 51.2% is non-oral care for 2013-2014 and the oral care is 48.79% and if you look at the quarter wise numbers, Q4 2012-2013 was non-oral care was 46.6%, grew to 49.71% for Q3 of 2013-2014 and last quarter was 51.22%, so it is an increasing trend of non-oral care .

Hitesh Taunk: Sorry Sir I missed FY 2014 numbers of oral and non-oral care, can you repeat it once?

Ashok Goel: 51%, 49%.

Hitesh Taunk: 51% for non-oral care.

Ashok Goel: 49% for oral care.

Hitesh Taunk: My next question is that what kind of capex plans are you building for FY 2015 and 2016?

Ashok Kumar Goel: In line with our depreciation.

Hitesh Taunk: Sir one bookkeeping question, during the quarter in Q4 FY 2014, our raw material cost has increased around 150 BPS on a YOY basis as a percentage of sales, so what kind of inflationary pressure are you looking in raw material again?

Ashok Goel: It is the about a percent which we have taken a hit on account of write offs of materials which were lying in stocks and we took a policy decision to write them out, so that has actually cost about 1% to 1.5% it is in raw material consumption.

Hitesh Taunk: So this would be a onetime impact, am I right Sir?

Ashok Goel: Yes of course right.

Hitesh Taunk: Sir I just wanted to know one thing I mean in terms of I am not asking about the volume growth but the maximum I mean in the European region and American region, are we growing through volume or through price hike.

Ashok Goel: If I understand your question correctly that in these two regions that in America and Europe are we growing through volume or through value?

Hitesh Taunk: Right Sir.

Ashok Goel: If that is your question we are growing in both. Europe if you remember last year we had this new contract which was catering to oral care and this year we will achieve the full impact of it, so basically we have grown in oral care but we are growing in non-oral care as well which means that we are getting the high value product sales and therefore value growth is also happening.

Hitesh Taunk: Sir from my side. During the quarter on our stand-alone business, we have seen QOQ margin decline sharply. Was it because of rise in expenses of raw material one-off impact or is there anything else?

Ashok Goel: I think as per the prescribed format for Q4 numbers, we have to take the total year's number and minus the first nine months reported, so therefore some adjustments which might have come in Q4, but as I mentioned we have taken lot of write offs of the material which typically happened in the Q4 therefore that has depressed the number a little bit also.

Hitesh Taunk: Sir since you said like you are going to maintain your dividend payout policy, do we see on near term say one or two years our debt reduction? What is our debt reduction plan Sir?

Ashok Goel: Debt if you see currently let us say give and take exchange rate variations Rs.950 Crores to Rs.1000 Crores, so I think we will maintain on that basis at least for next year.

Hitesh Taunk: That is all from my side. Thank you for taking my question.

Moderator: Thank you. The next question is from the line of Neerav Jimudia from Anvil Research. Please go ahead.

Neerav Jimudia: Good afternoon Sir. Sir just one question from my side in FY 2014 we have seen good inventory management as well as control on the debtor cycle also. So just wanted to have your outlook for next year like since you are guided for good growth for FY 2015 just wanted to understand your viewpoint on the working capital also? What is your outlook on the working capital cycle for next year?

Ashok Goel: Good question Neerav. We will continue our momentum of working capital controls and you would see that the growth more or less will be **12-15% ;**, growth also will tantamount to increase in working capital. So our efforts are that the overall block of working capital remains the same even though the business grows. For you to understand easily is days of sales outstanding (DSO) and days of inventory, which both are seeing positive trend except I think inventory in the last month probably got some blip because of some purchases, what was the next question?

Neerav Jimudia: That is what I just wanted to understand your guidance on the working capital for next year. Sir my second question is on the flexible packaging like because FY 2014 was slightly at the earlier for flexible packaging. So just wanted to have your outlook for FY 2015 because in terms of margins it is still a lower margin than the overall pie of laminated tubes?

Ashok Goel: You are right Neerav. So just for everybody's understanding the flexible packaging business accounts for about 11% of our total revenue and because the margins in that business, the way they are, it depresses the overall EBITDA margin by 1%; that is the larger picture. The specific picture on this sector is that yes, this sector so far, second half of last year has been under pressure because of the FMCG in that category not firing and we hope that this year things will improve but our projections are that it will grow over last year.

Neerav Jimudia: Sir any guidance you can give in terms of like sales growth or like would be any improvement in the margins in FY 2015 for that particular segment Sir?

Ashok Goel: Overall profit it will grow, overall sales revenue will grow, if you are talking about margin percentage, it may be growing here and there but not significantly.

Neerav Jimudia: That is all from my side. Thanks a lot

Moderator: Thank you. The next question is a followup from the line of Ujjwal Shah from Axis Securities. Please go ahead.

Ujjwal Shah: Thank you for taking my question again Sir. Coming to the EAP business and Chinese market as question over there Sir because America and Europe are certainly looking much better areas than having businesses in Asia with a lot of pressure coming in from China considering there are a lot of restructuring is happening on their side, so in terms of demand are we seeing any demand depression over there and how do we see the next two years planning out from China considering major portion of our EAP business and the high margin business as it is under pressure especially in economic terms, so how are we seeing things panning out over there?

Ashok Goel: Let me give you a bird's eye-view of the Chinese market, Ujjwal. The Chinese market when it comes to non-oral care is exploding, if you have noticed the press releases from the major cosmetic brand like L'Oreal and others, we are growing manifold which means that the cosmetic products are increasingly used because they are being made available locally and this is what we need to ride on and that is what our plans are and our building blocks are in place and therefore we see significant growth continuing in the non-oral care sector. If you are alluding to oral care, oral care penetration in China is quite high as compared to India. Now I think the oral care companies are getting into innovative mode. What do I mean by that? They are saying okay they are going into premiumization of oral care; then they are coming out with morning toothpaste and evening toothpaste, so the oral care companies are growing but the tube volumes are not growing as Ram said that the growth is 2% to 4%, which we do not consider anything significant.

Ujjwal Shah: Can you just give us an idea of our revenue makes in terms of oral and non-oral in China?

Ashok Goel: It will be about 89% of oral and 11% of non-oral.

Ujjwal Shah: In terms of tubes in non-oral care for Chinese market, how that the market would be Sir?

Ashok Goel: It is more than a million tubes. I can tell you that was the second part of my answer to the previous questions that that plastic tubes are under huge pressure. The plastic tube manufactures are under huge pressure and we obviously are in that shift and there is one more player in China who has done a good job in converting from plastic to laminated tubes. Thus we will see a good growth in China and that is where huge efforts have been going on in last year and a half.

Ujjwal Shah: Thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Kamna Motwani from Crisil. Please go ahead.

Kamna Motwani: Good afternoon. Thank you for taking my question. Sir, could you throw some light on the performance of Mexico, Germany and Indonesia for the quarter and the full year?

Ashok Goel: Indonesia we do not track much. We are small equity holder. We do not participate in management. Mexico as I have already mentioned we got some new contracts. This is the year when Mexico should be firing. I have actually told the management there to buckle up; so let us see, this is the year for us to see how Mexico pans out.

Kamna Motwani: What about Germany?

Ashok Goel: Regarding Germany they are doing well. They have recovered well. They are grown almost 36% in the sales, profitability has doubled also.

Kamna Motwani: For the full year how much was the revenues coming from PIPL for the year?

Ashok Goel: PIPL did about Rs.235 Crores for the full year.

Kamna Motwani: Thank you so much Sir.

Moderator: Thank you. The next question is a followup from the line of Dixit Mittal from Subhkam Ventures. Please go ahead.

Dixit Mittal: Sir, can you explain this goodwill write off in your consolidated accounts. I could not understand the notes?

Ashok Goel: The large part of the goodwill on the balance sheet was relating to our old acquisitions and that is doing very well as you can see from our overseas operations in Asia and has paid back several times and therefore it was just standing there. We thought it best to reflect in actual terms; it is basically now offset in the reserves through a structured process that we carried out.

Dixit Mittal: It should not have been through P&L Sir or you have taken directly through reserves?

Ashok Goel: It is just to remind to that this is not regular goodwill. It is a goodwill on consolidation and there is no question of impairment here; so there is no case for any P&L movement.

Dixit Mittal: Which subsidiary was it?

Ashok Goel: It is basically our old acquisition of 2000 that we acquired in Asia and Latin America.

Dixit Mittal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sunil Shah from Axis Securities. Please go ahead.

Sunil Shah: Very good afternoon Sir. I have just one question that is the market size that we estimate for the plastics tube is about 10 to 12 billion tubes that is largely on the cosmetic side and Sir as a strategy we used the plastic barrier laminate to cannibalize this market. Right now may be in our total overall volumes how much are we addressing through the PBL tubes?

Ashok Goel: We will be confusing the market by talking about PBL. I have already struggled to get you out of the plastic tube and laminated tubes

Sunil Shah: I am just trying to say with the opportunities 10 to 12 how much are we there that is the only thing that I want to know?

Ashok Goel: I am sorry my friend. I am not leading you that path because it will confuse the market hell of a lot.. I can give you those numbers offline.

Sunil Shah: I will connect offline. Thank you very much Sir. Thanks.

Moderator: Thank you. The next question is from the line of Umesh Patel from Sharekhan. Please go ahead.

Umesh Patel: Thanks for giving me the opportunity again. As you have highlighted in earlier call that Chinese market is doing very well and it is contributing significantly to our East Asia Pacific revenue so just wanted to know how much contribution and how much it is contributing at revenue as well as EBITDA level and second question is what is the utilization fit for FY 2014 globally as well as region wise?

Ashok Goel: I think segment reporting would answer those questions. 23% is topline revenue global share for China and 35% of EAP.

Umesh Patel: 35% of overall or just of EAP?

Ashok Goel: This is for the total. I am giving you the figures with respect to the global numbers. We have3 operations in EAP - China by far overshadows all the others because Philippines is a smaller market, Indonesia is only an associate for us which we do not actually consolidate in our sales and revenue. So it is essentially EAP represents China for us.

Umesh Patel: What was the utilization rate for FY 2014?

Ashok Goel: **Utilisation** once again is a misnomer,, as the product mix changes the utlisation ; but I can tell you that we are running full capacity in China.

Umesh Patel: Thank you very much Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor over to Mr. Prashant Kutty of Emkay Global for closing comments.

Prashant Kutty: On behalf of Emkay, I would like to once again thank you all for joining the call. Sir, if you have any closing comments?

Ashok Goel: Thank you Prashant and Emkay for holding this conference and all the participants .Greatly appreciate your interesting questions and we assure that we are committed to continued growth and if you do have questions, you can reach out to us. We will be happy to answer. Thank you very much.

Prashant Kutty: Thank you Sir.

Moderator: Thank you. On behalf of Emkay Global Financial Services Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.