Essel Propack Limited

Q1FY11 Conference Call Transcript

02 August, 2010

Moderator:

Good morning ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to the conference call of Essel Propack Limited to discuss Q1 FY 11 results hosted by Emkay Global Financial Services Limited. We have with us today Mr. Ashok Goel, Managing Director and Vice Chairman, Mr. R. Chandrasekhar, President America, Europe and PIPL, Mr. Ganesh Ganapathy, CFO and Mr. Vinay Mokashi, Controller from Essel Propack Limited. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Pritesh Chedda of Emkay Global Financial Services Limited. Over to you sir.

Pritesh Chedda:

Thank you Shirley. On behalf of Emkay Global, I welcome everyone on the call of Essel Propack Q1FY11 numbers. We have the management team here in the call. I welcome Mr. Ashok Kumar Goel, Managing Director and Vice Chairman, Mr. R. Chandrasekhar, Mr. Ganesh Ganapathy, and Mr. Vinay Mokashi. I welcome you all sir. First, we will start with a brief on the Q1FY11 performance as well as future outlook on the company by the management and thereafter, we open the call for Q&A. Over to you sir.

R. Chandrasekhar:

Hi guys, good morning, this is Chandrasekhar here. We are just waiting for Mr. Goel to join us any time, but I will start with the briefing while we wait. The quarter ending June we have seen earlier robust performance in terms of (inaudible) sale. Just to caution everybody that when you see the published results, the published numbers for the previous year '09 includes the medical device business which we disinvested in the beginning of this year. So, to that extent the '09 and '10 numbers are not comparable. Now the results which we have released on the left hand side, you will see a column which basically gives you the numbers for the continuing business which is the packaging business. Most of the talking which we will be doing will be on the continuing business because that is what is now left with us.

If you see the continuing business and you compare it with the previous year, almost all the three regions which is AMESA which is made up of India, Africa, Middle East, China, Philippines which is East Asia Pacific and Europe, they have all recorded very strong growth. AMESA we actually grew by around 22%, China about 14%, Europe around 25% and America was the only region where we were flat. Otherwise, we have seen very strong growth in all these regions. Taking the regions one by one China has been performing to expectations. We have been talking about in China a growth of about 16% to 17%. Our new capacity which we have setup as an inplant (not sure) for a dedicated customer went on stream in the month of April end. So we do expect a much stronger performance from China going forward in the next quarter. The plant has started ramping up and the performance has been good for the last 2 months.

Moving on to India, India we also have the benefit of looking at the India stand alone numbers and the stand alone India numbers really show the performance of the growth in the Indian market. In terms of revenue, we have grown by about 19% in India and about 42% at the operating profit level. In India, the market has picked up big time and currently, India has emerged as one of the biggest growth drivers for us in the last 2 quarters. We expect the trend to continue at least for one more quarter and possibly in the last quarter you will see some sort of a slowing down, which is very typical in our business because the last quarter tends to be always a slow quarter. When I say the last quarter, the December quarter tends to be a slightly slow quarter as far as India is concerned. But otherwise, the performance in India has been exceptionally good. Moving on to Europe, all the operations have grown compared to the previous year and which is what is exactly is reflected in terms of a 24%-25% growth on the revenue terms. The operations in UK, and Russia continue to be profitable. This is the second quarter where they have stabilized and making profits. Polland, we do have a very small loss still in the last quarter. We are moving on what we have said earlier that before end September, the business will stabilize and we hope to see a break even at the operating margins or the operating level in the month of July. Whatever numbers we are having seems to indicate that we should be breaking even in July. The going forward challenge for us in Polland is how do we stabilize this break even and then start building from here. Germany has been a very steady business. It has been performing as a very profitable business. It continues to perform profitably. Moving on to the Americas region, the two Latin American operations which is Columbia and Mexico have done well and also shows very strong growth on the revenue and Columbia has definitely improved its margin and shown better performance and operating margins level. Mexico heavy growth on the revenue side but is still to pass on the operating margins and we expect that to happen in the coming quarter. As far as the US business is concerned, the business looks flat compared to the preceding year same quarter. But actually if you look at the preceding quarter and look at the numbers, actually the revenue has picked up. We have grown by about 19% in the quarter ending June compared to the quarter ending March and also the operating loss in that region, we do have a plastic tube business, which is the main contributor to the loss in that region has come down by 86%. So, as far as the business in US is concerned, it is much more stable now. We do expect a further turn around and an improvement to happen in this coming quarter and we expect the businesses in Mexico and Columbia also to perform on a similar line.

The specialty packaging business which is an India centric business, despite the growth in the revenue which is around 14% went through a little tough time in the month of May and June primarily because the prices of polyester went very high and it was also increasing on a weekly basis and this brought us into some pressure on the operating margin. But I think the situation got rectified in June when we were able to get some price increases and it is further expected to improve in the month of July.

So overall, if you look at the business, the business has been on track in terms of the performance. It is almost on very similar lines of what we expected and what I can do is, I can hand over the floor to Ganesh and possibly he will walk you through the key numbers and then we will take the questions.

Ganesh Ganapathy:

Thank you, Chandra. Good morning to all of you. This is the first quarter for us. You are aware that we have changed our accounting year to financial year. Therefore, this June quarter happens to be the first quarter for the financial year and we believe that we have really made a good start in this quarter. The key numbers that we have published for the quarter, you would have seen that the highlights are we have done a sales of 332 crores and a PAT of 8.9 crores. Now as Chandra already mentioned, the comparison with the previous year is vitiated in the sense that we had the benefit of medical devices business in the June quarter '09. Therefore, we have given the comparative figures for the continuing packaging business on the left side of our publication and that shows really a good performance on this business front. Revenue has grown 15%. Our operating profit has grown about 23.6% and in terms of PAT, we are 8.9 crores for this quarter versus 1 crore netted by this business last year and if you recall, last year at this time the business actually turned around.

And another important thing that you would notice is also the way the interest cost has come down significantly helping out PBT and the PAT. This is down by almost 29.8%. We are also satisfied that sequentially our performance has been good for the packaging business. The revenue has again grown sequentially by about 10% plus. Operating profit has in fact grown even better at around 28% plus. Although, you will observe our PAT remains flat, it is essentially caused due to FOREX fluctuation and therefore, underlying fundamentals and the health of the business continues to be strong. Region wise numbers as Chandra has already taken you through, there has been a strong revenue growth in AMESA, ESC and Europe, all in strong double digit numbers and the thing of great satisfaction to us is that we are continuously cutting down the European losses as per our strategy. You would recall that last year in June quarter '09 we had already cut the losses by 40% from last year. We have continued to perform and our losses are now 60% cut compared to last year and therefore, with the turn around coming in, we see a good opportunity in terms of Europe starting to contribute to our profits.

Now, a short analysis in terms of the results, the revenue has been driven also strongly by the volume growth both in the laminate tube and plastic tube. The growth in plastic tube of course, will be on a smaller basis and therefore, it is far higher. But of importance contributor to our plastic tube growth has been the Indian market which I will touch a little later. Therefore, across all our units the volumes have grown compared to the previous year as well as compared to the March quarter. This is of great satisfaction to us saying that the business conditions are continuing to be robust for us. In terms of our material cost, it is one of the issues which used to haunt us in the previous years, I think our performances again has been improving a lot because we have gone through revamping our pricing models and the pass through models and we believe that these are working quite well considering the fact that the raw material prices have significantly risen this year compared to last year and last year in the first half it was at rock bottom, the commodity prices have steadily crept up to a much higher level. Despite that, our material cost to the percentage of sales has been fairly well managed while we will see on the top in terms of the business; we look like having higher material cost of about 2.4 PP. What I would like to highlight here is that the underlying tubing business has not suffered that much. It is only about 1% increase in the material cost but if you really look at the increase in the material prices of almost 30% year over year, this shows our model what we have strategically taken assumed as a turnaround strategy is working extremely well and of course, as the material prices goes up there will always a small trailing effect. But we are quite comfortable now that our models are working and therefore, it is not going to cause any major setback to the business on account of the material prices. As Chandra mentioned, the real drag for this quarter in terms of the material cost has been on account of the Packaging India business where there was a sharp price increase in polyester during the last two months May and June, which has actually dragged down the overall company's material cost percentage. In terms of the operating cost again, our control continues to be tight. We had made lots of savings in the previous year. If you see this year, my operating cost in terms of personnel cost has gone up mainly accounting for the two expansions we carried out in China one in North China where we have put up a new facility near Beijing and another facility, which we have got with P&G in the south of China. Apart from that, most of the costs are being extremely controlled and the benefit of this as

China mentioned of the ramping up of this China volume is to be seen in the next coming quarters. In the case of both plastic tube we are continuing to be reducing the operating cost versus last year as well as versus previous quarter. Therefore, overall, in terms of the EBITDA we are about 17% almost similar to last year. We have definitely improved compared to the previous quarter by almost 100 basis point. What has slightly drawn down our EBITDA again is the impact of the gross margin drop in the material cost increase in the Packaging India business, which has cost our overall margin to be slightly depressed. I would like to highlight the stellar performance of the Indian market where our sales has grown 20%, versus last year and operating profit has grown handsomely by double the amount about 40% plus and it has also grown sequentially by 10% top line and 30% in terms of the operating profit and we believe that our strategy of diversifying into the Parma segment and into the plastic tube in a big way has really started contributing to us in terms of developing our business in the Indian market. So this is a brief highlight of the results and I would be open for any questions.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

First question comes from, Mr. Sagraj Bariya from Angel Broking.

Sagraj Bariya:

Morning sir.

R. Chandrasekhar:

Morning.

Sagraj Bariya:

Sir. Can you just give an idea on this 15% growth that we had in packaging business, how much was volume driven and how much was realization driven?

R. Chandrasekhar:

Oh you are talking about the total packaging business?

Sagraj Bariya:

Yeah, only pure packaging business I am talking about.

R. Chandrasekhar:

Actually there is a volume growth. The entire growth has come through volumes.

Sagraj Bariya:

Okay, in terms of product mix has it seen any kind of a change from lamitive and (not sure). How it would be, if you could give some idea?

R. Chandrasekhar:

A good question, because lamitive is our core business. That has grown again in double digits by about **30**%, which is on a smaller base contributed by the stronger business in India. We are growing much in excess of 30% now.

Sagraj Bariya:

Okay, in terms of turnover sales, will you be able to give some idea how much was lamitive and how much was (not sure) 60-40, 70-30 something like a rough estimate?

R. Chandrasekhar:

In the tubing business, I think plastic tubes for us accounts for around 12%-14%.

Sagraj Bariya:

12%-14% for the current quarter and balance should be lamitive I believe?

R. Chandrasekhar:

Balance is lamitive.

Sagraj Bariya:

Okay and how was the sales in last quarter, I mean last year same quarter?

R. Chandrasekhar:

In the plastic tube?

Sagraj Bariya:

Yeah, I mean both. How much is the contribution of plastic tube?

R. Chandrasekhar:

It was lower and around 10%.

Sagraj Bariya:

Okay, Okay and sir can you give me a rough approximate idea on your capacity utilization levels across all the geographies?

R. Chandrasekhar:

Capacity utilization varies depending on our geographies. India and China we are running at an average of 75% plus. In case of US and Europe it will be much lower because it is predominantly a plastic tube business for us. It will be in the region of close to 40%-45% whereas in the US it will be 50%-55%.

Sagraj Bariya:

Okay EU will be 40%-45% right sir?

R. Chandrasekhar:

Yeah in the Europe plastic tube business.

Sagraj Bariya:

Okay sir. This drop in EBITDA margin is due to your lower gross margin and I believe that is because of the higher polyester prices right, that is the only thing?

R. Chandrasekhar:

Which one are you saying?

Sagraj Bariya:

The gross margin sir, had dipped by almost 200 basis points.

R. Chandrasekhar:

Yeah, yeah this is largely contributed by the PIPL business.

Sagraj Bariya:

That is because of the high polyester prices only?

R. Chandrasekhar:

Yeah correct.

Sagraj Bariya:

Okay fine sir, and do we see that going ahead, the historical growth margin has almost been near some 56%-55%. So do you see over the next few quarters it will inch toward that kind of a level sir?

R. Chandrasekhar:

See, in fact it will come from two aspects. As I said, because the commodity prices are going up If you really notice the prices.

Sagraj Bariya:

Right sir.

R. Chandrasekhar:

What has protected us is the type of supplier. We have built in price review mechanisms as well as pass through mechanism which is helping us. However, you will notice that in any situation where the prices are going up, there will always be a trail effect coming. Only the trail effect is too significant for us. Today, we are still having the trail effect because you do not correct the margins overnight. So in that sense, there is a marginal increase in the material cost that you have seen. The moment you see some amount of stability coming in the prices, could see that jump of margins coming up. So this 2% or 3% drop you are seeing are two things. One is the polyester prices which we are correcting completely. Really took the entire market by surprise. Correction has already happened. We are clear with our customers in a position to subsidize on the commodity prices. So once that is corrected and the prices are a little more stable, the recovery of 2%-3% is not very difficult for us.

Sagraj Bariya:

Okay, and sir, EU for full year is likely to be flat for you in terms of top line actually but there we see a margin expansion as losses are cut in Polland, Russian, and UK starts going good?

R. Chandrasekhar:

See, what actually the performance in Europe you will see a growth; the difference is all the 3 businesses other than Germany quoting much lower space. So on a lower base we are seeing growth today and if you want to take it on a comparable basis that is if you compare the previous year’s same quarter with this quarter we are seeing about 24% growth. So I think going forward also we will be around 20% growth. So obviously there will be a growth.

Sagraj Bariya:

Okay, and sir, how is your outlook on AMESA and EAP I think EAP is basically China and China could be in again 15%-20% that is what you are looking it ? Is it?

R. Chandrasekhar:

We stand by what we had committed in all these two markets. It is about 15% growth in India and about 15-17% growth in EAP. Our outlook has not changed.

Sagraj Bariya:

Okay, sir, I am done, I will come back if I have any more.

Moderator:

Next question comes from Mr. Gaurav Surana from Smifs Securities.

Gaurav Surana:

Hello, good morning sir, my question is, we see a marginal fall in revenue in the EAP region, quarter on quarter.

R. Chandrasekhar:

Quarter on quarter yes, I agree that is because in the month of June we had a soft month as far as China was concerned and this has something more to do with some stock adjustment with our customers we did but in US in the month of July it has bounced back to the same level so there was only one month we saw a softer month in China

Gaurav Surana:

Okay sir, but on the EBDIT level the fall is much higher.

R. Chandrasekhar:

One second. Ganesh, he says in the China EBDIT level has fallen.

Ganesh Ganapathy:

Yeah you see in quarter two expansion is happening, north China and south China new units have been put up, so therefore there are operating cost in which ramping up is not complete in the quarter.

Gaurav Surana:

Okay sir, that is it from my side but when is the annual report expected?

R. Chandrasekhar:

The annual report is expected to be for the March year ending you are talking about.

Gaurav Surana:

Yes sir.

R. Chandrasekhar:

I think it should be ready to mail this to across to people some where around 10th or 12th of August. They are saying around after the second week of August.

Moderator:

I request the participants to press * and 1 for your questions. .

Pritesh Chedda:

Shirley, I will ask a question

Moderator:

Please go ahead sir.

Pritesh Chedda:

You had commented on the material price increase which is coming in the business any geography or any country where the price increases might come over the next one quarter which already was supposed to come and likely to come in the next quarter on account of price increases and how are we placed in case of a slightly inflationary material price scenario.

R. Chandrasekhar:

Let us answer your question. Let us take geography wise and it will be easier for us. If you take markets like America --- the main customers there has been always Indian (not sure). Now with both these customers, the price increase got actually triggered on 1st of June. So the quarter is actually reflecting only one month of the benefit. So obviously going forward it will be hopeful with some recovery with these two customers; these two customers typically in my US business that use about 80%-85% of our business. So it will be huge impact for them. In the smaller markets like Columbia and Mexico getting a price increase is a continuous process. It really has not impacted because of the contract we have etc. So the moment the raw material price goes up and the moment we see that we don't have enough stock to cover, then we trigger the prices. Coming back to markets like China and India two major markets again with very large customers that is where we have lag effect in the pricing and we have completed a price increase with these customers some times in the month of April in these two geographies and the next one we will do only after the quarter ending September not before that. But with the smaller customer a quicker adjustment is being continuously done. The last is the packaging India which actually hit us very hard which is the India centric part of the business. Here we have got two levels of price increases, some price increases have gone into effect on the month of June and some further increases have gone into effect in the month of July so we will see a recovery of at least about our internal estimate is about of 200 basis points on the operating and the gross contribution level in the packaging India business is the quarter ending September.

Pritesh Chedda:

The second which you said where you already have taken a price increase in China and India.

R. Chandrasekhar:

In china and India the increases was effected in the month of April, in US it was effected on first of June. When we define that six months right away it is not July and Jan, it is depending on when the contract was signed, that is why you see the difference.

Pritesh Chedda:

The second if you could update us on the capacity expansion plans re-iterate the expansion plans by geography and what is the status of the same?

R. Chandrasekhar:

Okay, the two major expansions which we had planned in the current year as a part of our business plan was in India and China. China it was basically setting up a new facility for (not sure), it is inside (not sure) that project will get complete in the month of April; and we had commissioned it some time back and it has gone in three months and is now ramping up to full capacity, so whatever capacity was started in China was primarily for the new contract we got from (inaudible). As far as India is concerned there are two major thrust in the expansion? The first step was in the laminated tube and this expansion is being done in Goa; again with a back to back contract with an existing customer who is under utilizing the capacity and the second major expansion which we did in the first four months of this year was in the plastic tube business at Wada. That's because business is booming and it is going it at a much faster pace. In fact in the plastic tube business we will be investing some small amount in the six months to de-bottle neck the capacity further, so this has broadly how it has come around the process of getting increased capacity.

Pritesh Chedda:

Shirley, just check for questions.

Moderator:

Sure sir, I request the participants to press * and 1 for your questions. .Next question comes from Mr. Jai Shah from Reliance Mutual Fund.

Jay Shah:

Hello good morning sir. Sir I have a question regarding America you see from the December quarter America in effect has been making losses.

R. Chandrasekhar:

You are referring to this December?

Jay Shah:

Yeah, from the December quarter, even in March quarter and in this quarter, what went wrong in America segment?

R. Chandrasekhar:

Your question was what went down?

Jay Shah:

Yeah, what went wrong in America segment; they are making EBITDA losses from past around 6 to 9 months.

R. Chandrasekhar:

Okay, two things. First is that in the US we have a plastic tube business which is actually the loss making unit for us. Though we have substantially reduced the losses by 50% in 09 compared to 08 it is still continuing to make losses for us in the first six months of this year. These losses are primarily because of the low capacity utilization which we have with the plant. This is one. The second most important thing is that we had a huge dip in the laminated tube business in US in the first quarter of this year. This was primarily because both are major customers went in for major dip in the month of February. Now of course we have recovered substantially in this quarter that is April to June quarter this is what is exactly reflected in term of 19% growth in the America region during the quarter ending June compared to quarter ending March, I am talking in terms of revenue. The overall business, the laminated tube business also lost money in the first quarter and it has become profitable in the second quarter because it is basically a volume driven business. We do expect a further sharp recovery to happen in the quarter ending July to September based on whatever be the prediction we are having in terms of customer order. So hopefully we will be able to bridge some of the losses which we had in the march ending quarter by September ending quarter.

Jay Shah:

So in the coming quarter we could expect a positive EBIT margin from America segment?

R. Chandrasekhar:

Some of the cumulative losses will get wiped off.

Jay Shah:

And what kind of growth are we targeting for America for the entire year in sales?

R. Chandrasekhar:

In the region of about 5%-7%.

Jay Shah:

Okay and for EAP?,

R. Chandrasekhar:

EAP it is about 17%.

Jay Shah:

And the EAP margins once the plant in China are stabilized, so could we see improvement in margins in EAP in next coming quarter?

R. Chandrasekhar:

This would be seen if July is any indication when they are fully almost very close to ramping up. July numbers indicate that the margin seems to be again improving further. So I think we will be able to go back to where we left out.

Jay Shah:

Okay sir, and sir you talked about some improvement in gross profit margins in the stand alone level. What kind of improvement you see in gross profit margin, you are talking about the price increase in recent June, some improvement you talked about.

Ganesh Ganapathy:

Okay, this is Ganesh here. I think on the gross margin front the main component is the material cost and what I explained was that there has been a significant increase in polymer prices year over year. But however, if you see our material cost to percentage of the sale in June quarter 2009 and now the overall difference you'll see is about 2.2%, which I explained was largely on account of the polyester price increases we suffered. Quite unforeseen because of the Indian market prices which impacted the business of Packaging India private Limited; so sharp that it deviated and caused our margins to drop. The other one I mentioned was the marginal trail effect which is there always. We are talking about significant increase in the region of 30% in the raw material prices we see that it has not impacted in any major way because the systems we are putting in the way we are now gradually working with our customers; so these things, what I said was the momentum till the prices stabilize, we will see this impact both going away. With corrective action in polyester prices and with a little bit of stabilization you will see the margins improving because the material cost will come back to the normal level. That is the basic message I gave and that is it.

Jay Shah:

Okay, and sir in Europe do you plan to break even at EBDT level this year?

R. Chandrasekhar:

Let us take it country by country. We do expect to break even in Russia, UK and Germany of course is always profitable. In the East of Poland July is the first month where we actually expect some break even to happen and whether that break even we can further consolidate to wipe off the accumulated losses for the period January to June we would like to wait and watch and then comment. We do have accumulated loss for the first six months of this calendar year, so whether we will be able to build further from the breakeven in July to wipe off all these losses by December, I would not like to comment on at this point of time.

Jay Shah:

Okay, and sir could you give what would be our CAPEX for this year?

R. Chandrasekhar:

Our Capex for the year will be 80-85 crores.

Jay Shah:

80-85 crores, this is consolidated level right sir? And for FY 12?

R. Chandrasekhar:

For the next year you are talking?

Jay Shah:

Yes sir.

R. Chandrasekhar:

It will be similar in the range.

Jay Shah:

Okay, and what kind of debt you have currently consolidated?

R. Chandrasekhar:

Debt remains in the region of 850 crores, on the consolidated basis and our borrowing levels are not increasing, as we have already brought it down compared to 2008 end, where we were about 1040 crores and at the moment I think we are not further increasing the debt because the cash flows continues to be strong.

Jay Shah:

Okay, and what is the average interest rate?

R. Chandrasekhar:

Average interest rate is in the region of about 9.5 % globally for us.

Jay Shah:

Okay, and sir also if you see the tax rate compared to the last quarter, the tax rate has gone up on consolidated level, what would be reason?

R. Chandrasekhar:

You are comparing with…?

Jay Shah:

Sequentially…

R. Chandrasekhar:

No it is not,. If you see at the underlined packaging business on the left hand side there are two things if you see the right hand side there is a medical devices business impact is there. But if you see the other one on the left hand side, we have given you the continuing business only. you see the tax rate is 39.9%.

Jay Shah:

Okay, thanks a lot sir.

Moderator:

Next is a follow up question from Mr. Sagraj Baria from Angel Broking

Sagraj Baria:

Thanks a lot sir, actually my questions have been answered.

Moderator:

Thank you sir. I request the participants to press * and 1 for your questions.

Pritesh Chedda:

Shirley I just wanted one clarification.

Moderator:

Please go ahead sir.

Pritesh Chedda:

The tax rate will be…what will be the tax rate for the year on consolidate level if you could tell us that only because even the variations are large in terms of the percentage.

Ganesh Ganapathy:

Correct. See over the last few quarters the taxes have been improving because as I said it is a function of my losses in Poland. What happens is Poland does not have tax shield, okay, so the impact will be shown in my taxes column. But to answer your question now this quarter we are at 39.9% and our volume plan and profit plans we are projecting are on track. It should start reducing from 39.9 closer to around to say direction of 30% but I would put around 33%-35% as range for this year.

Pritesh Chedda:

Between 30%-35% is what one should look at.

Ganesh Ganapathy:

Yeah, it is 33 and 35. So we can keep fine tuning as we go ahead sir.

Pritesh Chedda:

Okay and that is the blended volume growth in the business in quarter one and what is your blended volume growth assumption for FY11 in the business if I have to look at all the geographies put together the blended volume growth, value weighted volume growth of plastic tubes, laminated tubes and PIP all if some indications is there?

R. Chandrasekhar:

Volume you want, or value?

Pritesh Chedda:

Yeah, volume I want and value it is okay. What it is for quarter FY11 level and what is your indication for…

Ganesh Ganapathy:

Volume growth is 14% average.

Pritesh Chedda:

And what is the expectation for full year? Is that the equal number as well?

Ganesh Ganapathy:

Expectation as we said we are looking at revenue growth around close to 12% and volume should be around the same region.

Pritesh Chedda:

Okay, Shirley, just check for the questions.

Moderator:

Sure sir. I request the participants to press * and 1 for your questions. Next question comes from Mr. Sagar Parikh from Enam Holdings.

Sagar Parikh:

Hello sir. Actually I missed on the expansion plan that you mentioned. Could you just repeat it for me please?

R. Chandrasekhar:

I think basically we are planning to spend about 80 crores in this calendar year for expansion of capacity. The new incremental capacities are typically coming in India and China. China it is an establishment of new in-house facility in southern part of China for a dedicated customer that expansion has been competed and has gone on stream during the quarter ending June. In India the expanded capacity is coming up in Goa and it is again for a dedicated customer that is going on steam in the current quarter. So these are the two major expansions which are planned as far the laminated tube business is concerned. For plastic tube we have expanded our capacity in India during the first four months of this calendar year and we will be further de bottle necking this capacity some time in the second half of this year also.

Sagar Parikh:

Okay sir, thank you.

Moderator:

I request the participants to press * and 1 for your questions. There are no further questions, sir. Now I hand over the floor to Mr. Pritesh Chedda for closing comments.

Pritesh Chedda:

Thank you Shirley. On behalf of Emkay I thank the management of Essel Propack, Mr. Ashok Kumar Goel, Mr. Mr. Chandrasekhar, Mr. Ganesh Ganapathy and Mr. Vinay Mokashi for being on the call and educating us on the quarter one FY11 numbers as well as outlook for FY 11. I thank you sir, over to you if you have any closing comment on the outlook side.

R. Chandrasekhar:

Yeah. The closing comment is that when we set out in the journey for 2010 we had set ourselves a target and most of the financial numbers which have come out both in March as well as June proves that we are very close to what we said we will be doing. We expect to keep whatever our commitments are for the year going forward also. I really thank Emkay and all of you for joining us in this call. If you have any further questions just feel free to contact me or Ganesh who will be more than happy to answer your questions. Thank you.

Pritesh Chedda:

Thank you.

Moderator:

Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note: 1.This document has been edited to improve readability.

2. Blanks in this transcript represent inaudible or incomprehensible words.

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