



“Essel Propack Limited
Q1 FY2020 Results Conference Call”

August 14, 2019

**ANALYST: MR. VARSHIT SHAH – EMKAY GLOBAL
FINANCIAL SERVICES**



Essel Propack Limited
August 14, 2019

MANAGEMENT: **MR. ASHOK GOEL - CHAIRMAN &
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Essel Propack Limited
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Moderator: Ladies and Gentlemen, good day, and welcome to the Q1 FY2020 results conference call of Essel Propack hosted by Emkay Global Financial Services. We have with us today from the management, Mr. Ashok Goel-Chairman and Managing Director; Mr. M. R. Ramasamy-Chief Operating Officer; Mr. Vinay Mokashi-Chief Financial Officer; Mr. Amit Jain-Head Treasury; Mr. Suresh Savaliya-Head Legal, Company Secretary and Compliance Officer; Mr. Deepak Ganjoo-Regional Vice President (AMESA); and Mr. Ashok Vashisht-Regional Finance Controller (AMESA). 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being

recorded. I now hand the conference over to Mr. Varshit Shah of Emkay Global. Thank you, and over to you, Mr. Shah!

Varshit Shah: Thank you, Margaret. Good afternoon, everyone. I would like to welcome the management of Essel Propack and thank them for giving us this opportunity. I would now hand over the call to the management for opening remarks, post which we will open the floor for Q&A. Over to you, Sir!

Ashok Goel: Thank you, Varshit. Good afternoon, ladies and gentlemen. Thank you for joining the quarterly call of Essel Propack. The quarter numbers have been shared with you. So, in my opening remarks, I will not touch too much on the numbers, but of course, we will be happy to answer the questions afterwards.

The performance for the quarter has been a bit of a mixed bag. While India and China macros

have not been very good, therefore, the India business has suffered a little bit. We are all aware of the macroeconomic situation in India. On the other hand, Europe has been growing very well and we are happy with the growth there, which also demonstrates that once there is economy of scale, the margins tend to improve, which is what has happened in the case of Europe.

America is also growing quite well, and we saw a good growth in Colombia, particularly. It is also heartening to see that all geographies across the globe have grown in non-oral care and with a significant increase of 5.9 pp, while India and China, for the quarter de-grew in oral care, and which is why you see the gap.

What has also impacted the margin is that last year we had a good amount of Capex which has caused an additional INR 5.5 Crores of

depreciation for the quarter, coupled with INR 1.1 Crores of additional full ramp-up costs that have come in this quarter of the Assam unit while the markets softened. So, INR 5.5 Crores plus INR 1.1 Crores is INR 6.6 Crores-the additional cost and that too has impacted the EBIT margin.

Sustainability has become an important element of doing business. In Essel Propack' s case, we have been foreseeing this, and I think I have shared this in the past, therefore the company's R&D teams have been working on developing sustainable laminates; in a layman's language, a product which is made of a single family of polymers yet providing the efficacy of the product inside out.

So, we have two products that have been developed. One is the 'Green Maple Leaf', which was probably announced earlier too, but

GML-Green Maple Leaf, was built in a way that only a certain category of products could be filled in those tubes and certain category of products could not in terms of barrier properties. So, taking that forward, we have developed a new product called ‘Platina’ that can effectively package any kind of product in the tubes while removing the aluminum layer from the laminate.

You might have heard of the terms ABL(Aluminum Barrier Laminate) and PBL(Plastic Barrier Laminate). Now these two laminates that we have developed are Code 2 recyclability. You might have seen the recycling triangles, a global sign for recycling and there are numbers in between those recycling triangles. That number depends on what material has been used in making that product.

In our case, we have Code 2. Code 2 denotes high-density polyethylene-HDPE and for GML,

we have a global certificate of recyclability which comes from U.S. For Platina, we are expecting that certificate to come in a couple of weeks.

This product was given to various customers for stability test. The global need is that by 2025, all the packaging material has to be recyclable. In case of India, it has to be recyclable by 2022. Therefore, our company is well positioned, but there is another catch. That catch is that this laminate is not just because of the barrier properties, but the way the technology has evolved; the aluminum layer in the laminates was the center of developing the technology in terms of tube forming. Therefore, that aluminum layer in the laminate was acting as a conductor of energy for forming the tubes.

Now, if you remove this aluminum layer, those machines that were developed around the

aluminum layer have a huge amount of capacity in the world & which will become redundant or some will have to be retrofitted to be able to form the tubes out of PBL and we reckon that there will be a lot of capacity that will go out of use by that time and that offers an opportunity for our company. Why? Because our company, Essel Propack, has 85% of its capacity, which is PBL compatible. It's only 15%, which, with some investment, we can modify.

Now, some of the customers who form their own tubes or have contracted the third parties to form their tubes in-house will also face challenges, and therefore, they will have to rethink their strategy and therein lies the opportunity for Essel Propack to grow. The Oral Care tube market is at 14 billion, out of which Essel Propack supplies about 5 billion, the balance of 9 billion tubes will go through a churn and that will offer an opportunity for

growth for Essel Propack apart from selling the laminate itself because we have these patented laminates and that will help us to grow the revenue in the future. With that, I will open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Ashok Goel: I have received some of the questions in advance. One question I have from Kotak Security, asking about the INR 10 Crores exceptional gain that has come? We sold the land and building which was acquired from RAS Propack and since we shifted that factory into Vapi, that land and building was spare, and therefore, we sold it and that is the exceptional profit that has come.

Moderator: We will take the next question, which is from the line of Percy Panthaki from India Infoline.

Percy Panthaki: I'm sorry, I was not very clear on some of the initial remarks that you made. Is the understanding correct that there is some regulation which will make this aluminum barrier tubes no longer compliant with the regulation, and therefore, it will have to be only plastic barrier tubes which will get sold after a few years?

Ashok Goel: Yes. Percy, that is the translation of the regulation. The regulation says that going forward any packaging material has to be sustainable. Now the definition of sustainable is that it should be ultimately graduating to what is called a circular economy-which means that you should be able to recycle the product without doing any intermediate process and it should go

into a recycling chain 100% without any alterations.

So, in our case, it is better that we remove the aluminum layer itself. Even though we did tell you that we have a solution for even recycling of ABL through the project as we call 'Liberty', it is better to stay ahead of the game and develop PBL structures. So, your understanding is correct to that extent.

Percy Panthaki: Okay, and how is this beneficial for our company?

Ashok Goel: How will it benefit? Because we are probably the first company who has the solution of PBL. 85% of our capacities globally are PBL capable, while most other capacities are not and therefore, it will offer an opportunity for us to grow. In these laminate structures, we can use up to 30% of post-consumer recycled material.

So, we are already working towards circular economy as well.

Percy Panthaki: So, when is this regulation coming in place? You said in India 2022 and globally 2025?

Ashok Goel: That is correct.

Percy Panthaki: Okay. So, in India, when are we actually going to start selling toothpastes with plastic barrier tubes?

Ashok Goel: What we have done is that we have put this laminate under stability test for the customers. So, we have, obviously, tested that in our own laboratories. Now we have given these laminates to various customers across the world. They have put it under the test protocol and we expect various customers to come up with their answers in the next 3 to 4 months. It is a mandatory thing, but we are very confident

because we have already tested those in our laboratories.

Percy Panthaki: So, do you realistically think that the production of these tubes will become commonplace in India in the next 12 to 18 months?

Ashok Goel: That depends on the customers' view. The global customers will be the first adopters of this because they have global operations and their CEOs have made announcements and made various kind of commitments. For example, they will reduce the consumption of plastic in their products by 25% by year 2022 and then going forward they are saying that we will make everything recyclable. So, yes, it will become a commonplace increasingly, but all of it will not happen, obviously, in one go, but that is the direction that the world is moving towards.

Percy Panthaki: Right, Sir. Coming to the quarter, India (AMESA) has seen like almost 5% of decline. So first of all, what is the reason for this? And secondly, if you could just split out what is the growth or decline for Oral Care and Non-Oral Care separately in AMESA?

Ashok Goel: Between AMESA, let us keep Egypt out because Egypt has been growing with good numbers, so the only issue is India. In India, non-oral care has grown about 6%, whereas oral care has declined about 10%.

Percy Panthaki: Oral Care has declined?

Ashok Goel: Reason for decline is that some of the brands that we serve have suffered and partially in some brands, we have probably lost some wallet share. Having recognized that now, we have already started to repair the relationship and I am happy to say that we are progressing positively. Therefore, we may gain back those

volumes. The Platina solution or Green Maple Leaf solution will help accelerate that because that is one of the wish lists of the brands to have a PBL solution.

Percy Panthaki: Okay, Sir. I understand the wallet share point, but apart from that, is there a substantial sort of slowdown in the industry growth itself in oral care?

Ashok Goel: What is happening is that the consumer has become price sensitive and therefore some of the shift of the consumers has happened towards the lower cost. As a policy, we at Essel Propack, do not serve the lower cost brands or look-alike brands & there is some impact due to that. Some of the impact is because some of brands that we serve have lost market share. I cannot give you the names. That has been the challenge, but degrowth is not so huge from what we see actually.

Percy Panthaki: Okay and finally on China, we understand there are two parts. Laminate sales itself has fallen. So firstly, is that some normal phasing type of issue or was it just sort of a timing difference? Or is there something else? And secondly, even excluding that, there is a 2% decline. So again, what is the reason for that 2% decline as well?

Ashok Goel: China has grown nicely on non-oral care, the decline that you see is in oral care. That decline in oral care is due to some of our customers losing their market share, which we have tried to compensate with the other brands, but it has not been enough. That is one.

Second, on the laminate sale, we stocked in U.S. and therefore that excess inventory is now being consumed which is why there was less sales from China to U.S. That has impacted the lower sales of laminate. Besides, PBL laminate that is

being consumed are also partially exported out of India. So therefore, China has had some impact on that account as well.

Percy Panthaki: Basically, it is just a transfer of the volumes from China to India because, ultimately, the end consumer-U.S., would need their requirements fulfilled from one place or the other?

Ashok Goel: Yes. So, what we are trying to do now is that while we have developed the PBL laminates in India, because this is where our center of excellence is as far as laminate is concerned, we will transfer the know-how of PBL to China going forward. Also, the full normalcy of exports from China will begin from September onwards.

Percy Panthaki: So is this the reason why the America's sales have been little poor at 3%, because last quarter, you had done 25%-30% and you were

quite confident of growing in America as well. So, is the lack of laminate the reason that the America sale has been poor?

Ashok Goel: No. Actually, America's sale has not been poor, except that we had expected a faster ramp-up of the expanded capacity in U.S. We will now see the ramp up happen. Therefore, America is not a cause of worry for us as far as growth is concerned. Colombia is growing nicely. We did have some dip in demand in Mexico in the pharma space because of the local conditions somewhat similar to India's. On the pharmaceuticals, we have spoken in previous quarters. That has been normalized in the month of July. So, we have absolutely no concern as far as America or Europe is concerned.

Moderator: Thank you. The next question is from the line of Ritvik Seth from Deep Finance.

Ritvik Seth: Sir, a couple of questions. Firstly, on your opening commentary, you mentioned about the 9 billion tubes globally. Out of that, what percentage would be not ready with the plastic laminates?

Ashok Goel: We have actually asked our global technical guys to start getting the market intelligence and also the front-end guys to start looking at and assessing as to how much of such capacity will be absolutely redundant and how much of it can be retrofitted. So, we are yet to have a real fix on this, but I reckon at least 3 billion to 4 billion of capacity will go out of market.

Ritvik Seth: Okay. So that gives a player like us who have capability to step into that market?

Ashok Goel: Absolutely.

Ritvik Seth: In terms of regulation, we are hearing for the first time that it is compulsory to switch to the recycled products-sustainable materials.

Ashok Goel: Yes.

Ritvik Seth: So, who is the regulator behind this?

Ashok Goel: This was a part of the Global Climate Summit.

Ritvik Seth: Okay, it is applicable to everyone?

Ashok Goel: Yes. U.S. has gone out of it, that is the official position of the U.S. government, but the brands may not follow that and therefore the brands will follow those trend and guidelines.

Ritvik Seth: Okay. Great and you mentioned that INR 10 Crores is the exceptional gain from the land sale. What would be the total quantum?

Ashok Goel: INR 10.9 Crores.

Ritvik Seth: Okay. So, the entire amount is a gain, so it may be a historical piece of land?

Ashok Goel: Yes, exactly.

Ritvik Seth: Okay. Sir, how is the transition shaping up? If you could throw some light on that, then it would be helpful?

Ashok Goel: What transition, Ritvik?

Ritvik Seth: Sir, the new acquirers are coming in and is there any headhunting for the CEO going on, if you could throw some light on that?

Ashok Goel: So far, I am the owner. Okay, since you have touched upon this, so let me give you whatever little I can share at this stage. The open offer was closed on 9th and Blackstone will have technically 2 weeks to scrutinize and to make payment to the people who have made open offer. I do not know the quantum. I haven't had the time or chance to speak to them. Once that is over, then they will complete the transaction with me. Then we will, obviously, have Blackstone coming in but do not forget that Blackstone is not bringing in their management

into it; the current management continues, except for me, I will not be the Chairman and Managing Director. The rest of the management is completely intact as far as Essel Propack is concerned.

And as I said that, yes, Blackstone will have to look for my replacement, but in the meanwhile, as the transition service agreement provides, my services in a non-executive capacity will be available to the company and to Blackstone. So, there is no hurry and pressure on that front, but I certainly see that Blackstone will bring in the customer relationships on table and that will help us accelerate the growth and business wins.

Ritvik Seth: Okay. Great. Sir, just touching on the India part, what are the kind of expectations you would have for the second half of the year? Would we be looking to touch a north of INR 250 Crores on a quarterly basis, if you could throw some

light and what is happening generally on the oral care because oral care, we are seeing that it is kind of going south since a few quarters. So just when non-oral care was not performing, oral care was performing and this time, it is the other way around. So, if you could throw some light on that?

Ashok Goel: Yes, first quarter was unusually soft. Since we have gone into the year with the second quarter, the trend that we see is that July and August are faring better than the first quarter. Unless something extraordinary happens to the macroeconomic situation in India, we see that the second half will be business as usual. I would only say that if Blackstone is able to bring in the relationship which we know what and where, at least in context of India, that can only help the revenues to be better.

Ritvik Seth: Okay. So, we could expect this to be the tough quarter and then going forward, things should improve?

Ashok Goel: Yes. We are already seeing improvement in this quarter. Our teams have put in a lot of efforts to compensate the loss with smaller wins in different categories. They have been successful partially and not just the pipeline, but the orders on that are becoming stronger every month. For example, they got a couple of new customers packing henna-mehendi which was not in tubes earlier. So, such efforts are going on and we are confident that we will be able to do that.

Ritvik Seth: Since Q1 was a pretty soft quarter, should we assume a high single-digit growth for FY2020 or could we still do a double digit?

Ashok Goel: See, we still are shooting for low double-digit growth, but a geography like India right now has a very volatile & an uncertain market. That is

what is kind of making things uncertain. So certainly, high single digits will definitely be the growth.

Moderator: Thank you. The next question is from the line of Varshit Shah from Emkay Global.

Varshit Shah: If I see oral care, Y-o-Y revenues have been down by 10%. So, is there any realization dip because of the passing nature of lower crude prices element into this, or is it largely the volume decline itself?

Ashok Goel: I will not say much on the raw material price. It is mainly the volume of oral care in India.

Varshit Shah: It is largely in India only, right, the decline?

Ashok Goel: Yes. India and some bit in China, as I said.

Varshit Shah: Right, right. So, the reason which you spoke earlier in the call.

Ashok Goel: Exactly.

Varshit Shah: Sir, out of the 10.7% decline, how much would be on account of your wallet share loss? Have you been able to quantify that number, or it is difficult to say?

Ashok Goel: Wallet share loss would be about 2% or 3%.

Varshit Shah: Okay. So largely the other part was due to the lower demand for the end consumer for those products?

Ashok Goel: For certain brands which have lost market share.

Varshit Shah: Okay, Sir, so this 2% to 3% probably can be gained back, I believe.

Ashok Goel: Yes, absolutely.

Varshit Shah: But then the balance part looks like difficult to recover, particularly from an India perspective?

Ashok Goel: First of all, on that 3% wallet share loss, the gain can be more than 3%. In business continuity plan volume that I mentioned an example of

henna or mehendi, similar products that the customers want are being won. So, for example, if I lost, let us say, 50 million tubes from one single customer, I am trying to gain that back from five or ten customers, same volume. So that is a bit of an extra work, but that is life & that is how we will win it back.

Varshit Shah: Sure, understood. Sir, just thing on the China part. As you mentioned that in Q1 you had the impact of tariffs, will those be stabilized in Q2?

Ashok Goel: So, on account of laminate, we will start to have normalized sale from September onwards, not before. So, September second quarter as far as laminate sale is concerned, may still be soft but we are trying to accelerate the growth on non-oral care, which China has grown nicely. We will push that a little harder.

Varshit Shah: Sir one more last question on non-oral care. So, I think pharma has been soft overall. So, are you

seeing growth compensated by cosmetic and beauty segment industries or there is some other element also?

Ashok Goel: Yes. Globally, generally, most of the growth in non-oral care is B&C-beauty and cosmetics and some bit in pharma and we are seeing a rebound back in India on pharma space. For example, a very popular brand, Soframycin, has been converted into laminated tube and that is already in the market. That should put pressure on some other brands of pharma to convert to lami and therefore, we are expecting good wins, while some existing customers' sales were lower in pharmaceutical because they had some stock for some reason, which I expect those sales to come back faster.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Systematix.

Naushad Chaudhary: In this quarter, non-oral care revenue share has gone up substantially from around 41% last quarter to 47% this quarter. Despite the substantial jump, I do not see much move in the gross margins. So, can you elaborate on this?

Ashok Goel: Yes. Thank you, Naushad. Great point you have made. So obviously, we have gained in non-oral care, but the gain in terms of volumes, while in percentage, looks good because our non-oral care volume is still very low, but the loss on oral care of 10% has been more than the gain that would have helped in terms of delta margins. Therefore, you do not see that uptake in the margin while the non-oral care has grown. So that is really the issue there.

Naushad Chaudhary: So, in that case if you recover your loss of share in oral care markets, that could be a substantial jump in the margin, if my understanding is correct?

Ashok Goel: Exactly. So effectively the economies of scale or as we call them, the scale benefit that will kick in too. So, any additional volume sale will straight away flow into the middle and bottom line.

Naushad Chaudhary: Sir, in those cases, would you be able to surpass your barrier of 19-19.5% of margin and can go beyond 20%, if your market recovers in oral care business?

Ashok Goel: Yes. So in steady state, if this dip had not happened in India and some bit in China, the lowest margin as you see in the segment reporting is in Europe and as the volume goes up in Europe, the scale benefit comes in and therefore, the profit ratios are rising faster, which you may not be able to see in the first quarter, but since we have July month numbers and the visibility on the months going ahead, the margin improvement is significant in Europe

and also in U.S. and therefore we see that the overall margins will push up and it can go closer to 20%. Going forward, if everything goes as planned and as per the business plan, yes, it can exceed 20%.

Naushad Chaudhary: Okay. Any guidance you would like to give for this financial year, full year margin?

Ashok Goel: Full year margin guide?

Naushad Chaudhary: Yes.

Ashok Goel: We will take that off-line, Naushad, because that is a little bit difficult.

Naushad Chaudhary: Yes. No problem, sir. Qualitatively, last financial year we did around 18.5%, would it be better than last financial year or at par or below?

Ashok Goel: Previous year, our EBITDA margin was about 18.6%. We hope that this year, we will be able to maintain or grow that by 0.5% point.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL.

Percy Panthaki: Sir, again coming back to the oral care business of India, you mentioned that about 300 basis points is the market share loss, which means that even excluding the market share loss, the decline is about 7 pp%. That is a huge amount of decline given that we are 100% suppliers to the market leaders. For the overall business to have fallen 7%, it means that some other player has sort of declined in a huge fashion. I mean I am not able to make sense of the numbers. If you can just give us a little more granularity on this, it will help.

Ashok Goel: I understand Percy, what you are asking, and it is not unfair to ask, it is a fair point, but my tongue is tied because I cannot give the names of the customers for you to be able to relate easily.

Percy Panthaki: Is it a case that maybe just the amount of tube stock with them that has been sort of at a high level and they are just running down their tube inventory and once the inventory is in line with their comfort level, they will start ordering again. Is that the case, Sir?

Ashok Goel: No. In the first quarter, Percy, it is not a case of inventory correction. One major brand has lost significant market share, or they may be stocked or both where we were very strong with the customer. We have lost some wallet share, which we are trying to gain back more than what we have lost, so that we can compensate the other customers that we have lost. So that is the major impact.

Percy Panthaki: What was the reason that the wallet share that we have lost that means that the customer has basically reached out to some other suppliers. So, what was the reason? Has there

been a capacity constraint or some quality issues on our side? So, why is he reaching out to another player is what I want to understand?

Ashok Goel: So, there was no complaint. It is just that we have dropped the ball somewhere. That is the fact of the matter. I can beat around the bush and tell you stories, but that is not the fact. The fact is that we have dropped the ball and we are trying to pick that up again.

Percy Panthaki: Okay. When you say that you are trying to make good that lost wallet share, is it with the same customer, or are you just trying to find some new customers to compensate in this particular loss that has happened with this particular customer, that is sort of permanent?

Ashok Goel: No. We are doing both. We are trying to win back the same customer with more than what we have lost and also trying to win some other customers.

Percy Panthaki: Lastly, Sir, there has been sort of risk associated with Essel that with the world over Colgate does its own tubing and in India, we are doing that for Colgate. So, can you just confirm that whatever wallet share is lost, it is not from Colgate at least?

Ashok Goel: It is not.

Moderator: Thank you. The next question is from the line of from Ritvik Seth from Deep Finance.

Ritvik Seth: Sir, what is the percentage of laminates in China revenue for FY2019?

Ashok Goel: We may not have it ready, but it is about 30% of China revenue, I guess.

Ritvik Seth: Okay and that you said will get shifted to India from October onwards?

Ashok Goel: No, you got it mixed. What we are saying is that China will regain their sales of laminate from September onwards and that gap will be

bridged. Because the world is going to move towards PBL laminate, which has already starting to happen in U.S., some of the volumes of the laminate sale has also happened in favor of India and therefore we are trying to pass on the know-how of making the PBL laminate from India to China so that China can continue to have their share of exports.

Ritvik Seth: Okay and what is the Capex plan for FY2020?

Ashok Goel: Very low, Ritvik. We have been very, very cautious because last year, we spent a lot of money. This year, we have been very careful. We have been holding on the purse very tightly and we believe that to continue.

Ritvik Seth: Okay. Any guidance you would like to give, like any number?

Ashok Goel: Numbers, I do not remember, Ritvik. I can tell you off-line, but it will be less than 100.

Moderator: Thank you. The next question is from the line of Arun Kumar from High-Yield Fund. Please go ahead.

Arun Kumar: Congratulations on the non-oral care category performance, Sir. Regarding the depreciation, is the trend expected to continue for the next 3 quarters?

Ashok Goel: I am not clear, Arun, of your question. Can you repeat, please?

Arun Kumar: Depreciation has increased by around INR 13 Crores Y-o-Y. So, is the trend expected to continue or is it a one-off due to the Assam commissioning?

Ashok Goel: So, depreciation, as I explained, in the first quarter, we have INR 5.5 Crores on the first quarter, which was not there the same period last year. So that I assume will continue because some of the Capex may have been spread over the year. So, we will simulate that for the

subsequent quarters but that is generally the trend. There is an accounting standard change, where leased assets are taken as right to use basis and therefore that is giving an additional depreciation of INR 6.86 Crores. So, we have created that as an asset and therefore it is being depreciated and that impact will continue. Therefore, INR 6.86 Crores is the Q1 impact and that will continue.

Arun Kumar: Okay, Sir. Can you give a sense of the EBITDA margin for oral and non-oral separately on a consolidated basis?

Ashok Goel: That is the same as far as the percentage is concerned, but the sales price varies. Therefore, absolute amount varies, but percentage remain the same.

Arun Kumar: Okay. Sir, in East Asia Pacific, how is the pipeline for the next 3 quarters? Do you see any pressure on that?

Ashok Goel: We are monitoring the pipeline very closely. So, in East Asia Pacific, Philippines is continuing to grow nicely. We are putting in huge efforts on non-oral care growth and monitoring that and China will maintain that growth momentum.

Moderator: Thank you. The next question is from the line of Abul Fateh from GeeCee Holdings. Please go ahead.

Abul Fateh: I have a question specifically on America. Your EBIT margin has fallen sharply to 9.6% this quarter. Was there any one-off in this or this is a thing that we need to take forward?

Ashok Goel: It is the same thing I answered with the additional depreciation, which has hit, while the ramp up is yet to happen. So that is the one which has affected.

Abul Fateh: So, the number that you mentioned INR 1.1 Crores?

Ashok Goel: No. That INR 1.1 Crores was on account of Assam. America, specific numbers, I do not have right now, but overall it was INR 5.5 Crores other than Assam. So, overall it was INR 6.6 Crores globally and an additional INR 6.86 Crores is coming due to the accounting standard change on account of leasing.

Abul Fateh: Okay. So, INR 6.86 Crores impact on depreciation is due to Ind-AS new standard?

Ashok Goel: That is right.

Abul Fateh: Okay. Got it. What was the impact of Ind AS on the interest?

Ashok Goel: On the interest, INR 2 Crores increased because of Ind-AS.

Abul Fateh: So, in fact, your EBITDA margins would have got impacted positively due to Ind-AS 116?

Ashok Goel: Correct.

Abul Fateh: So, can you quantify that impact on the consolidated numbers?

Ashok Goel: INR 7.6 Crores positive impact on EBITDA.

Abul Fateh: Consolidated.

Ashok Goel: Yes.

Abul Fateh: Okay, Thank you so much Sir.

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

Company Speaker: So, thank you so much, ladies and gentlemen, for joining and thank you Emkay Global for arranging this call. Any questions, we are always available. Thank you so much.

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



Essel Propack Limited
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