"Essel Propack Limited Q3 FY2018
Results Conference Call"

February 02, 2018

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**Moderator:** Good day and welcome to the Q3 FY2018 results call of Essel Propack Limited hosted by Emkay Global Financial Services. We have with us today Mr. Ashok Goel – Chairman and Managing Director, Mr. A.V. Ganapathy – CFO, Mr. M.R. Ramaswamy – COO, Mr. Roy Joseph – Regional Vice President – AMESA, Mr. Vinay Mokashi – Global Financial Controller – Mr. Amit Jain – Head Treasury 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 after the presentation concludes. Should you need assistance during the 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. Harsh Shah of Emkay Global. Thank you and over to you Sir!

**Harsh Shah:** I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to Mr. Goel for his opening remarks. Over to you Sir!

**Ashok Goel:** Thank you Harsh. Good afternoon ladies and gentlemen welcome to the quarterly results concall of Essel Propack. This particular quarter we are not very pleased about the growth numbers. The consolidated sale for this quarter that is December FY2018 was at 595 Crores representing just 1.2% growth for the quarter and for nine months 6.3%.

This is mainly on account of the two issues; one is known to all of us, which is GST but GST we saw in between the recovery after the GST but when the November recorrection happened in GST so for the purpose of understanding if we call it GST 2, that caused further disruption because there was some rate correction and because of the anti-profiteering clause, the brand had to again recall their products and do the labeling as per the price correction, which disrupted the supplies again and just as we were recovering from GST 1. So that is one of the reasons for India and other major disappointment that we have is Europe that has underperformed. All other geographies have been doing well, reasonably good.

When we talk about Europe I had asked the COO, Ramaswamy to spend last 12 days in the Trenches in Europe. He has come back this morning - even though the moderator said he is present for the call, he is not - and the feedback that I get from Ram that we have delivered a strong message to the leadership team in Europe on their underperformance and the impact that is causing on the global numbers and also he came back very hopeful for the future. The way things are looking up, I assume that Europe which has been a problem for this financial year, going forward we do not see that repeating again, but we will closely monitor the performance of the region.

However, the EBITDA margins and the profit margins have not been as disappointing as the revenue growth that is primarily because of the operational efficiencies and the cost effectiveness programs that were pursued across the various units and that has helped sustain the EBITDA margins at healthy of 19.5% compared to 17% in the previous year. Consequently net profit for the quarter before exceptional items grew by 18.6% to Rs.45 Crores versus Rs.38 Crores a year ago. This quarter there was an exceptional charge of Rs.4.9 Crores that is mainly from reclassification of foreign currency translation difference from Equity to the Profit and Loss following the liquation of a subsidiary in Egypt. Just to clarify that we had an older subsidiary in Egypt, which has been liquidated and on liquidation all the money has been received by the company but because recently we all know there was a currency devaluation and therefore that impact is flowing to the P&L.

The free cash flows continues to be strong helped by prudent capital spend. Overall net debt as at December 31, 2017 stood at Rs.600 Crores less by Rs.65 Crores compared to September 2017 and Rs.104 Crores since beginning of the financial year. The average interest cost has reduced to 5.9% in this quarter compared to 6.2% a year ago. Return on equity and return on capital employed on trailing 12-month basis are at 15.5% and 16.8% respectively.

Overall the focus now is to get the topline firing. Europe, I already explained the actions that we are going to take. Also for Americas the leadership team so far has helped the business to grow and to bring it out of the various challenges we faced a few years ago but now we believe that there is a need to bring some change in the leadership there and as a result we have the existing Regional Vice President who is going to retire but will continue to be associated with the company for next two three years and a replacement has already joined and he is in transition and from April 1, 2018 the new RVP will take full charge. That will help accelerate the growth in America's region including Colombia. Colombia as far as volumes are concerned they are doing okay but we want them to change the product mix from oral to non-oral, the market for which exists. It is just that we need to have the teams there refocused as the actions have already been taken. The regional leadership team and the local Colombian leadership are monitoring their performance on a weekly basis while we keep track on a monthly basis.

India,I had mentioned last time a factory is already underway in construction in Assam and during Q3 of next financial year; we will have the factory operational. We already see a good traction in India. The Indian teams have worked hard and growing the business particularly in pharma, which essentially would mean replacing aluminum tubes. China on the other hand continues to have seen some good results coming in, in terms of their customer development and the ongoing progress that they are making and therefore growing the business in the non-oral care particularly in beauty and cosmetics.

Equally, we are close to implementing new capabilities in furtherance of, I think I had mentioned during last call, zero defect product delivery to the customers. We have identified various technologies. Those technologies for some of them have been frozen, some of them have been prototyped and therefore this will help us to rollout the solution globally, where Essel Propack probably will be the only company, which can claim to say that any product that goes out of my factory, as far as customer is concerned, is defect free. In the end I would say that some of these challenges, in some sense, are rejuvenating the team, making us to reflect upon what we did right, what we did not to right and therefore on the track to achieving Mission 20:20:20

Now I will open the floor for question and answer.

**Moderator:** Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

**Hitesh Taunk:** Good afternoon Sir. Sir I just wanted to know about AMESA base period revenue. Like in our press release it is mentioned like underlying revenue growth is 9% so what was the base period revenue in Q3 FY2017 in absolute terms can you please share the amount?

**Ashok Vashisht:** Yes, Hitesh, in the case of AMESA basically the base period included excise duty in the value whereas the recovery of GST is not to be included in the sales. Adjusting for that this year the AMESA revenue for the Q3 is 223.6 Crores. Last year December quarter was 214.8 Crores.

**Hitesh Taunk:** One more question, as Ashok Sir mentioned earlier also like European region there is some issues going on I can understand but in EBITDA terms our EDG business have grown by 17% on a Y-o-Y basis in terms of constant currency basis. EDG business is growing and other business in Europe is declining can you please clarify on this issue Sir?

**Ashok Goel:** Actually since acquisition EDG business has not grown. It has actually declined. What you see here is because this acquisition happened effective October 1, 2017 therefore you see the number of Europe growing but that is only the effect of acquisition of Germany, not the business per se of Germany that has grown and that has been the troubling aspect that after the acquisition the business actually has degrown in Germany and Poland also did not do as well as we expected.

**Hitesh Taunk:** So you mean to say we should be looking forward for transforming the EDG business to a profit making business as you shared earlier in your previous calls also so can we see kind of

4% to 5% of EBIT margin what we were clocking in Europe business going forward in FY 2019?

**Ashok Vashisht:** Yes, so what has happened Hitesh that some of the initiatives of integrating the German Company with Essel Propack in some extent has happened and that is already bringing in some efficiencies including some of the technical support that we have given them. So current Europe margins obviously is much lower than what they were actually doing earlier they were doing, because of volume de-growth.

**Hitesh Taunk:** It was around 5% in nine month FY2017 in a base period.

**Ashok Vashisht:** Yes, 6% EBTI margin and there is no reason why they should not come back at and on the contrary should grow even more so you are right when you say that if will they improve the margin by 4% to 6% I would say yes.

**Hitesh Taunk:** Okay. Sir last question, what would be our tax rate going forward Sir?

**Ashok Vashisht:** It is about 30%-33%.

**Hitesh Taunk:** Thank you that is all from my side. If I have further questions I will come in the queue Sir.

**Moderator:** Thank you. The next question is from the line of Sandeep Nag from Ashmore India. Please go ahead.

**Sandeep Nag:** Thanks. Sir just wanted to talk a little more about Europe, so if you could outline some of the key issues and challenges that you are facing there and how we can come out of it, because we were under the impression that the enquiries that we have been getting in Europe has picked up significantly so may be if you could take us some of the issues we have been facing?

**Ashok Goel:** Yes, Sandeep you are right, and we still maintain that the enquiries have been good the pipeline has been good. It is just that the team slipped on materializing those sales. That has been one challenge. The second challenge was in terms of efficiency - that Germany was underperforming before we acquired and they kind of failed on meeting the customer expectations before our acquisition, and after acquisition just as we were trying to improve the efficiency, customers were already upset and as a result we saw that some customers already reduced their offtake and shifted to some other suppliers. We have been expecting them to come back sooner because we had already corrected the challenges that Germany had, but of course it has taken longer to convince the customers to come back again. But as Ram came and reported to me of his meetings not only with our people there in Europe but also with some important customers, he is very hopeful. Ram has mentioned how their budgeting process needs to be corrected - are they putting in the numbers based on the gut feel or based on the real progress that we follow based on the customer engagement. There is engagement score that we follow globally which goes up from 1 to 7; some geographies follow 1 to 5; 7 being that the commercial order has already come in. So there was a misalignment on those and therefore the expectations and they kept promising obviously not been fulfilled so now we have asked them to correct that approach and be realistic and some of the meetings and discussions Ram had with the customers he came very hopeful that there are more business to be taken. That is generally; but some already contracted customers also had some of offtake issues - not that we lost the business but the customers had offtake issues therefore it kind of aspirated the situation as far as performance is concerned. So there is nothing fundamentally wrong there and we obviously will monitor it much more closely and we will revalidate what has been told to us by the regional teams- so that the regional teams clearly know that they have shaken our confidence a little bit in terms of taking their word on face value so we will challenge them more and we will do that.

**Sandeep Nag:** Thank you so much.

**Moderator:** The next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.

**Ritwik Sheth:** Good afternoon Sir. Sir just a couple of questions you mentioned that Europe you are doing stuff and Ram went and he has given you feedback so just wanted to gauge whether it like previously whenever we had issues in a particular geography we saw a sharp bounce back so this time it will be gradual so is that understanding right?

**Ashok Goel:** Ritwik, so as I explained the customers offtake issue we do not expect it to continue for long and some of the pipeline of customers now that it has taken let us say nine months or a year longer so we expect that to materialize now so that is just the alignment so it is not slow so besides we have still not talked about because I have always been saying that Europe should be a growth geography as far as Essel is concerned and therefore we also had expected even though we have not factored in the budget but we had expected that we will have some stressed assets acquisition even that has not happened so therefore on all front there were more of talk and less of actions that is what we are realizing now.

**Ritwik Sheth:** Right okay, and just one like on the numbers, Europe is around 370 Crores for nine months so what would be ED revenue from this?

**Ashok Goel:** 150 Crores for the nine months.

**Ritwik Sheth:** Okay that was just before the acquisition it was doing a yearly run rate of around 220-230 Crores basically EDG down around 10-odd% in terms of revenue?

**Ashok Goel:** That is right.

**Ritwik Sheth:** Sir you mentioned that GST 2 was also deterrent in India but if I look at the India standalone numbers that has grown the highest around 7% x excise duty, so this would have been high double digits, this GST 2 was not?

**Ashok Goel:** Yes, this is a whammy actually. We had sensed that there will be some other geography, which will be soft but India was going absolutely strong, so we were so confident that India will grow high double-digit as you said and then we would have been home and that is the only disappointment as far as India is concerned but otherwise India has improved on their efficiencies on their cost and everything else and so as Egypt. Egypt has also grown significantly which is part of the AMESA region. They are doing well but that will not be seen in the numbers here because of the currency devaluation; but on constant currency basis Egypt has also grown significantly -high double-digit already about 20% or so about 27% actually.

**Ritwik Sheth:** Egypt has grown 27% on constant currency?

**Ashok Goel:** Yes.

**Ritwik Sheth:** Sir we are like in February 1, couple of months after GST 2 the reprising and everything so what is the feedback now and how are you seeing things on the ground?

**Ashok Goel:** As I mentioned we are bracing for again high double-digit growth in next financial year.

**Ritwik Sheth:** Okay, in India?

**Ashok Goel:** Yes. So Egypt, Egypt also we are quite high.

**Ritwik Sheth:** Next three to four quarters should be good because of low base effect from one more demonetisation and then two three GST quarters?

**Ashok Goel:** That is right.

**Ritwik Sheth:** Sir you mentioned about efficiencies and cost rationalization so are there any other low hanging fruits and what kind of margin did it contribute in this quarter because our margins are pretty stable so that must have been significant in terms of cost efficiency?

**Ashok Goel:** Ritwik there was some one time cost last year right, those have disappeared so that no brainer and besides that there are synergistic benefits that is coming in combining three plants into one.

**Ritwik Sheth:** Okay and just one last question on the non-oral care part, you mentioned that pharma is tracking well, so if we can have some light on non-oral care and what are we doing in terms of increasing our revenue share in non-oral care?

**Ashok Goel:** You are talking global or India?

**Ritwik Sheth:** India as well as global and on consolidated level.

**Ashok Goel:** Our focus continues to be non-oral care. It does not mean we are going to let the oral care suffer. So I have to make that qualifactory statement every time. India we see a huge growth that the team is expecting in pharma for sure so next year is going to be a year of pharma growth as far as India is concerned that does not mean that they will not grow in beauty and cosmetics but as the GST is now stabilizing and the budget uncertainties also over now we expect that new launches in beauty and cosmetics will start to have in India, while there are already some new winds in Egypt on beauty and cosmetics. Globally also our focus remains the same. I explained about Colombia they are currently doing more of oral care which is good but then we want them to balance their portfolio for which we have given them enhanced capacity, which they have to do. Europe in any case is ,by and large, other than one or two large oral care customers , largely in non-oral care. China we are seeing results now coming in for non-oral care, so globally I see non-oral care growth continuing everywhere.

**Ritwik Sheth:** Okay, so right now we are around 42% for the year so assuming like exit around 42% in March so do you expect it to go 44%-45% by next year?

**Ashok Goel:** See my target is 50:50 and I always said it is a moving target, so yes; you would always look for 50% but let us see.

**Ritwik Sheth:** Okay Sir, all the best and thank you.

**Moderator:** Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham:** Good afternoon to the entire management. Just taking the point ahead on Europe among the four geographies that make up, Germany, Poland, Russia and UK where is the pain the maximum at this point?

**Ashok Goel:** Europe current pain is of course Germany and while we have corrected lot of debottlenecks let me put it this way some of their issues we have to get the customers back or the new customers commercializing faster and as I mentioned Ram came back very hopeful based on his meetings with the customers. Poland is another one where we need to balance some of their non-oral care plastic tube capacity. We obviously are not going to buy new equipment.  No. We will never invest huge money so I have asked the teams there to look at the pre-owned equipments and balance their plastic tube capacities and capabilities in Europe in Poland. As far as UK is concerned, UK is no operation. UK is only the office. Third one is Russia. Russia, again Ram had discussions with the team there based on the meetings they have had with the customers -the regional teams and the business development teams. They actually want that business to grow and therefore they are going to put some steps. Our current facility cannot accept any more capacities it is a leased factory so Ram has instructed the team there, to which actually the regional team were already looking for an alternative site, which apparently they have options of two three sites close by to the current one so that employment disruptions do not happen and so this year I mean the next financial year they will probably move to the new site bigger one and a better one and so that they can grow the business.

**Nihal Jham:** Absolutely. Just on the customer part you mentioned that somewhere may be there was some loss of customers temporarily so just to understand what is the customer concentration like in Europe like our top five customer would approximately make a what portion of revenues there?

**Ashok Goel:** See except for two oral care customers, after India probably Europe will be the most diversified as far as customers are concerned.

**Nihal Jham:** And we remain confident that despite leaving this quarter they will come back in the coming quarters?

**Ashok Goel:** Yes.

**Nihal Jham:** Finally Sir, would we still look at say 12% to 15% growth for the coming year as we be getting may be this year become a missed due to exceptional items?

**Ashok Goel:** Yes, that is right. Absolutely we have to deliver that was otherwise I would lose face and I do not like that

**Nihal Jham:** I will get back on the queue.

**Moderator:** Thank you. The next question is from the line of Dhaval Mehta from Yes Securities. Please go ahead.

**Dhaval Mehta:** Sir my question is again on the India base asset so if you see this quarter we did a like-to-like growth of around 7% obviously there was an impact of so called GST 2 the rate regime that impacted our sales but considering let us say if you consider FY2019 we are quite optimistic in terms of sales so we will get some operating leverage, second thing there has been a lot of consolidation of our plants, which is playing out well so what kind of EBIT margin you are looking in the India geography going forward let us say at a statistic level?

**Ashok Goel:** EBIT margin?

**Dhaval Mehta:** Yes, currently with 16% which is still considering a sequentially also we have improved by around 40 BPS?

**A.V. Ganapathy:** Dhaval you are talking about global or India?

**Dhaval Mehta:** India.

**A.V. Ganapathy:** Which one India?

**Dhaval Mehta:** So if you see AMESA region we did an EBIT margin of 15.9% so considering India is the major part of AMESA and if India region is firing anyone non-oral case doing well in India region so what kind of margins we can expect for the AMESA geography?

**A.V. Ganapathy:** In case of India if you see Standalone, India around 21.7% is the EBITDA margin so they moved up almost 4% point compared to the last year and you would see in terms of operating cost a fair amount of control has been exercised and therefore we are working on the leverage strongly so now it will depend also on the mix - how we grow between oral and non-oral care. Going by the growth we are planning - high double-digit as Ashok was mentioning for the next year, the EBITDA will be tracking with the current level and may be go up a little bit - higher about say 0.5% or 1%. This 22%-23% is something, which we have .delivered in the past also as far as India is concerned. Both demonetization and GST transition caused the drop in the volumes and really impacted the margins.

**Dhaval Mehta:** That is helpful Sir. Sir my second question is on EAP region so we were seeing some green shoots here in that geography for last few quarters but again in this quarter our CC growth is around 1.8%, which is much lower than what the run rate was for last year quarter so what exactly happen in that geography can you throw some light?

**A.V. Ganapathy:** EAP nothing actually has gone wrong. The budget also was actually stacked up like that so they had more growth projected in the first half and a little less in the second half I mean the third quarter and the fourth quarter because they have the Chinese New Year, the Lunar New Year, so they have about seven eight days disruption holidays so typically the budget was stacked up like that but our China team is very proud team and they always like to surprise us on a positive side, so I think there is no concern there, as far as EAP is concerned, except little bit of softness in Philippines, which is not a significant size for us anyway so we expect some positive surprises to come in Q4 but that will be limited again by the holidays.

**Dhaval Mehta:** Sir how has been the ramp up with the local Chinese oral care players, which we had signed last year how, has been the ramp up with those clients?

**Ashok Goel:** Yes, it is not ramp up as such. Yes you are right there are two parts one is we have taken some local Chinese customers on oral care side actually we could sell more to them but then we have to also exercise the credit control and that has been the challenge and therefore even though the demand was there we have actually not been supplying to them because of the credit concerns but the other existing oral care customers we have, now believe that they have bottomed out as far as their degrowth is concerned. In fact I was personally there 5-6 weeks ago and have met some customers and I see that the customers also had made some changes in their organization structure. Multinational customers there are putting their act together so therefore not only I expect that they have bottomed out as far as a drop is concerned now we should see some growth coming in also growth from the base numbers not from the contracted numbers.

**Dhaval Mehta:** Sir Credit concerns remains, means are they asking for more debtor days or the credit itself will be that the repayment capability itself will be a question mark?

**Ashok Goel:** It is not the capability as much as managing the cash flows of the local customers and sometimes it is difficult even though we have something called a banker cheque in China, which means that the bank issues a cheque on behalf of their clients, which is our customer but of a longer due date, which was not a part of the credit terms but the money is secured. It is just that it is coming later and as we keep supplying more , the overall exposure to those customers keep increasing and therefore we have to balance it out. So sometimes team there have take a call whether bringing the sale is more important or ensuring the working capital and the money is more important. So sometime they release sometimes they hold; so the fact is that we could actually sell more but we are not able to because of these issues.

**Dhaval Mehta:** That is helpful Sir. Sir my last question is a Mystik it is almost a year we have launched pet tube, so how that tube is tracking, has it been our plan or the growth is lower?

**Ashok Goel:** Let me bring everybody up to date on Mystik. So while the product was, in terms of concept and proof of concept, ready, but they were on a pilot . The actual production scale machine has now come ; one which is to be commissioned in India is already on ground , it is getting cleared and the one which is for tube making, forming is being tried and tested in Poland. So that is as far as the technology is concerned. We had not factored any sales out of Mystik for this financial year. So therefore there is no surprise there. The question is how much of it we will actually sell next year that would depend on the stability test that is undergoing with various customers in different geographies. And therefore once we get into the budgeting exercise for next year which will happen in middle of March we will know really how much the teams are projecting in terms of sales out of Mystik but then it is not just Mystik; Mystik originally was designed for hair color. Now we have also asked the teams to expand the stability test with the customers for aggressive food items. For example, ketchup is the most aggressive product, aggressive in the sense more sensitive product why sensitive because it gets oxidized easily therefore becomes black so we are asking global teams to expand the reach of Mystic in those kind of product food item as well as on aggressive pharmaceutical products. So we will do that and various things are at various stability & trial stage. So there is nothing we have lost this year because there was nothing budgeted and how much we will be able to sell next year we will know upon budgeting for next year.

**Dhaval Mehta:** That is it from my side. Thank you Sir and all the very best.

**Moderator:** Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

**Sameer Gupta:** Four questions from my side Sir. First of all China although this question has been asked and I am not satisfied if I got the answer, Sir is there the growth rate is this quarter has come at 1.4% from around 9% in the previous quarter so there has been a slowdown can you just tell us like what have been the reason this slowdown has it is some particular customer issue or overall demand?

**Ashok Goel:** I think some of it has come from laminate sales - what is laminate sales ? because we make laminates only two countries India and China and then export to our own units across the Globe. Because of inventory rationalization and inventory control some of the countries have not bought as much laminate as they would have, but that would not show up in the topline anyway.

**Sameer Gupta:** So it is intersegmental you are saying.

**Ashok Goel:** Yes so some of that has been impacted and otherwise Philippines as already explained, so there is no major blip that we experienced; a little bit, maybe one particular customer for this quarter picked up a little less.

**Sameer Gupta:** So Sir adjusted for this inter-segmental how much would be the growth.

**Ashok Goel:** May be they could have sold another $2 million more like that in absolute numbers. Percentage I do not know- would have to do the numbers.

**Amit Jain:** We can get back to you.

**Sameer Gupta:** Sure sir. Sir on this AMESA your press release is mentioning a constant currency EBIT growth at 58% and the reported number is 65% so has there been some currency gain in Egypt in this quarter?

**Ashok Goel:** Egypt.

**Sameer Gupta:** Yes.

**Ashok Goel:** Say it again, you ask your question again please?

**Sameer Gupta:** In your press release you are mentioning in AMESA the EBIT growth is at 58.1% in constant currency but on reported terms it is 65% so that can only happen if you have currency gains right so the foreign currency here in AMESA is only Egypt the figure was so have you seen currency gain in Egypt this quarter?

**Ashok Goel:** The EBIT growth in constant currency is 58.1% for the quarter it is not Egypt it is I think AMESA so it is for the region, but even in the region reported 65%, constant 58% so that is there in the loss on constant currency. So different currency has strengthened a little bit the Indian rupee was strong anyways.

**Sameer Gupta:** No Indian rupee would not matter know because that to in any case you are reporting is in rupees only?

**Ashok Goel:** This is a different currency Sameer, because we have to take it on an average basis. If I see last year there was a major devaluation. Yes, there is an overshooting last year, when it actually devalued it went up to 18.7%, 19% and then after that it settled down at almost 17%.

**Sameer Gupta:** So basically Egypt on a Y-o-Y basis now the currency is positive and the devaluation now is like from here on we would not expect devaluation at least because of any.

**Ashok Goel:** Not of that extent.

**Sameer Gupta:** Maybe I will take that offline. Sir on the tax rate guidance you mentioned 33% to 34% but in the US there has been a corporate rate tax cut so there is no benefit from there?

**Ashok Goel:** There would be, but what has happened is because in Poland we have tax free zone and Poland made hardly any profit this quarter and therefore we are not able to get the set off so the percentage tax tend to go up and if Poland makes money ,then percentage of tax rate comes down.

**Sameer Gupta:** Fair but in US if there is a tax rate cut so it will come further down right?

**Ashok Goel:** Yes that is true but also in India the benefit of investment tax credit etc., has gone in the financial year so there are compensating things happening that is why we indicated a percentage of 32 to 34.

**Sameer Gupta:** Okay fair. And Sir one last question on your Capex guidance for FY2019 any guidance you can give?

**Ashok Goel:** FY2019 I think our principle remains the same - equal to depreciation.

**Sameer Gupta:** But you have mentioned some investments in Russia and India also there is some capacity?

**Ashok Goel:** No, Russia this is earlier investment the leased assets moving from one location to another, moving the same machine so hardly maybe $100,000, $150,000. India, Assam we are not putting anything in land and building , but yes India will cross that, and the first phase of Assam it will be Rs.60 Crores but I think overall we will be in the range of the global depreciation.

**Sameer Gupta:** Thanks for giving me time Sir.

**Moderator:** Thank you. The next question is from the line of Vikas Sharda from NT Asset. Please go ahead.

**Vikas Sharda:** You have touched upon major geographies and what is the outlook on America's for the next couple of quarters in terms of growth.

**Ashok Goel:** America's as I mentioned, Colombia even though they are achieving the volumes, their product mix is not favorable and so that will help improve not only the topline but also the bottomline; and we expect Mexico to not only utilize their capacity fully but we have to give them some capacity from US- that does not mean US is degrowing it is just that you remember we had put a short line that is 500 tubes per minute line in US and that would have released some of the low speed lines and one line of that has come to India, one line is expected to go to Mexico. Mexico is ready to accept because the business is there but currently we are serving that from US. So Mexico is tracking well and some of the global customers I mentioned Ramasamy our COO went and met the global customers who are European headquartered. They are also indicating some good business potential in Latin America, which is again Mexico so we see some good potential there. As far as US is concerned we are winning some new business on non-oral care side while there is room for us to win little more business in oral care as well so US has to grow so therefore America's as I see and I have made that comment earlier also if they achieve their volumes and then they can track their EBITDA between 18% and 20% and I would expect them next year to reach to this level.

**Vikas Sharda:** In terms of your EBITDA margin which you say 19.5% this quarter and but I think in the medium-term where do you think margin should trend it is very close to 20% already?

**Ashok Goel:** Yes so 20% has been our promise and if Europe and America's reach their numbers, which they have no choice we can actually take it about 20% but your question is medium-term so on medium-terms I would still take to 20%.

**Vikas Sharda:** Sir just one request that the quarterly release you report the EBIT margin it will be could if you can have the EBITDA margin also geographically and it is easier to compare because then EBIT we may have the other income Forex you know that it will be good.

**Ashok Goel:** We will do that.

**Vikas Sharda:** Thank you.

**Ashok Goel:** No we did not have "other income" - only depreciation. We can provide anyway.

**Moderator:** Thank you. The next question is from the line of Bobby Jayram from Falcon Investments. Please go ahead.

**Bobby Jayram:** You mentioned that you had reflected quarter and have said the business do you still well I think you need to be globally present and so many countries as you are now or is that diluting to more focus?

**Ashok Goel:** First of all , this year in the last quarter , I do not know if you were not present or you did not ask that question, so refreshing that you ask this again. No I do not believe we are thinly spread Bobby. For this kind of business for us to grow we have to be where the customers are and our philosophy has been to go and grow with the customer . So I do not think we have a choice as far as cutting down on geography or not expanding in another geography. On the contrary we have to continue to grow which we will grow we have to be open to open in even more geographies. I know what you are alluding to - that is it becoming a management bandwidth issue or a challenge managing different geographies I think I had mentioned that before also some geography or the other will always be in question mark in trouble then will underperform, some geographies will perform; that's part of life. As long as we, on average basis are able to deliver the numbers except of course some major events like this year and you also I think observed that we always had some issue or the other everywhere, every year if somewhere or the other so that is fact of life that is not better as to look at the growth opportunity.

**Bobby Jayram:** So as well as that is much decentralized?

**Ashok Goel:** I think so let me then clarify so whatever structure we have at a corporate level we have it more or less same replica at regional level and depending on the region and their geographical distance from their regional headquarter they have further sub-regions for example in AMESA that is Africa, Middle East, South Asia, India headquartered. There is only other country is Egypt but the distance from India is so much in terms of not I mean flight connections and all so what they have the way they are managing they have created it into a sub-region analysis so there is a sub-regional head. Same way in America's they have sub-regional Latin America head so this is a fairly decentralized thing. Sometimes see how to say that every five, six years I think we as human being need some sort of a kick to continue to perform at a regional level and that kick can come in many forms- in the form of motivating people, reenergizing the corporate engaging with them more and sometimes the person reaches up to his optimum level and then that is the time we asked the question. So those are part of management and that should not trouble us when we are hunting the challenges though I guess we seem to be much more sensitive than we are.

**Bobby Jayram:** That is all. Thanks very much.

**Moderator:** Thank you. As there are no further questions from the participants I now hand over the floor to the management for their closing comments. Over to you Sir!

**Ashok Goel:** Greatly appreciate ladies and gentlemen for asking wonderful questions. That is what keeps us agile. So thank you very much keep asking us questions those questions that we could not answer please reach out to us offline questions I think Nihal had some. So thank you very much. Have a nice day.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining for us. You may now disconnect your lines.