

“Essel Propack Q3 Financial Year 2015 Earnings Conference Call”

January 30, 2015



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Moderator: Ladies and gentlemen, good afternoon and welcome to the Q3 FY 2015 Results Call of Essel Propack, hosted by Emkay Global Financial Services. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. We have with us today the management of Essel Propack, Mr. Ashok Goel, Vice Chairman and Managing Director, Mr. A. V. Ganapathy, CFO, Mr. M. R. Ramasamy, President, Mr. Roy Joseph, Regional VP, AMESA, Mr. Vinay Mokashi, Global Financial Controller, Mr. Amit Jain, Head Treasury, Mr. Ashok Vashisht, Regional Finance Controller, AMESA, Mr. Prakash Dharmani, CIO. I would now like to hand the conference over to Mr. Prashant Narayanan Kutty of Emkay Global. Thank you and over to you, Sir!

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

Ashok Goel: Thank you, Prashant. Ladies and gentlemen, welcome. Once again greatly appreciate your joining us on the call. Thanks Emkay for hosting the investor's conference. I am sure all of you have already received the earnings update. This quarter has not been particularly exciting. The numbers are in front of you. I do not think I should repeat them.

Topline for the quarter - the revenue grew only by 5.7% and PAT grew by 7.4%; if you take the cumulative that is for the full nine-month period, the top-line grew at 10.9% and PAT grew at 18.3%. As I mentioned this quarter has not been particularly exciting from the perspective of two particular geographies i.e. India and China where we saw the oral care demand actually shrink which, if you track the FMCG category as a whole, these numbers obviously are not surprising. But having said that, that is only half the story. The other half is that the fourth quarter numbers are tracking back in these two geographies, particularly evident in China where we are getting the numbers back. The heartening thing is that our strategy of growing in non-oral care is what is continuing to track well. Which means that overall, the non-oral care category grew at the rate of 15.2% over the previous year and we saw some demand shrinking on the oral care by about 4% for the quarter and 2.3% for nine-months.



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On the other hand if you look at Europe and America's, their numbers have tracked quite well; going forward we expect them to continue to do well and we do have some opportunities in America's particularly Mexico which is doing a little better, so that the overall numbers for America's can be better. In Europe, Poland and Germany are tracking well in this quarter that is the Q3 and we see Q4 also being on the same line. It is India where, for the first half of the January this year the demand was still soft ; now we are seeing the demand picking up and this is where the numbers for Q3 are different. As I said it is only half the story and the other half is that the demand is getting back. Why the demand actually shrunk was that in China and India the macroeconomic conditions have not helped the FMCG business overall to grow and that clearly reflects on our numbers. So, we are also in that sense , the lead indicator . In terms of capability and capacity which I talked about intensively last time , we are on track . We have expanded the capability in US, Mexico and Columbia. I had mentioned last time that in Poland we are expanding both the capacities and the capabilities; in Germany same thing has already happened and Egypt we have expanded the capacities and the capability already. In India we have expanded some capacity already and some will happen by the year end; Philippines is doing fine, China we already have inaugurated the plant which was under commissioning , which is focused on non-oral care; and as the capacity of that ramps up we will see the economic benefit coming from that. But for this quarter that new plant has obviously added to the cost in China both in terms of depreciation and the operating costs while the capacity is yet to ramp up. As I mentioned, it was a strategic investment which means that we invest in the capacity ahead of the market demand, so that will help us build the market, whereas in most other investments we already either have contracted the business or are in the process of getting business.

I now open the floor for discussions.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Ritwik Seth of Span Capital. Please go ahead.

Ritwik Seth: Sir I had a couple of questions. Firstly about the flexible packaging business, so what kind of recovery we are seeing in the quarter.

Ashok Goel: Flexible packaging has recovered in terms of top-line by about 11% and operating profit by 64%.



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Ritwik Seth: Sir if we sustain the same kind of momentum so then in FY 2016 what trigger it can give to the margins like 100 bps or something is that some ballpark figures?

Ashok Goel: The challenge comes if you are comparing with the last year versus the first half of this year. If you compare with the same period last year then I do not see any immediate improvement.

Ritwik Seth: Okay it would not give any improvement in FY 2016 first half.

Ashok Goel: If you talk about first half then obviously it will give a little improvement, but in the overall context it is only about 10% of improvement.

Ritwik Seth: And sir secondly on the volume which you mentioned that there was a drop in India and China. What kind of volume drop we have seen in Q3.

Ashok Goel: Q3 volume drop as I mentioned - the total got depressed by 4%.

Ritwik Seth: That is in India or that is blended like.

Ashok Goel: Which is largely contributed by India.

Ritwik Seth: Sir, do you expect it to go back to normal and even outgrow the Q3 and Q4?

Ashok Goel: Yes Q4 we will track back. In China particularly, what is happening, as I mentioned last time is that the oral care as a category not growing much; as a result what is happening is the brands are becoming more innovative; I had mentioned morning paste and evening paste; now, they are coming up with premium toothpaste and so we are in touch with the strong local brands in China. Our engagement with them for last six to eight months has increased and we are getting some success there. So going forward, we expect that business to grow and therefore kind of mitigate the drop in other multinational oral care brands.

Ritwik Seth: So China will definitely out perform in Q4 as compared to Q3.

Ashok Goel: Yes. So too India.

Ritwik Seth: In India we can expect the same margins in Q4 around 20%.

Ashok Goel: Yes.



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- Ritwik Seth:** Sir one final question after the write off which we took in Q3 what is the consolidated networth?
- Ashok Goel:** Q3 write off which is the restatement of goodwill you are referring to.
- Ritwik Seth:** Yes.
- Ashok Goel:** See our networth impact has already been taken in the last year, Ritwik in the consolidated balance sheet.
- Ritwik Seth:** So it is just the approval which you got from the High Court?
- Ashok Goel:** We will have an implication only for my standalone networth.
- Ritwik Seth:** That is it from my side. All the best. Thanks.
- Moderator:** Thank you. Our next question is from the line of Apoorva Kumar from Jeffreys. Please go ahead.
- Apoorva Kumar:** Sir I just wanted to understand couple of things when you say our demand is recovering in India are you talking about the month of January?
- Ashok Goel:** Yes, month of January. You are talking about India specifically?
- Apoorva Kumar:** Yes.
- Ashok Goel:** Month of January, actually second half of January, the demand has recovered.
- Apoorva Kumar:** Would you have any sense on where this recovery in demand is coming from? Is it recovery that is there in the rural areas or is it a mix of both urban or rural areas and do you may not have sense on this?
- Ashok Goel:** I do not have that sense frankly but FMCG as a category obviously, has been doing well. If one goes through the conference calls of the FMCG brands then they obviously were talking about the rural demand not picking up so well, that is the case but there is no way we can conclude.
- Apoorva Kumar:** Sir what are your plans on the pharma and cosmetic side?



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- Roy Joseph:** In terms of India and Egypt both, in Pharma, the volumes have been increasing as a trend and on the cosmetic side, there has been a little bit of delay in terms of winter setting in and the winter products pick up; we are seeing some traction on that front in the later part of January; so we are improving our capability to improve the cosmetic products, while on pharma we will continue to improve pharma products material structures so we have a strong pipeline for pharma that we are building up.
- Apoorva Kumar:** That is it from my side. Thanks Sir.
- Moderator:** Thank you. While we have participants in the queue we will go ahead with the question from Mr. Prashant Kutty. Please go ahead sir.
- Prashant Kutty:** Sir first - just a couple of bookkeeping questions I am sorry I just missed the non-oral care growth which you just highlighted?
- Ashok Goel:** Non-oral care is 15.2%.
- Prashant Kutty:** If you have to probably dissect this down what was this in India?
- Ashok Goel:** I will tell you in overall, non-oral care in India grew at 10%.
- Prashant Kutty:** India non-oral care has grown by 10%, and if I am not wrong I just heard that we have been seeing some pickup since January even in the non-oral care side as well because I believe the growth in non-oral cares also seems to be a bit on the weaker side.
- Ashok Goel:** I am still on your last question Prashant. Keep in mind that India already has more than 52% of non-oral care revenue, so 10% growth for India alone is not bad. What is your second question?
- Prashant Kutty:** No I was just referring to you that since this growth was a bit in the weaker side maybe the reason for the same and have we seen a pickup post that.
- Ashok Goel:** Reasons are two Prashant - one is that the growth in these two geographies as the brands were expecting has not happened and as the demand was not picking up most of the customers have almost gone on an over-drive in shrinking their pipeline. So that has exasperated the situation in terms of reduction in our case. So as we see, the pipelines now will get corrected. China is already tracking; India will start to see that in the second part. Keep in mind that the COCO model has fully kicked in in India and that obviously adds a small bit to our revenues; so some growth is there.



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Prashant Kutty: Sir just one more question over here if you look at the European operations margin the PBIT numbers they seem to be seeing an improvement trajectory over there in line with our thought. where do we see these numbers going forward actually ? is it because on one side we have actually seen growth being a bit on the lower side as far as Europe is concerned but on the other side profitability is fairly strong. What is your take, on the urban markets going forward?

Ashok Goel: Europe, I think, I have said that earlier, but let me again reiterate here; Europe as a geography for Essel Propack is not very significant so far as market share is concerned- that is point no.1, but we are doing couple of things here - we are gaining market share by converting plastic tubes into laminated tubes and we are converting bottles into laminated tubes. As a result we are tracking a good growth. That is on the market side. On the margin side if you see, my fixed costs are already there as a region, the regional cost is loaded onto whatever revenues we generate. Now as I get better revenues from that specific region, since most fixed costs are already sitting there, it straightaway improves my margin. That is why I would like the European operations to go more and more towards achieving economies of scale from here and in that direction we are actually going to add capacity and capability in the region. In Germany we already expanded the capacity ; so in other words what I am saying is that for the growth for next year we already have committed the investment generally in most of the geographies.

Prashant Kutty: Lastly on the guidance - anything to guide as far as the revenue side is concerned post this quarter numbers, which has been on the muted side; any change in our guidance numbers both in the revenue front and in the EBITDA margin front.

Ashok Goel: Our guidance for the full year which obviously, as they are expected to track, we will have 20% PAT growth.

Prashant Kutty: On the revenue side.

Ashok Goel: On the revenue side we have been saying 15% it maybe a percent or half down .

Prashant Kutty: About 13% to 14%, but our margins should be back in the next quarter.

Ashok Goel: Overall for the year will be at 20% growth in PAT.

Prashant Kutty: PAT growth is 20% okay. Thank you Sir. Moderator if you can take any other questions.



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Moderator: Sure thank you. Our next question is from the line of Nihal Jha from Edelweiss. Please go ahead sir.

Nihal Jha: Just wanted know what is the oral non-oral split was this quarter for India and China.

Ashok Goel: India non-oral care was 52% and China was around 22%.

Nihal Jha: That is it from my side.

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

Dikshit Mittal: Sir any reason for the sequential dip in the revenues in US and Europe.

Ashok Goel: Revenue growth, sequential growth in Europe and...

Dikshit Mittal: America.

Ashok Goel: That is partly because the December quarter is normally a short period in those geographies. So they will always be lower sequentially.

Dikshit Mittal: So seasonally it is normally weak for these two geographies.

Ashok Goel: Yes. Because of Thanksgiving holidays, Christmas holidays etc. ,the number of days of operation in those geographies are lesser.

Dikshit Mittal: Sir in your last call you have mentioned that in China customers are shifting from individual to the family pack so that is the main reason this quarter has been bad or is it because of lower volume itself, in terms of the demand?

Ashok Goel: Yes, so you are bang on there. Obviously, the family packs are getting more popular and the concentration of customer in China is a concern for us. Therefore we have to, as I mentioned in my opening remarks, engage with more brands so that we can kind of avoid surprises in terms of demand. I can say that one particular customer, to whom we supply 100%, the demand just vanished in one particular month. we stopped our operation; obviously they have not taken the tubes somewhere else; just that they probably corrected their pipeline.

Dikshit Mittal: Can you give some sense in China how much are we catering to MNCs and how much to local players has been the current supply.



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- Ashok Goel:** That we can give you off line I do not think we would have that answer ready right now.
- Dikshit Mittal:** Sir our non-oral care facility in China that has been commissioned?
- Ashok Goel:** Yes , as I mentioned it , has been commissioned on December 4, 2014 and we started some additional sales but obviously all the costs of that new establishment and the depreciation had kicked in whereas the capacity is yet to ramp up. I mentioned it is a strategic investment for us and obviously we invested ahead of the demand of the market for the customers actually there; so the expectation is that we will build the portfolio because that is for non-oral care and most non-oral care I customers in China are located there.
- Dikshit Mittal:** Can you give an idea of how much on EBIT level we have lost because of losses of our new facility.
- Ashok Goel:** No, this is not a loss as such. It is just that the cost has come in during the quarter and the corresponding revenue has not come in.
- Dikshit Mittal:** Because if I see quarter-on-quarter in the EAP our revenues are flat but EBIT has down by 5 Crores.
- Ashok Goel:** Absolutely. That is what I am saying, so if you see that there is a margin drop, operating margin we did last quarter and this quarter and 2% of the drop is entirely due to the cost coming on the books.
- Dikshit Mittal:** So sir in Q4 will be the breaking even in that facility or still losses will be there at least on taking cost front.
- Ashok Goel:** That particular facility I do not think we will breakeven even in Q4.
- Dikshit Mittal:** So Q4 margin will remain at the Q3 kind of levels in China.
- Ashok Goel:** No it will be better because the other demand has picked up and therefore the sales are much more. See your question was specific to that facility, that facility may not become profitable in the fourth quarter, but overall in China the demand has picked up; we are supplying more and more ; therefore the numbers for Q4 in China will be much better than Q2.



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- Dikshit Mittal:** Sir last question because I think we had a goal of around 18% of EBITDA margins in this year so I think that we may not be able to do right now but for the next year sir what kind of guidance are you giving sir in terms of margins and topline.
- Ashok Goel:** For next year specifically,. we still have to do our budgeting exercise; so we will know by middle of March when our budgeting is done, how the numbers track ; but general guidance is that we will move in the direction of 20% EBITDA margin global average and our efforts are in that direction .
- Dikshit Mittal:** Sir any update on Russian facility how are you, any plans on that.
- Ashok Goel:** Russia after the Crimea and the corresponding economic sanctions, the country is going through a tough time. Majorly impacting us is the currency that has depreciated almost 100% ; even though we are selling more tubes than we were selling earlier, it is not reflecting on the financials. So we do not expect much but it will be part of our discussion in the budget exercise.
- Dikshit Mittal:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Mithun Soni from GeeCee Investments. Please go ahead sir.
- Mithun Soni:** Sir just to understand you said 2% of our EAP revenue will be on account of the new plant is I understand correct.
- Ashok Goel:** Yes that is what I said 2%.The margin has fallen by say 4% as compared to the previous quarter. I said 2% is on account of the cost.
- Mithun Soni:** So that will come to about 2.8 or 3 Crores approximately.
- Ashok Goel:** Yes.
- Mithun Soni:** But this is only for one so this would be only for the plants started only in December so is this likely to go up in the coming quarter.
- Ashok Goel:** Mithun the cost have fully factored in now.
- Mithun Soni:** It is fully factored in.



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Ashok Goel: The operating cost and the depreciation until you commission the plant this cost is not there right.

Mithun Soni: Yes.

A V Ganapathy: So after the commission that impact has come in. Going forward it will be there in the revenue which has to flow in. Ashok mentioned that it is not going to happen overnight in the next quarter for this facility.

Mithun Soni: The second question is in the press release you have also mentioned that there is some inventory loss can you give some more details on that.

Ashok Goel: Inventory correction it should be.

Mithun Soni: Okay, is inventory corrections are there anything to do with that we have taken some loss or anything like that on inventory.

Ashok Goel: As I explained that some of the bigger customers they have corrected their pipeline

Mithun Soni: Okay nothing at our end.

Ashok Goel: Not at our end. Certainly it increased our inventories a little bit because that was unexpected so we have to reduce our inventories in the fourth quarter.

Mithun Soni: And one last question with respect to the US market America's when this quarter if we see the margins have come down compared to the first and the second quarter is there any one-offs in this or is it just to do with lower lean season, the season being t smaller can you give some highlight on that.

Ashok Goel: See America's , I mean the US has done well. In Mexico again like other emerging markets , we saw a dip in demand, therefore that might have gone through the little depression but otherwise we are tracking well and this quarter we expect Mexico also to improve.

Mithun Soni: You expect Mexico to improve?

Ashok Goel: Yes.

Mithun Soni: Thanks.



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Moderator: Thank you. The next question is from the line of Jagdish Banushali from Florintree Advisors Private Limited. Please go ahead Sir.

Jagdish Banushali: One thing I wanted to understand in the non-oral care segment what is the percentage revenue coming up from pharma.

Ashok Goel: Jagdish unfortunately we cannot give that further breakup right now because it will confuse you guys a hell of a lot, let us stay with oral and non-oral that will be better

Jagdish Banushali: One more thing is in non-oral care how do we see growth coming up majorly from, is it coming from pharma side or from the cosmetics part and from which region pharma would be contributing to us.

Ashok Goel: It is a great question Jagdish. So let me again say what I have been saying - we have taken a two pronged strategy on this non-oral care category. You have pointed out pharma and cosmetics. Pharma & Health we have started to convert to laminate tubes from aluminum tubes. Going from the emerging market to the developed market; so in that sense going uphill As far as Beauty & Cosmetics is concerned we are coming downhill that means from the developed market we are converting and coming down to emerging markets; but of course a bit of action is happening in every geography. In short, in Pharma & Health, we are moving from emerging markets to developed markets and in the case of Beauty & Cosmetics, we are moving from developed markets to emerging markets.

Jagdish Banushali: Thank you very much. That is it from my side.

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

Hitesh Taunk: Sir just now in the con call you mentioned like for the year we are expecting around 15% kind of growth for FY15 but with that by calculating on a mathematical basis when I calculate the next quarter result would be around the top line would be around 27% kind of growth. I just wanted to know one thing where we are going to get this kind of growth whereas till first half of January we have not had good growth in the volume so just wanted to know your comment on that.

Ashok Goel: Hitesh your question is valid; at the same time what I have been saying in all my discussions is that we are focusing on quality of growth. Topline may fall by 1% or 1.5%.



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Hitesh Taunk: It means what kind of growth are you looking in the AMESA region it is a good contributing in our topline for the next FY15 and FY16 for the whole year.

Ashok Goel: FY16 numbers we will be able to give you by middle of March, but pipeline as we see that we will grow at 15% in AMESA region . .

Hitesh Taunk: Okay sir and during this quarter for Q3 FY15 we have a lower tax rate on a YoY basis it has become significantly less; is there any specific reason for that sir.

Ashok Goel: It is Hitesh. There is new incentive for investments in India and that is based on India cumulative investment of Rs.100 Crores . Now we have touched that amount in terms of assets commissioned and are entitled to the same and therefore that is getting factored in our tax calculation.

Hitesh Taunk: So what would be your guidance for the full year tax rate sir, will it be the same as the last year or will it increase from here.

Ashok Goel: We have reduced our effective tax rate compared to last year because our Poland unit is an income tax exempt unit ; they are growing and getting profitable. we are getting that benefit in the effective tax rate. There will be a reduction compared to the last year about a percent or 1.5%.

Hitesh Taunk: And sir one more question, I was reading some newspaper articles like Procter & Gamble are biggest consumer company across the world have decided to curtail some products to rationalize their non-oral care and oral care portfolio and following the same some other companies big MNCs are taking that kind of exercise to rationalize their production portfolio which are not contributing into their topline so what kind of impact this would have in our performance could you throw any light on that.

Ashok Goel: Very good question. You are talking about specifically P&G, I can say P&G because it is in public domain. We have to bear in mind that for us, this particular customer is largely for oral care where they have many SKUs - the main brand is Crest the other one is Oral-B. So from the two brands , I do not expect any portfolio reduction. The portfolio reduction for that particular customer would be in other categories as it is a huge company with many brands . We have so far not seen any impact of it as far as tubes are concerned.

Hitesh Taunk: It means we do not have any kind of issues with the rationalization of portfolio from P&G am I right sir.



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- Ashok Goel:** Absolutely.
- Hitesh Taunk:** And sir one more question if I would allow to ask sir during the we are getting a benefit of lower raw material prices considering some crude derivative items in our raw material so with this we are getting any kind of traction like our customers are to reduce the prices or take price cut.
- Ashok Goel:** Good question Hitesh . Again, let me explain how the building blocks takes place in this - from crude oil prices to the polymer itself. From crude there are two intermediary stages one is called Naphtha other one is called Ethylene. Here everything happens with a time lag. For example if oil prices drop today the Naphtha price probably will see the impact let's say about a month later and once the Naphtha prices are down then it will take about a month or a month and a half for Ethylene prices to come down and after the ethylene price comes down it will take similar time for the polymer prices to come down. This is because at every stage the pipeline has to get exhausted before the effect happens. This is how price change happens . Now to cut the story short, for us the material prices impact will be seen by middle of February . Fortunately for us this time, the prices are falling in one direction constantly so we may have the lag effect as it happens
- Hitesh Taunk:** Okay sir that is all from my side if I have any doubt I will come back again. Thank you.
- Moderator:** Thank you. The next question is from the line of Vaibhav Parkar from I Wealth Management Private Limited. Please go ahead sir.
- Vaibhav Parkar:** Sir if you can give me breakup of the topline as in oral versus non-oral care and for which segment do we expect margin expansion?
- Ashok Goel:** As I mentioned Vaibhav the non-oral care stands at 41.7% that means remaining 58.3% is from oral care. That is the global average. Margin expansion I am not very clear what do you mean by that?
- Vaibhav Parkar:** Sir you are telling about that you would like to take EBTDA margin 20% so in which segment you?
- Ashok Goel:** No, I am not necessarily saying that it is linked with the category either oral or non-oral that maybe linked with the overall volumes. So as the growth happens we believe that our EBITDA margins -we will be working towards 20% in next couple of years.



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- Vaibhav Parkar:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Ujjwal Shah from Quest Investment. Please go ahead Sir.
- Ujjwal Shah:** Just wanted to know the new non-oral care facility that we have started for in China recently so what is the strategy down there ? who are the customers that we are eyeing currently any follow up on that Sir by when we will be see this Chinese non-oral care facility to starts you think benefit for us?
- Ashok Goel:** Good point Ujjwal. First of all in China is one geography where our non-oral care revenue share is the lowest as compared to rest of the globe. So we obviously needed to do much more in terms of capacity and the capability building; therefore we decided to go in for this . The type of customers are obviously non-oral care I can give you generic names of local brands like Long Lychee, Wiemzi, , then there are L'Oreal's, there are Unilevers, Procters, Johnson & Johnson and a whole lot of other Companies, , many of whom have most of their filling where we have located our plant. We obviously had to demonstrate to the customers that we have now come close to them - , even though we were there, we were about 2000 km away. So for us to win the business this was one of the road blocks. As we have established capacities and capabilities, we are seeing a positive feedback from the Customers and their willingness of this growth based with us.
- Ujjwal Shah:** Any timeline do we see by when the facility would be running at close to our utilization levels that we are probably seeing on the blended basis across the globe?
- Ashok Goel:** Let Mr. Ramaswamy answer that question.
- M. R. Ramaswamy:** Yes. Market takes time to convert and in the last nine months that we have made the plant operational . Now we should ramp up by second, third or fourth quarter to a large extent.
- Ujjwal Shah:** Thank you Sir. Secondly Sir, just wanted to know about the PBL conversion and the acceptance that it is gaining . We have always been eyeing this specifically the non-oral care segment, so how is that progressing Sir?
- Ashok Goel:** They are progressing well Ujjwal. As I mentioned in non-oral care we grew about 15.2% obviously we are seeing a good business and traction. The ideas of change, we are seeing that change happening in USA . They have changed quite a bit in Germany



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and in Poland. India we are offering both the products but because of pharma we are obviously converting a lot of aluminium to laminated tubes. China story was explained. We are doing that in Asia, we have done that in Philippines.

Ujjwal Shah: So, should I just assume that most of the non-oral care that we are doing currently is of PBL in nature than plastics?

Ashok Goel: We just say oral and non-oral, because mostly PBL yes you can assume that but we do have plastics as well and also ABL. So I think my suggestion is do not see it that way, ABL, or PBL or plastics because that will confuse you a lot. We track it on the basis of oral and non-oral and that should help you.

Ujjwal Shah: The only purpose of doing it because as compared to plastics also we would earn better margins on PBLs and eventually that would help our margins overall? So that is the only point.

Ashok Goel: On an overall context Ujjwal, we in any case have a very small capacity in Plastic. It does not make much of a difference. We track it on the basis of oral and non-oral. Non-oral let me again explain our global share in non-oral care is so insignificant, because I had explained that oral care we have 33% but in non-oral care we have just not even scratched low single digit. So our potential is huge and therefore I think it will be sometime before we start to track it based on the category of the construction of the product.

Ujjwal Shah: Thank you Sir. Thanks for taking the questions.

Moderator: Thank you. Our next question is from the line of Shivani Vishwanathan from Techno Shares. Please go ahead.

S. Vishwanathan: My questions have been answered. Thank you so much.

Moderator: Thank you. Our next question is a follow-up question from the line of Dixit Mittal from Shubkam Ventures. Please go ahead.

Dixit Mittal: Sir, just wanted to understand when you say that raw material prices are pass through. So our gross margins are fixed on a per tube basis or is it specific percentage of selling price Sir?



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- Ashok Goel:** It depends. If we talk about oral care then obviously it is per 1000 tubes. On the non-oral care the price, is negotiated every time.
- Dixit Mittal:** So that negotiated price is on a per tube basis?
- Ashok Goel:** Yes.
- Dixit Mittal:** Yes. So on per tube basis irrespective of your commodity prices, you will be earning the same margins.
- Ashok Goel:** As a percentage it improves.
- Dixit Mittal:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to Mr. Prashant Kutty. Thank you and over to you Sir!
- Prashant Kutty:** Thank you very much Sir. Sir, if you have any closing comments.
- Ashok Goel:** I just want to reassure that it was one-off quarter. I We had a discussion with all our business leaders from the globe and the confidence that I see in them, there is no doubt in my mind that we will track growth trajectory 15% to 16% topline and 20% bottomline growth for the coming years. Thank you very much. Greatly appreciate your time.
- Prashant Kutty:** Thank you very much Sir.
- Moderator:** Thank you Sir. Thank you members of the management. On behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.