June 4, 2013

Moderator:

Ladies and gentlemen, good day and welcome to the Q4 FY'13 results conference call of Essel Propack Limited hosted by Emkay Global Financial services. We have with us today Mr. Ashok Goel, Vice Chairman and Managing Director, Mr. A.V. Ganapathy, CFO, Mr. M.R. Ramasamy, President, Mr. Amit Jain, Head of Treasury, Mr. Niladri Nandi, Business Analyst and Mr. Roy Joseph, Regional VP AMESA Region and Mr. Vinay Mokashi, Financial Controller of Essel Propack Limited. As a reminder, all participant 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prashant Kutty, Research Analyst of Emkay Global. Thank you and over to you Sir.

Prashant Kutty:

Good afternoon everybody. Thank you for joining us today. We would like to welcome the management of Essel Propack Limited and thank them for giving us the opportunity to host this call. I would now like to hand over the call to Mr. Goel for his opening remarks.

Ashok Goel:

Thank you Sir. Ladies and gentlemen, once again welcome. I am sure all of you have our brief which has reached you. I am happy to say that the net profit of the company is 81 Crores. Last conference call, I had promised that PAT was likely to be north of 70 Crores, so it is obviously much better than that. If you look at the total sales we have 1831 Crores which is a growth of 15.7% over last year. Net profit after tax if you see, last year's figure is 51 Crores but last year there was about 10 Crores one-off item, so if we neutralize that then the underlying business profit last year was 61 Crores versus 81 Crores this year which resulted in 31.5% growth in PAT terms. If you look at margins, operating margin has grown up by 24.9% which represents margin improvement of 70 basis points over the last year and PBT has grown up by 48% but if you also look at EBITDA, EBITDA this year is 313 Crores, which is 17.1% of sales versus 16.8% of last year, now in this year if we eliminate the one off items that has been accounted for and the underlying performance of the yearly average is 17.6% but if you look at quarter wise EBITDA percentage, the last three quarters of the last financial year was in the region of 18%, it was the first quarter where our EBITDA margin was lower, therefore the average has dropped down, so the point I am making here is that the EBITDA percentage, the exit rate which is based on the last three quarters is about 18%. Some of the other points based on the last transcript I was going through I had promised that non-oral care revenues, our vision is to be 50% in next two years and I was expecting this year to close at 39%, against last year of 34% but in fact when we closed the year it is actually at 40.8% which has exceeded the expectation of non-oral care revenues, so therefore we are moving in the right direction with respect to the distribution of revenues from oral care to non-oral care. We talked about some of the restructuring last time, quite a bit of restructuring in the management team. I did touch upon last time at the global level but at specific regional levels also, there have been some changes and I now feel confident that the leadership team is agile and we are poised to take on the challenges. I do recognize and concede that we did become little sloppy in the last couple of years but that is behind us. If there are any specific questions I will be happy to answer or my team will be happy to answer.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session.The first question is from Shivani Mehra from Techno Shares & Stock Ltd, please go ahead.

Question and Answer Session

Shivani Mehra:

Good afternoon sir. I have a few questions and I will go one by one. This mix you had given about non-oral care and oral care, this was on a consolidated basis, can I also have on a standalone basis, how has the mix been in oral care and non-oral care?

Ashok Goel:

India non-oral care revenues are I think 54%.

Shivani Mehra:

Sir, how is the growth in oral care and non-oral care been both in consolidated and standalone?

Ashok Goel:

Overall growth in revenue terms, as I mentioned is 15.7%. We will give you the numbers.

Shivani Mehra:

Sir in the AMESA region, the other thing, India business that is taking on India standalone what exactly has impacted the segment results because I think other than India business AMESA we have seen a margin dip there. What has actually happened there?

Ashok Goel:

Other than India we have Egypt.

Roy Joseph:

In terms of Egypt some of the customers are having regional supply base for Middle East region from Egypt, so they supply to Egyptian customers as well as customers in the Middle East and there have been, because of the disturbances, revolution around that area, there has been some drop in terms of volumes there with some of our customers which we are actually seeing the traction now picking up, so in the last quarter in terms of volumes there has been impact compared to the volumes of last year, so that has been one of the reasons and again Egypt as a business if you look at we are very much focused on improving our ratios focusing on cosmetic and pharmaceutical customers that would actually improve margins going ahead.

Shivani Mehra:

Sir I want the segment results actually, the margins, what impacted the margins in non-India business in AMESA?

Ashok Goel:

Our year to date margin has actually improved.

Shivani Mehra:

Yes sir, but in Q4 actually, I was looking at Q4 there has been some 100 basis points fall in margin in non-Indian operations.

Ashok Goel:

That is what Roy Joseph explained to you.

Shivani Mehra:

I understood. There was basically a drop in volumes because of which cost would have been higher, am I right sir, per unit?

Ashok Goel:

Yes.

Shivani Mehra:

Coming to the next question sir, what would be the contribution of flexible packaging subsidiary this year and how has that performed?

Ashok Goel:

The EBITDA margin of flexible packaging business is between 11 to 12%.

Shivani Mehra:

Correct sir, but what was the revenue number for the flexible packaging business and how has it grown for the full year?

Ashok Goel:

Flexible packaging for us constitutes about 12.5% of the total sales.

Shivani Mehra:

How has the growth been there, have we seen a slowdown?

Ashok Goel:

Revenue growth there has been about 6%.

Shivani Mehra:

How do you feel that flexible packaging business would go from here, are you seeing new client additions, what are the strategies to grow this part of your business?

Ashok Goel:

It is a good question. Flexible packaging business in the overall context is growing in India and the growth has of course been little oscillating throughout last year but on an average this will be growing at about 15% and therefore at this moment we are at full capacity, therefore for this business to grow the business head has put up a proposal to us for capacity expansion which we are evaluating and based on that I think we can grow that business.

Shivani Mehra:

Sir, just a business question on this, if this is primarily for FMCG or it includes pharma also, the flexible packaging?

Ashok Goel:

Right now they do not do much for pharmaceutical, but we did do some experiments and we do some business but it is nothing significant but what this unit has started to do is increase their focus on export as well which is not very significant at the moment but their objective is to grow on exports as well, yes it is FMCG products, that includes even the staple, food, snacks and also detergents and laundry business.

Shivani Mehra:

Sir correct me if I am wrong, last con call we had spoken of a new line for plastic tubes that was going to come on stream in the Indian business, if you could just throw some light on that, I think it was expected to come in by September 2013?

Ashok Goel:

You are right. The context of that line was that we were shifting a lease line from Europe so that we could reduce our losses there and that line is being deployed as we speak in India and that is probably under custom clearance as of now or about to reach the country and we would be commissioning that, so from July this year that line should be productive.

Shivani Mehra:

Sir, with this line would there be a significant mix change or like around 54% you said non-oral care?

Ashok Goel:

Last time I stated very clearly that we no longer are tracking our business based on plastic tubes and laminated tubes. We are tracking our business based on oral care application and non-oral care application; within non-oral care there are cosmetics, toiletry, pharmaceutical, hair care, skin care and industrial products including food.

Shivani Mehra:

Of course with this line coming in our mix towards non-oral care would further go up in Indian operations.

Ashok Goel:

Yes, for sure. You are assuming that we will not grow in oral care.

Shivani Mehra:

Sir, coming to the EAP region what lead to this margin expansion in Q4 to 22% margin?

A.V. Ganapathy:

It has two impacts; basically it has some dollar exchange rate impact which is about one portion of it. The second portion is we are also expanding in cosmetics and pharma business, then we have also taken lot of cost methods in terms of control, these three contributes to margin expansion.

Shivani Mehra:

If you could just give the forex impact on this, it would be great?

A.V. Ganapathy:

We do not have region wise forex ready with us Shivani.

Shivani Mehra:

Sir you mentioned about cosmetics order coming through in China which also impacted the margins, I know it would be very small right now but what is the mix of oral and non-oral care in China currently, is it very negligible?

Ashok Goel:

Last year we used to do non-oral care about 14%, this year we do about 22%.

Shivani Mehra:

How is the outlook on oral care in China sir with P&G giving flaking remarks on cutting production there, I was just wondering if you could throw some light on how oral care demand you are seeing in China?

Ashok Goel:

As a region, China oral care grows about 2 to 2.5%, the growth is in different terms in China, those oral care growth are value added, most of the FMCG are actually reporting sales growth, what we have done is we have changed our product mix, so we also have lot of value added products going in to oral care segment also.

Shivani Mehra:

What will be your growth expectation for this region for the coming year or two for EAP region and China?

Ashok Goel:

In the meantime, I will add, in the case of China you would recall in our previous con call that last year they were impacted due to certain offtake issues, one of the things is that we are coming out of that and that is one thing which also is helping us in the March quarter this year compared to the last year, so we have actually expanded in volume on a year over year basis significantly, that traditionally also helps us in terms of including the EBITDA.

A.V. Ganapathy:

I can give you overall guidance; we should be growing at about 15% global average.

Shivani Mehra:

Sir on the American operations, there was a conversion of capacity that was happening from plastic tubes to laminates, we were trying to convert the lower plastic tube market users in to laminates if I am correct, I just wanted your view on how that has played out this year and can these margins that we have seen in this year be sustainable for the American operations?

Ashok Goel:

It is a great question. Let me give you the overall view. The conversion of plastic tube in to what we call plastic barriers, laminated, there are couple of backgrounds, basically first is that we have been chosen as a preferred partner by global multinational company whereby in every geography where they are and where we are or we can deal Essel will be chosen as a preferred partner. In line with that, that particular customer will also have lots of plastic tubes and they have a stated objective that, in fact they have taken up our global project whereby the conversion of plastic tube in to laminated tube is accelerated, so in line with that we have projects ongoing with the same customer, not only the same customer but similar arrangements we are negotiating with other customers as well whereby we have live projects in almost all geographies going on in this direction and US is one of them, so therefore that trend we see will continue, if you want to go further in granular details then my sense is that anytime a particular brand goes to a threshold of sales in their existing portfolio which is plastic tubes then that becomes a perfect candidate for conversion to laminated tubes and this we are seeing across the customers, it is not just one or two customers, that is the trend that we are seeing and we are well poised to capture that opportunity. You have question also on the margin, our margin we are seeing global average margin is 18% and that too with flexible packaging kind of bundled in to it and some geographies where margins are lower than 18% and some geography margin are higher than 18%, so average is 18%, so that will definitely improve at least by 100 basis points next year.

Shivani Mehra:

Specifically in US on the margin expansion that we have seen sustainable specifically in American region?

Ashok Goel:

Yes, of course. In the American region yes because we basically track four units, two in US, one in Mexico and one in Colombia and we have specific programs for each of those units, so the performing units have to increase their sale profits and therefore their margins, the underperforming units have to come out of their problems, there are specific programs. I did talk about the change in organizational structure, we have implemented in Americas also, more prominently in Mexico where the entire leadership has been changed and we are seeing good traction there already, so for sure Americas is one of the candidates where margins definitely have been good.

Shivani Mehra:

Thank you so much on that Sir, just one last question on Europe, of all the cost saving measures that have been taken and are being taken, is it fair to say that there is still more cost savings that need to flow in to profitability or has all of it been captured? Is there more scope? Obviously it is loss making, I understand that but the cost saving more are to accrue coming in to the future quarters Sir?

Ashok Goel:

If your question is that have we exhausted all cost saving opportunities or are there still some?

Shivani Mehra:

Exactly?

Ashok Goel:

The answer is that we still do have opportunity, multiple opportunities and more so in Europe given the fact that Europe has been a non performing region in terms of profitability and obviously any such region has more opportunities, so Poland definitely has opportunities both in terms of productivity, sales and also including their margins, same way Germany we definitely know there are programs which are underway where the margins have to improve, Russia is another one where it is kind of wild territory in many respects and we are trying to rein that in some ways and there again as I mentioned that we have global preferred supplier status with a particular customer and we are likely to get some business there as well, so yes there are plenty of opportunities.

Moderator:

The next question is from Ruchita Maheshwari from Nirmal Bang Securities; please go ahead?

Ruchita Maheswari:

Good morning sir. Just wanted to know what is the non-oral care and oral care contribution in this quarter?

Ashok Goel:

In the March quarter itself it is 38.6% non-oral care, there are seasonalities in this quarter, do not read too much in to this. Year over year we have shown the improvement, 40.8% from 34%.

Ruchita Maheswari:

Sir just wanted to know your other income has increased a lot this quarter, what is the reason behind that?

A.V. Ganapathy:

The other income, in terms of certain liabilities, there was a write back and that is the main reason for this quarter changes.

Ruchita Maheswari:

Write back of how much and it is pertaining to what?

A.V. Ganapathy:

It pertains to the operational provisions we had created and which we have dissolved them, anything out of the merger we had got last year with RAS Propack, as part of that we had certain obligations to fulfill which we could do because of the merger synergy and therefore to that extent we could reduce the liability out of our balance sheet.

Ruchita Maheswari:

What was the quantum of that write back?

A.V. Ganapathy:

It is about 4.7 Crores.

Ruchita Maheswari:

Still I believe 10 Crores is the normal other income which we have posted in this quarter because in the last few quarters if I see your maximum is 5 or 6 Crores.

A.V. Ganapathy:

If you take total of 19 Crores other income last year this year it is 27 Crores, so 4.7 accounts for what Ganesh explained to you just now and 2 Crores is increase in interest income and about a Crore is from sale of some assets, so that is about 7.7 Crores and the remaining gap is 8 Crores, so I have given you account for 7.7 Crores.

Ruchita Maheswari:

Sir if you can throw some light on the debt, we have reduced our debt during this financial year that is FY 2013, if you throw some light on what kind of repayment schedule are on the cards going forward?

Ashok Goel:

The targeted DSC is 1.5, we are currently at 1.2. We are about 1.3 this year which was about 1 last year when we were speaking.

A.V. Ganapathy:

We measure it more by this. What we are explaining to you is that we look at it in terms of the DSCR and that gives us a comfort how we have been able to service, that has been steadily increasing for us, this was 1 year ago, this year it has improved to 1.3 already, our target is 1.5.

Ruchita Maheswari:

The growth is 15.7%, if you can tell me how much is due to price hike and how much is due to volume growth?

Ashok Goel:

7% is coming due to volume growth and balance is coming through the efficiencies of scrap reduction.

A.V. Ganapathy:

Price correction mixed between oral and non-oral care right and partly also some amount of exchange impact. Volume growth is about 50% of the total growth.

Ruchita Maheswari:

Sir we are shifting plastic tubes from Europe to India; if you can tell me what will be the capacity?

Ashok Goel:

This is one line only. The capacity of one line typically is about 24 to 30 million tubes a year.

Ruchita Maheswari:

As far as I remember in the last quarter you said that this line will be shifted by May 2013.

Ashok Goel:

This line is already in the factory and under commissioning it got delayed by a month.

Ruchita Maheswari:

So it will be started by July?

Ashok Goel:

July it will start to produce.

Ruchita Maheswari:

How much contribution you are expecting from this line and secondly when did you shift the line from Europe to India. What kind of loss reduction will we be seeing in the Europe region?

Ashok Goel:

In the Europe region it is basically the release of the surplus capacity, as you know that in Europe we are in the process of ramping up because we have a huge laminated tube project which is on the ground, so what will happen is that any fixed resources will get absorbed there, so overall we will be saving some manpower which will get redeployed in the new project.

Ruchita Maheswari:

How much saving you will be seeing in this loss reduction?

Ashok Goel:

We do not have that answer readymade. The second part of question is what is the revenue we are expecting out of this line in India, I think we have the average selling price of let us say 4.5 rupees a tube and it will be around 4.4 Crores increase in revenue considering the eight months from July that we have for the year.

Ruchita Maheswari:

If you can give me the EBITDA margin of oral care and non-oral care?

Ashok Goel:

I am sorry, we cannot give that.

Prashant Kutty:

Sir, firstly as far as Europe is concerned if you see there has almost been a 35% growth for the quarter and as against that we have actually booked a loss of about 13 Crores for the quarter. Sir, what I want to know is that till when do we see this loss actually happening because yes you said that we are ramping up our capacity so that is why, do we see operating leverage to actually flow in the coming quarters?

Ashok Goel:

If you are talking specifically about Poland, the exit we expect in this financial year to be a marginal loss at PAT level, it means that all the losses that we have in the existing product and the margin improvement we will have in the new project that will be neutralizing but it is next year when we will see positives.

Prashant Kutty:

So in 2015 you will see positive EBIT numbers?

Ashok Goel:

No PAT, I am talking in PAT terms. Marginal loss at PAT terms in this financial year closing and profit to come next year in PAT terms.

Prashant Kutty:

How do you feel are we going to drive that? Is it mainly going to come from new contract itself?

Ashok Goel:

The ramp up of this project which is implemented will finish by the third quarter, so full year impact will not be seen in this year and that whatever impact that comes will be enough to neutralize the losses that we currently have, therefore next year when we have full ramp up and therefore the profit will start to flow in.

Prashant Kutty:

As far as the loss in this particular quarter is concerned, how much was on account of this ramp up actually or especially from Poland?

A.V. Ganapathy:

Let me explain this. As we said that in our EBITDA Ashok had mentioned earlier there was certain one-off items in this unit actually, so if you knock it out, then actually we are in the region of about 6 Crores as loss which is actually lower than what we reported last year.

Prashant Kutty:

You are saying there is almost a one-off of about 8 Crores?

A.V. Ganapathy:

One off is 6 Crores. It will be 13-6, 7 Crores.

Prashant Kutty:

But what would be the one off in relation to?

A.V. Ganapathy:

Relating to certain closure of operation and we gave up some warehouses and other things. People cost as well.

Prashant Kutty:

As far as the AMESA region is concerned if you look at the growth in India, it was about 14%, but if we look at AMESA region's growth, it is about 21 to 22%, I could not understand the disconnect between them actually where you were also mentioning that Egypt we are seeing volume impact, where is the growth exactly coming from in that sense?

A.V. Ganapathy:

AMESA region includes flexible packaging business, for this quarter flexible packaging business did not grow, revenue growth of about 5% there in the quarter, so what was your question here?

Prashant Kutty:

What I am asking is that if you see the standalone revenues grew by about 14% whereas AMESA egion revenues have grown by about 21%, so what I am trying to say is that where has the balance growth come in from? I would probably like to know what Egypt growth is actually.

Ashok Goel:

Egypt grew by 3.1%.

Prashant Kutty:

I am still not getting the disconnect over here sir, because if that was the case how come AMESA region grew 21%?

Ashok Goel:

Are you comparing March to March?

Prashant Kutty:

Yes, I am comparing March to March itself, if you see the year-on-year number I would probably just like to reconfirm the numbers, I guess for the fourth quarter AMESA region numbers was about 239 Crores versus 198 Crores in the last year, am I right?

A.V. Ganapathy:

Yes.

Prashant Kutty:

So this is a 21% growth and if I look at the standalone numbers I see a 14% growth in my Indian operations, so where is this balance growth come in from actually because I am sure the other regions would have grown faster than India if AMESA region has to report a growth of 21%?

A.V. Ganapathy:

We will check the number again. It is 214 Crores in the December quarter AMESA and 239 Crores in March quarter which is only 11.3% growth.

Prashant Kutty:

That is on a quarter-on-quarter basis, I am saying on a year-on-year basis.

A.V. Ganapathy:

There is one more thing. When we do the regional numbers as part of consolidation we have to eliminate the inter unit sales, so India is the supplying unit as far as Egypt is concerned, so while in the standalone the sales that we effect to them will be part of sales in India.

Prashant Kutty:

So ideally in India, the intersegmental revenue which is there that is 63 Crores should ideally be removed from AMESA to get the actual growth. Am I right by saying that? You have to probably exclude this 64 Crores or a large part of it from the AMESA region to get the actual growth.

A.V. Ganapathy:

You cannot do because intersegmental sales includes lastly also China like other units, so what happens is that to the extent that it is included in the numerator and denominator, you cannot directly compare with the AMESA growth would not adequately add up for you because when you consider AMESA the inter unit sales are nullified. We talk only of the external sales.

Prashant Kutty:

What I am seeing is that if you look at the intersegmental revenues also it is actually pretty high as compared to the previous quarters, it is almost a 64 Crores number as against 20 to 22 kind of a number run rate which is their in the previous quarters, that is somewhere where I had a doubt on actually.

A.V. Ganapathy:

That can vary depending on the offtake plans of the customer units and how they face the supply chain, at this point in time based on the holiday season.

Prashant Kutty:

As far as other expenses are concerned in the quarter if you see it has actually shot up a bit from an 80 to 82 Crores kind of run rate it has actually almost shot up to 95 to 96 Crores, so is it bit to do with the one-offs or is there anything apart from that.

A.V. Ganapathy:

Consolidated?

Prashant Kutty:

Yes I am talking about the consolidated numbers if you look at the other expenditure.

A.V. Ganapathy:

The one off which you mentioned will all come in to that.

Prashant Kutty:

That will probably be about 6 Crores out of that but it still has 89 Crores of a number? So any particular reason as to why that was higher?

A.V. Ganapathy:

Consolidation you are comparing with?

Prashant Kutty:

I am comparing on a year-on-year basis for the quarter.

A.V. Ganapathy:

Now if you take off what I have mentioned to you 7.5 to 8 Crores in Europe which we removed.

Prashant Kutty:

Is this figure 6 Crores or 8 Crores?

A.V. Ganapathy:

8 Crores.

Prashant Kutty:

As far as the EAP region is concerned how much do we see this growth to be sustainable because I believe a large part of the growth is primarily the currency impact, so if you look at the growth of almost about 21 to 22% and I also wanted to ask on the margins as well because we have again seen a margin improvement in the EAP region of almost about 700 odd basis points, so just wanted to know how much is sustainable actually.

A.V. Ganapathy:

As far as margin improvement is concerned if you look it is almost steadily in the region of operating profit is 22.3% for this quarter and full year it is about 19.3%, now in their case the margin improvement had happened partly also because of volumes have been picking up when they were im pacted. They have also executed lot of cost effectiveness programs, when their volumes under pressure the unit was managing their bottomline by focusing on taking on unwanted costs that momentum is also flowing through, cost base have been to some extent reset. As the volumes are picking up you will see this impact on the margins coming.

Prashant Kutty:

So this ideally would be sustainable?

A.V. Ganapathy:

Yes because this will have to be now combined with the new growth they are planning for cosmetic and pharma sector.

Ashok Goel:

In the EAP region, continuing with some of the previous questions we are implementing a small but important project in Philippines, again cosmetic related project which will add significantly to revenues. China has its own programs running for growth in non-oral care and they are getting very aggressive which is cosmetic, hair care and pharma and of course food also is lead effectively by China. Food actually majority of it is coming from China and Germany and going forward in Pol and.

Prashant Kutty:

Sir any particular reason as to why our capital employed numbers was higher in this quarter as far as AMESA and Europe region was concerned?

A.V. Ganapathy:

In the case of Europe obviously we are putting up the new capacity and that all happened in the last quarter. In the case of AMESA, there was a buildup of working capital and also in the case of AMESA we also extended capacity during first half of last year, the major capacity expansion was done and that was not there in March 2012, that will come in to capacity expansion of laminated tubes. Essentially the fixed assets that we have invested numbers show growth.

Prashant Kutty:

Sir as far as India is concerned we probably heard about P&G entering in to the oral care space. What is our take on that considering the fact that would we probably see some kind of improved growth coming up as far as India is concerned?

Ashok Goel:

That is a tricky question, whatever I say will be breach of any confidentiality we might have, customer specific if you see we just do not give out the name of any customer.

Prashant Kutty:

Fair enough, but otherwise sir how do we foresee growth as far as India is concerned maybe in the next year, are we seeing a pick up is what I am just trying to ask?

Ashok Goel:

Our view is that as more players come in to this segment two things will happen, one the market expansion itself and we all know that the penetration or consumption of toothpaste per capita in this country is very low so that will happen. Second thing we see is that premium toothpaste categories will also start to come in. For example, P&G they declared they will come with Oral-B brand which we assume that Oral-B brand will be value for money brand, that is the entry strategy, existing players what they would do based on our general understanding, I am not giving out any customer discussions here, the general tendency in such cases, the existing players will defend their position, so they will be aggressive in the value for money products but at the same time they will push the premium brands also in the market. In overall context that will end up pushing up the overall market penetration.

Prashant Kutty:

Sir, problem in EAP region, which we had in the last year as far as clients were concerned is behind us , are we through that thing?

Ashok Goel:

More or less picked up the volumes which are comparable with the peak that they have been at, so the customers have recovered again.

Prashant Kutty:

As far as guidance of margins I believe you just guided for 18% margins for FY 2014, am I right?

Ashok Goel:

19%.

Prashant Kutty:

This 19% is including my other income.

Ashok Goel:

Other income does not come in EBITDA, it comes after the EBITDA.

Prashant Kutty:

If that is not the case because if I look at the EBITDA margins for this particular quarter it was about 16%, excluding the other income, and for the full year I guess our EBITDA margin is about 17%.

A.V. Ganapathy:

This quarter it is 17.8% on underlying basis that is what I am saying, as we said there was this one off cost.

Prashant Kutty:

I got that sir, so if we exclude that then probably our EBITDA margin we are looking at 19% margins.

A.V. Ganapathy:

Because this all come in this quarter.

Prashant Kutty:

100 basis points price point improvement, we will make it 19%. Fine thank you very much.

Moderator:

As there are no further questions from the participants I will now like to hand the conference back to Mr. Prashant Kutty of Emkay Global for closing comments.

Prashant Kutty:

On behalf of Emkay I once again would like to thank you all for joining the call and also thank the management, have a great day. Thank you very much.

Ashok Goel:

Thank you all.

Moderator:

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

Note:

1.This document has been edited to improve readability.

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

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