



“EsseL Propack Limited Q1 Financial Year 2015
Results Call”

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Moderator: Ladies and gentlemen good day and welcome to the Q1 FY'15 results 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. Roy Joseph, Regional Vice President for Africa, Middle East & South Asia; Mr. Vinay Mokashi, Financial Controller; Mr. Amit Jain, Head of Treasury of Essel Propack Limited; Mr. Ashok Vashisht, Regional Finance Head of Africa, Middle East & South Asia. As a remainder all participant lines' will be in the listen only mode. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pritesh Chedda from Emkay Global. Thank you and over to you Mr. Chedda.

Pritesh Chedda: 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 handover the call to Mr. Goel for the opening remarks and thereafter we will take the Q&A. Over to you Sir.

Ashok Goel: Thank you Pritesh and thank you as usual for organizing the call. Ladies and gentlemen, welcome. As you might have seen from our investors note, our consolidated revenue grew 14.3% to 549 Crores and net profit grew by 12.3% to Rs.26 Crores over the same period last year. We are focused on our strategy to drive non-oral care growth where the sales grew to 16.6% and value share improved by 2.1% over the same period last year. Our initiatives to turn around loss-making units are beginning to show results. During this quarter the Poland and Mexico operations achieved PAT breakeven, while our plastic tube unit in US was very close to breakeven. Russia of course continues to post losses due to the local challenges that we have and we are looking at it closely for next six months; also working on a strategy as to how to make sure that this unit becomes profitable. Now, these three units (Poland, Mexico and US Plastic unit) themselves have added to our bottom line by Rs.6.18 Crores as compared to last year. You will recall that during the last financial year, these units together posed around Rs.25 Crore loss. So our strategy is clearly working. Only in Russia we have some work to do due to the circumstances prevailing locally. India operations are growing well, as you would have noticed from the standalone results. Top line grew by 19.2% and operating profit grew by 22.2% over the same period last year. Just the other income has reduced by Rs.1.7 Crores causing the bottom line growth to appear muted at 10.3%. India continues to be promising and we are investing for growth here, a lot of it in the non-oral care. In fact our plastic tube facility here in India is running close to capacity with new customer wins. Our COCO model that is Customer Owned Company

Operated model picked up very well in this quarter and has contributed to our top and bottom line. Poland is chugging along fine and together with Germany is increasingly engaged in non-oral care wins from prestigious brands. US and Egypt are doing exceedingly well; Columbia is a geography where we need to add some capacities to make the local non-oral care opportunities. Then what has actually dampened the results, apart from the normal seasonality that we always have during the first quarter, is two-specific business; one is EAP, East Asia Pacific that is China, which you might have noticed already from the publication and second, the India centric flexible packaging business; let me take up the flexible packing first. We actually grew the revenue in the flexible packaging by 13%; however, adverse product and customer mix has impacted our EBITDA margin by a significant 5.6%. The management is aggressively trying to correct the pricing and mix, and we believe this will happen in the coming quarters, but for this, that is the drop in the EBITDA margin in the flexible packaging, the underlying tube business EBITDA would have been 17.5%. Now coming to East Asia Pacific that is China, where we have actually missed out on our time estimates. As a region, in oral care business from the existing oral care customers, we saw a surprise drop in the last month of the quarter and that has actually caused the China numbers to be depressed. In China 85% of our business is for oral care; for the last couple of years we have suffered from off-take issues at our key oral care customers so there is also an added pressure on cost, especially man power cost due to policy initiatives taken by Chinese government. We are addressing this by growing the non-oral care business for which capability is already on the ground. In fact during the quarter, non-oral care grew by 68% albeit on a small base and we expect this to continue with the new cosmetic dedicated factory coming up in South East China, which will start operation next month that is August. We are also in the process of automating some of the processes in China, to reduce the manpower cost. These initiatives we hope, will ensure that the business will be able to maintain profitability of the last year and post a modest growth this year. We are confident that in future years, this will pay reasonable dividends. As I was coming to this conference call, I got some numbers about our competitor in China, which is the largest plastic tube maker. I was surprised to see the numbers - that their profit for the first half has dropped to 4.5 last year which is very surprising, I therefore feel there is some underlying churning that is happening which I will explain during the course of discussions. Based on this news and a quick back of the envelope calculation, if we maintain the margin as last year (of course our objective is to improve the margins which is what I have been assuring you, but let us assume for a moment there is no improvement in margin), in the flexible packaging and EAP will yield EBITDA margin of 18.3% on this quarter sales. This quarter is additionally, as I mentioned a subdued quarter due to seasonality's across the globe, achieving and exceeding 18% margin going forward for this year does not seem to be a big issue and we believe that it is achievable. In all my customer interactions, I see a high degree of engagement with our company. Our work in the area of

barrier technology and non-oral care tube offerings is gaining increasing acceptance. One example I can give you is where we partnered recently with a multinational brand for a prestigious brand launch with our patented “Egnite” tube; we are seeing good traction here. The internal alignment and the commitment to the strategy that I had been expressing to all of you is clearly understood by our people across the globe and I do see us well poised to deliver on our commitment. With that I think I will open the floor open for questions please.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask question may press “*” and “1” on the touchtone telephone. If you wish to remove yourself from the question queue, you may press “*” and “2”. Participants are requested to use handset while asking questions. The first question is from the line of Neeraj Somaiya from Span Capital. Please go ahead.

Neeraj Somaiya: Thanks. First my question is in terms of the pharma foray, any more progress there and could you just throw us some light?

Ashok Goel: Yes Neeraj, thanks for this question. I am sure all of you understand that we have two-pronged strategy, one for cosmetic, one for pharma. So for cosmetics our strategy is to convert plastic tubes and bottles into laminated tubes from the developed markets and coming down to emerging markets. For pharmaceuticals, our strategy is the other way around - that we start from the emerging market and go into the developed market. As we speak, our team here in India has worked diligently and they have a lot of appreciation from the pharma customers; we expect that the traction in the pharma conversion to actually accelerate, beginning with India and of course China and Egypt. We will see that pharmaceuticals business will grow significantly; in fact it has already grown significantly in India in this quarter.

Neeraj Somaiya: Second thing on your India’s capacity expansion. Can you throw us some more light, you are planning to increase significantly, what is the status?

Ashok Goel: As we speak again, we are actually tight in terms of servicing our customers' needs. We did expand the capacity by about 200 million tubes already, another 200 million tubes will be added in this year and we are trying to accelerate that expansion. So that is on track, in fact right now frankly we are facing a bit of a customer service issue because of the lack of capacity, but we are quickly ramping up.

Neeraj Somaiya: Okay, and my third question would be, are you on track to be at 20% growth the next five years, every year 15-20% plus growth, I mean are you happy and satisfied with the development in the current first quarter and could you just throw some more light?

Ashok Goel: The first quarter, as I said earlier, is normally a subdued quarter for us. So it is not huge surprise except as I explained for China and for flexible packaging. We expect that the growth in China this year would be there for sure, but a little subdued as compared to the other regions. We expect around 6% growth both top and bottom line coming in from China and we have taken a lot of other initiatives to reduce the cost in China. Flexible packaging, I think, I can safely assume that by the end of the year it will perform at the same level as last year. So barring these two, we have no concerns and it is just a seasonality effect; in fact, our budget numbers, that is our internal target numbers are also projected this way, so it is not a huge surprise that has come, and we are confident that we will meet our 15% top line growth and 20% bottom line growth.

Neeraj Somaiya: And also can you throw some more light on that EBITDA margin expansion, how the improvement is there in terms of productivity and other issues?

Ashok Goel: All our efforts in terms of working capital reduction, efficiency improvement, scrap reduction, and the fact that the loss making units will actually result in profit, will have a multiplier effect and we are confident that the margin percentage will be in the right direction reaching towards 20%.

Neeraj Somaiya: My last question is, what is the total debt now and what is the Capex for the year, can you just throw some light on the total debt?

Ashok Goel: Net debt on constant exchange terms is Rs. 842 Crores.

Neeraj Somaiya: And what will be the capex for the year?

Ashok Goel: Capex will be same as the depreciation, which will be about Rs. 140 Crores.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Axis Securities. Please go ahead.

Dhaval Shah: Thanks for taking my question Sir. I just wanted to understand exactly what was the issue that cropped up in China, was it that the competitor oral brand makers they took market share of our customers and was that the reason for an delay in off take or is that we are losing out on inventory as of now and probably we would see a late ramp up in terms of demand, what exactly happened in China?

Ashok Goel: Yes, it is a good question. Actually, in China the lower off take by Customers was not projected; I obviously cannot disclose the names of the customers, but what I can certainly say is they are multinational customers whose demand is subdued. So it is not that we have

lost any market share to any competitor. That is not the case. It could be a mix of our Customers correcting inventory(, we are in the process of assessing that,) and as I alluded to, the numbers of one of the best and largest plastic tube manufacturers in China is quite a surprising. I analyzed that and we know, based on our market intelligence, that they are also a primary supplier to multinational customers. Obviously, their sales have come under pressure. So if I see that and put all of it together, my sense is that there is some sort of consumer nationalism under-current in China, which actually is hinting to us that the consumers are preferring local brands more and more. Now, local brand I am saying could well be owned by the multinational companies but local brands, so therefore I see that the local brands are growing faster, multinational brands are under pressure.;that is how I see it, that is my deduction based on the information we have, which is why we are constantly adding more and more local Chinese customers and therefore we believe that we will be able to moderately grow for the full year in China.

Dhaval Shah: Considering a 6% growth in terms of revenue, EAP has historically been a very good margin earner for our business. If I can say in FY'11-12 it has been close to over 20% and even in FY'13. FY'14 we saw a drop to around 16%. Do we actually see EAP margins again scaling up to those levels. Once our cosmetic factory comes up in China, do we see them trending back to those levels of 20 and above?

Ashok Goel: I can say for this year it will be at the same level as last year. I do not expect it to dip or to grow in terms of margin percentage. I think it is the second most profitable geography for us and our efforts started a couple of years ago to diversify the portfolio. Unfortunately China has been the last geography where we started to diversify, but it is beginning to yield result albeit at a slower pace; why I say slower pace, is because their base of non-oral care has been smaller, which is why the strategic investment in South East China was very important for us to go into. Most FMCG brands are produced and filled here. Therefore it is a strategic site and we believe that this will be the stepping stone for accelerated growth in non-oral care categories.

Dhaval Shah: Right Sir, so with this factory in South East China where do we see our non-oral Chinese revenue trending from current 15% maybe two years down the line, what kind of a production capacity that has and where do we see our contribution towards revenue trending forward?

Ashok Goel: Specifically for China, this additional capacity will be about 120 million or so to begin with; we have provision to expand another 25-30 million immediately without major investment, so the margins in China for non-oral care in gross contribution terms, now that is the new terminology, I think it will double that of oral care.

- Moderator:** Thank you very much. The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.
- Arjun Sengar:** My first question was what is your capacity and capacity utilization in domestic and international markets?
- Ashok Goel:** Arjun that is a repeated question - one that I am constantly asked. Let me just say that we always keep 10% headspace, to meet the peak demand of the customers. So theoretically it is there, but for all practical purposes, it may not be utilized for the full year. Having said that, we always have been moving capacities from one geography to another where it is needed, before we actually embark on capital expenditure. Our efforts are always to maximize on our assets and sweat them as far as possible. Why I cannot give a straight forward answer to this is, because different product categories and different markets, there are different levels of efficiencies. Why different level of efficiencies – is because these are dependent on the per order quantity and the order quantity typically tends to be more in oral care and less in nonoral care. Therefore understanding this can be a huge confusion; so I am not hazarding to answer that question as directly as you have asked.
- Arjun Sengar:** Secondly, I just wanted to know what is our market share in India and overseas, I mean any number you would like to be able to give?
- Ashok Goel:** India market share in the laminated tube space is about 60%. If you again dissect that into oral and nonoral then again it will be confusing because we are no more chasing the market share game. As I have been saying we are not chasing the volume game, we are chasing the value game. So therefore, oral and nonoral care description, I think would be the most simplistic way of looking at and analyzing things.
- Arjun Sengar:** Right, and how about internationally?
- Ashok Goel:** Different markets again, I mean China again will be 60-65%, US will be 30%, Mexico we could be again about 50%, Columbia 100%, Egypt close to 90%, so I do not know, I can answer this but what inference you can draw I am not sure.
- Arjun Sengar:** Another question, sorry if it is repetitive, but how much Capex did you do in the last two years combined?
- Ashok Goel:** Depreciation last year was 120 Crores and our investment would have been in the same range barring any strategic investment that we may have to make. Any strategic investment can go over and above that, which did happen last year; so our actual Capex was Rs. 140

Crores. This year our depreciation will be Rs. 145 Crores and I think our investment should be in line with that.

Arjun Sengar: Thanks a lot, good luck.

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

Dikshit Mittal: Sir, starting with Americas, in spite of Mexico turning around, actually we have not seen any kind of top line growth in that region, any possible reason for that?

Ashok Goel: Yes, seasonality, Dikshit, our budgets were cast like that only, so there is no surprise there.

Dikshit Mittal: Because Q-o-Q, I think seasonality effect will take care of. Because Q-o-Q there should have been I think some customer delayed off take kind of issue happened or it is a normal thing?

Ashok Goel: No. It is just that last year's first quarter was exceptionally good. So therefore you see that the growth has not come, otherwise, SQ and DQ should see the upswing.

Dikshit Mittal: Okay, and for the full year what kind of growth rate can we expect from Americas because I think earlier you were guiding around 8-9% so that is achievable for the full year?

Ashok Goel: Yes, absolutely Dikshit.

Dikshit Mittal: Okay. Secondly coming to China, you said that you will be able to do around 6% top line and profitability growth for the full year. So that means for the next nine months, actually I think margin will have to be substantially improved from around 10% level to around 17-18% level. So is that doable?

Ashok Goel: Margin as a percentage would remain the same, absolute number will be growing by 6%.

Dikshit Mittal: Sir, absolute numbers in top line?

Ashok Goel: Top and bottom line will grow by 6%.

Dikshit Mittal: Sir, because last year, you had around Rs. 500 Crores of sale and Rs. 81 Crores EBIT, if I take 6% growth, this year you should be doing around 530 Crores of top line and further around 87 Crores of EBIT. So that means margin should be comparable to last year around 16%?

- Ashok Goel:** Yes, in percentage terms will be same, you are right.
- Dikshit Mittal:** Okay, because I was just asking because in first quarter margins are 10.2%, so that means in next nine months, we will be doing more than 16% margin.
- Ashok Goel:** Yes, you are right.
- Dikshit Mittal:** Okay, and Sir, thirdly as you said that excluding this flexible packaging and China issue our margins were around 18.3%. When can we expect to see reported margins around the same level?
- Ashok Goel:** I think all my guidance that I gave is for the full year.
- Dikshit Mittal:** Okay, so 18% you can do for the full year.
- Ashok Goel:** Full year, yes.
- Dikshit Mittal:** And Sir, 20% that you said your target by when do you anticipate to achieve?
- Ashok Goel:** The next couple of years that this 18% should be reaching to 18.5, 19, and in that direction reaching to 20%.
- Dikshit Mittal:** Okay, thank you Sir.
- Moderator:** Thank you. The next question is from the line of Umesh Patel from Sharekhan. Please go ahead.
- Umesh Patel:** Good afternoon and thanks for giving me the opportunity. Sir couple of question from my side, just wanted to know if you can give us volume growth for this quarter across the full operations?
- Ashok Goel:** Umesh, Good afternoon, we do not give volume numbers like that.
- Umesh Patel:** Okay Sir, and second questions is on European operations just wanted to know how the things are planning out as we saw significant improvement at operating level in this quarter again, but last quarter also we reported a loss, I mean consistency is still lacking, so can you brief it a big more in terms of strategy outlook and operational front?
- Ashok Goel:** For Europe, let us talk about Poland. Poland by far is the largest operation now. There we have both plastic and laminated tubes. Plastic tubes we are trying to cut some tail in the sense that whatever is the lower margin business comparatively to the entire list, we will cut

those and our idea is not to expand capacity in plastic tubes. Therefore we have to bring in efficiencies in plastic tubes; that is the one direction. Laminated tube business, this was on the back of a contract that we won last year; that has ramped up and we expect the customer to have the full off take in this financial year - that itself will be the game changer and apart from that we are tracking a lot of non-oral cares laminated tube business in Europe. As a result Germany is going to expand capacity, in fact their capacity should be up and running by September. Similar capacity expansion for non-oral care i.e. cosmetic space we might consider for Poland and therefore Europe is one geography where the conversion is happening faster. So is the case in America. In America, we have also one unit which makes plastic tubes which is close to PAT breakeven. Our objective is to convert that unit from plastic tube to laminated tubes. So there is a process of engagement with existing customers for plastic tubes to convert them into laminated tubes. There are two sets of lines and we will start the conversion process from September onwards in line with agreements with the customers. And by the end of the financial year, we will convert that plant fully from plastic tubes to laminated tubes and that means the marginal equipment will be added to convert them into lami-lines and there will be some equipment which will become surplus and those surplus equipments will be deployed in Poland and India.

Umesh Patel: Okay, so do we expect EBIT margin to be in the range of 2% because we already reported in Q1 2%. So do we expect this to remain at current level or we can see further improvement in EBIT margin for the Europe?

Ashok Goel: With this ramping happening in subsequent quarters, it will move up further.

Umesh Patel: Okay, and second question was related to raw material. If I look at the P&L account raw material cost increased by around 200 bps. What was it exactly?

A.V. Ganapathy: We already touched on it - because there were certain cost issues in the flexible packaging business and the second, if you recall, in India because of the rupee depreciation, the import costs have gone up. While this has been factored in the price, optically if you look material cost is a little higher because of that, right. And we have pass through system where increase is passed on to the Customer.

Umesh Patel: Okay, so and last one is have we increased the prices of our products in recent quarter due to rising raw material cost?

A.V. Ganapathy: That is what I mentioned to you, so we have protected our margins by reviewing the prices.

Ashok Goel: Let me expand what Ganesh is saying. When the raw material prices increase, we pass this on to the customer. So what happens is my overall selling prices have gone up, the price

increase I have taken only to the extent of raw material pass through, so as a percentage, my material consumption will sometimes look higher.

- Umesh Patel:** Right, thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.
- Ritwik Sheth:** Most of my questions have been answered. I just had a couple of questions, firstly on the COCO model you mentioned in the press release that the first project which is done under the model has been successful. So should we expect going forward significant revenue from this model, in the next three to five years, how should we look at this? Is it going to be significant or we should not give too much importance?
- Ashok Goel:** It is a good question Ritwik, one that I hope we all recognized what this COCO model does to us. It is that without having to invest the capital, we are getting almost all other revenue except for depreciation and finance cost. So as this particular location grows, to that extent COCO business will grow. And the projections from the customers are quite high. There might be some case of one or two more customers that we might go in for, so we are not putting a huge emphasis on it, but we will see the growth here.
- Ritwik Sheth:** Okay, are the other customers willing to put the COCO model or they are willing to buy directly from, that is what I am getting at?
- Ashok Goel:** It is both, I mean most customers are buying more and more tubes. As I mentioned today, we are under pressure to supply and meet the service levels, but in order to keep my capital expenditure under check, there are more customers who are willing to look at this model and we will go for that.
- Ritwik Sheth:** Okay and just last question on the pharma space, how open as a pharmaceutical companies to shift from the aluminium to laminated?
- Ashok Goel:** Okay, this is a good point you have raised, let me mention that in the aluminium tube technology for the last 20 years there has been no technological advancement. Coupled with that there has been hardly any investment in aluminium tube space, which means that the older equipment will become more and more older and at some stage they will go out of service. So the brand owners are concerned for business continuity, therefore they are looking for alternatives and we are seeing a good traction.
- Ritwik Sheth:** Okay and is there a very long time for the switch to happen or they are pretty swift?

- Ashok Goel:** For pharma it cannot be swift because the packaging and supplier and not only the supplier but that particular factory from which you are going to supply gets embedded in their FDA approval or equivalent approvals. So therefore it takes time, but once embedded it is not easy to change.
- Ritwik Sheth:** Okay, that is it from my side and all the best for the coming years.
- Moderator:** Thank you very much. The next question is from the line of Nirav Jimodia from Anvil Shares & Stock Broking. Please go ahead.
- Nirav Jimodia:** Thank you my questions have been answered.
- Moderator:** Thank you. We will move to the next question which is from a followup question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.
- Arjun Sengar:** Hello Sir, I just wanted to confirm that for the current financial year you are expecting EBITDA margin to be 18%, right. Is this on a consolidated basis?
- Ashok Goel:** Yes Sir.
- Arjun Sengar:** And what kind of revenue growth you are expecting on a consolidated basis?
- Ashok Goel:** 15%.
- Arjun Sengar:** That is it. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Dhaval Shah from Axis Securities. Please go ahead.
- Dhaval Shah:** Thank you for taking my question again. Sir two questions. First, are we seeing total turn around in Egypt because it was suffering from lot of turmoil within the country itself, so have things stabilized over there and are we seeing profits back from that region?
- Ashok Goel:** Dhaval, it has never suffered turmoil, politically yes, but our business never suffered.
- Dhaval Shah:** So we continue to see a good traction in terms of business from it?
- Ashok Goel:** In fact that is one of the units where which makes us feel nice and growing double digit and we expect it to continue.

- Dhaval Shah:** Okay, fine Sir and Sir also wanted to understand, just help me explain it in terms of being in flexi packaging sir, it is a low margin business, although we have been enjoying good revenue as such, but in terms of margins on a consolidated basis, it always dents, now that we are such a huge player in the tube business and our tube business earns a very good margins considering we are also shifting to PBL, cosmetic and pharma side, don't we think being in flexi packaging on a consolidated level will always dent our margin, so why be in a business which actually give us lower margin, we do not possibly see the margins trending up?
- Ashok Goel:** Good point Dhaval and your observations are bang on. So I do not disagree with you at all.
- Dhaval Shah:** Okay, fine Sir. The point which I am trying to make is Sir, do we see three years, five years, down the line that probably if you would not be present in flexi packaging or probably we would consider not growing that side of the business and make it just insignificant part of our total revenues?
- Ashok Goel:** Yes. Both possibilities are there, the chances are that we may not stay in that business; if we turn it into insignificant, why carry that value anyway? so might as well not be there.
- Dhaval Shah:** Okay, fine and Sir lastly in terms of Europe, Sir we are seeing the turn around and possibly this year for sure rather we would be EBIT positive over there, what is our outlook for next year Sir. How are we seeing this business now ramping up ahead? We have the contract which will generate revenues for us, but are we seeing anymore contracts coming in or what kind of business outlook are we seeing from Poland and Germany?
- Ashok Goel:** Yes. Dhaval good point again. Our first target was how do we stop burning money, so that seems to be sustainable now. Last year we did see a little see-saw, some months profitable, some months back again a little loss and then no loss. This quarter has proven that this is now going to sustain. Let me put it this way, from our key brands we expect some more contracts to come our way and as we are doing more and more innovation and patents of certain technology. Europe now, barring Russia is quite bullish in terms of non-oral care growth and we will continue to see that; our efforts will be to convert more and more plastic tubes into laminated tubes.
- Dhaval Shah:** Okay Sir lastly, what is actually happening to the Russian turn around, we have been seeing it for some quite sometime that we are putting in a lot of efforts and money in this Russian operation, but it is not fortifying in that sense Sir. So what are the key reasons which are actually hampering the business in Russia?

- Ashok Goel:** Let us put this in perspective, Russia loss is about a Crore of rupees and we always have been believing because it is one of the BRICS nations. So we said that let us be a little patient. At the same time, we fully recognize that this is a very difficult environment to work in from all perspectives and the way business is conducted in that country typically will not meet the corporate governance requirements and that has been the reason why we have been suffering. So sometimes, a customer plays caput; sometimes a competitor plays caput. In this particular case what has happened is a competitor has lost a large chunk of business and the customer that he lost has pulled out of the country in terms of manufacturing. They are going to bring in a finished product into that country. As a result this competitor has become little destructive and has dropped the prices and taken away some of our customers. We are now looking at some credible anchor customers and our discussions are on. If that materializes it will be good, if not in the next six months we will take a call.
- Dhaval Shah:** Okay Sir and lastly just wanted to know how many orders have we won where we have actually converted plastic tubes into the PBL tubes, so in just quantifying numbers in terms of orders or clients, how many we have possibly been able to convert them into PBL tubes?
- Ashok Goel:** I do not know we track that way Dhaval. We do not track based on the orders for nonoral care or for conversion from aluminium tube or from plastic tube or from bottles into lami, I do not think we track by numbers of orders. We just track that is it moving in the right direction and if all geographies are moving in that direction or not.
- Dhaval Shah:** Okay fine Sir. Thanks a lot for taking my question.
- Moderator:** Thank you. The next question is from the line of Pritesh Chedda from Emkay Global. Please go ahead.
- Pritesh Chedda:** One question, so barring Russia there would not be any operations now which is in a cash loss, is that reading correct?
- Ashok Goel:** Absolutely Sir.
- Pritesh Chedda:** And second in the opening comments, you gave flexible packaging in the impact on margin of the segment or of the flexible packaging, I did not get that numbers, who gave about 5.5%. So what was that?
- Ashok Goel:** 5.6 of that business Pritesh.
- Pritesh Chedda:** Of the flexible packaging, was the impact of margin?

- Ashok Goel:** For this quarter as compared to last year.
- Pritesh Chedda:** So what I was we made about 5.6 of 560 basis point lesser than what we would have made without flexible packaging.
- Ashok Goel:** Exactly.
- Pritesh Chedda:** And accordingly, if you adjust that then the margin in AMESA business should have been 18% against whatever is reported.
- Ashok Goel:** Exactly.
- Pritesh Chedda:** Okay. That is it Sir. Two clarifications.
- Moderator:** Thank you. We have a follow up question from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.
- Dikshit Mittal:** Going by your indications for this year, around 15% top line growth and 18% margin. I think bottom line should be much more than 20% that you are indicating right now?
- Ashok Goel:** Leave something to me Dikshit. So my guidance is 20%, our target is higher, let us see whether we are able to hit the bulls eye.
- Dikshit Mittal:** Okay and Sir lastly you mentioned in press release that you have been able to reduce your working capital in spite of growing your top line, so what is your target on that front, in terms of working capital what kind of days you plan to achieve?
- Ashok Goel:** We have been shrinking our number of days of inventory, where do we stand right now is 54 days global basis, which last year was 56, I think.
- Dikshit Mittal:** Would it be safe to assume that in spite of your revenue growth, your net working capital in absolutely terms will not rise this year?
- Ashok Goel:** In absolute amount, yes, that is the expectation.
- Dikshit Mittal:** Okay, thanks a lot Sir.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Pritesh Chedda of Emkay Global for closing comments. Over to you Sir.



EsSEL Propack Limited
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Pritesh Chedda: On behalf of Emkay I would like to thank everyone for joining on this call today. I would like to thank the management for spending time and educating us on Q1 numbers and the growth format ahead. Over to you Sir, if you have any closing comments.

Ashok Goel: No, thank you Pritesh and thank you everyone. Our confidence in our going forward strategy remains intact and that is the message and so our team globally is charged and confident. So we hope to deliver on the numbers. Thank you very much.

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