



"Essel Propack Limited  
Q4 FY2019 Earnings Conference Call"

May 08, 2019



**ANALYST: MR. PERCY PANTHAKI – IIFL CAPITAL LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Essel Propack Limited's Q4 FY2019 earnings conference call hosted by IIFL Capital Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki from IIFL Securities. Thank you and over to you Sir!

**Percy Panthaki:** Good afternoon. I am pleased to hold the quarterly conference call for Essel Propack for Q4 FY2019. We have with us Mr. Ashok Goel, Chairman & Managing Director, and the entire top management team of Essel Propack. So, without further ado, I hand over the proceeding to Mr. Goel who will take us through this quarter results as well as the road ahead. Over to you Mr. Goel!

**Ashok Goel:** Thank you so much Percy and IIFL for organizing this call today. Ladies and gentlemen welcome for the fourth quarter results' discussions and thank you for sparing your time. I am sure you all have received the information pack that has been shared, so I will rather save some mo time for questions and answers and hence



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will refrain from talking about numbers. Overall, the quarter as well as for the full year, Europe, Americas, East Asia Pacific and in AMESA, Egypt particularly, have grown well for both oral and non-oral care segments. Some of the development works that we had begun have started yielding results and that is on the back of the strengthening of our resources and capabilities that we have built and therefore we are confident that the momentum will be sustained in these geographies.

If we talk about East Asia Pacific with China specifically, they have grown their non-oral care business, which now stands at 38% of the revenue share and therefore have improved the mix between oral and non-oral care in favour of non-oral care by 5.9%. In the Americas region, you might already recall that we have commissioned the SHOT machine, which is 500 tubes per minute line and it was formally inaugurated by the customer on April 23, 2019. The customer was absolutely delighted looking at the investments we had made on their behalf and have assured us that there is a potential that we will get more business from them. Other than US, Mexico is doing well, we have won some new business there, we have shifted some capacity from US to Mexico and that will help us meet the increased demand in Mexico. Colombia has restored back to profit in Q4 and we expect it to sustain. Therefore, the revenue in the Americas region has



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grown by 20.6% for the full year and margin improvement in EBITDA terms, by 1.5%. Europe has grown at 14.8% on full year basis, at the back of new business acquisitions in last six months as well as the new wins that they continue to have. We believe that they will sustain and grow even faster in Europe. Within Europe, we have the new factory in Russia where we have shifted which is now stabilizing. So, Europe overall will grow higher.

Now the specific question that arises and our efforts to improve non-oral care growth have resulted in the revenue composition increase in favour of non-oral care by 2.3pp in this quarter and 1.3pp for the full year. Therefore, the global revenue composition is at 42.4% against 41.1%. Coming to India, some of you might have heard what I have expressed in media discussions this morning, India has been one geography, which is kind of a mystery; apart from what we have shared with you in the past about the pharma regulation, which impacted and other things that impacted India, the fact is that the demand in India is staying at last year's level or at the level of year before. This could have been worse if we had not taken the call to setup the Assam plant. Assam has helped this year and Assam also was commissioned only in July last year that too with less capacity. We closed the year with a capacity of 220 million tubes with a run rate of 190 and therefore the full year impact this year will be positive for India



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numbers. In India what will also help is that the teams have been working with major pharma brands and for the reason of propriety I normally do not mention the brand names because for any public announcement we have to take their prior approvals, so I am not giving the names, but I have the list in front of me, which are key pharma brands in India we have reached. So, if you recall, I had briefed you guys that we have a harmonized 6-stage gate process of business development. The fifth stage is the approval for after these stability tests are done. Now we are currently with major brands apart from what we have already commercialized this year. They are at stage V and that means they are at the stability test level. The moment they pass we should have commercial orders coming in. So, these are some of the highlights that we believe in going forward. And the India business will help in what they can. Now, obviously I am also alluding that quarter-over-quarter, there will be variation, first quarter may still be soft as far as India is concerned. Second, third and fourth are moving upwards and this I will tell you how it will happen.

We have 300 active customers in India. Now, if two or three big customers are not doing well and we are talking about our volume, which is about 300 million or 400 million tubes that we need for us to achieve 15% revenue growth. Let us say that the three major customers where the demand is soft, we have



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balance 297 customers, and for each customer if we get 1 million extra business for this year we are home and we are not only home, but these large customers obviously because their volumes are larger therefore the margins tend to be in the larger volumes, margins tend to be obviously preferred margins for these customers, but when we get additional 1 million from other customers, margin profile will also tend to improve and therefore we are confident that we can achieve 15% growth in India. So that said, you have the information pack with you and rather than me saying much I will be happy to answer more questions, so let us open the floor for question and answers.

**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham:** Good evening and congratulations on the decent set of numbers. Sir, the first question was on the India region, I know you have already said that it has been a kind of mystery, but due to set back to Q3 we saw that the pharma regulation issue was over and you said that the customer offtake had also stabilized, so is there any more colour in terms of why is it that the offtake has fallen and second question on the same region is that if I look at a full



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year performance for India, it has been flat whereas we do know that who are biggest customer is in the oral side and for him volumes have been in the region of 5% to 6% range, so any reason why the discrepancy is coming along?

**Ashok Goel:** First of all, what we have seen is the demand, which is soft. Now, again, let us get this also into perspective that last year we practically have not grown, which means that the numbers are same level as the year before, so therefore when we say that the demand is low or soft or lower should be seen in that context. Now, if we have a major wallet share with some customers and obviously that will be more pronounced that we have lesser demand than expected from few customers. Now, reason I think it is more or less public, many public listed companies in FMCG space have come out and explained that rural demand is not there, so for us that is what we take on face value as far as reasons are concerned, but for us what we see is that the customers are not able to lift the volumes that they have been promising us and that typically has been in oral care as well as some bit on beauty and cosmetic side. On pharma side, as you have recognized, Nihal is that the pharma issues are over. Now, we expect this year pharma companies to do much better including their exports to FDA regime geographies and our teams have been working very hard & some of the business from





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pharma, I think I did bring the name today in the media, which is Soframycin has been commercialized, which is replacement of aluminum tube to laminated tube. Now, an iconic brand like Soframycin is converted that obviously speaks volumes and we believe that, that should put pressure on the other brands to also recognize that fact and speed up their own processes and that is what we are expecting. Now, we have other categories as well, which is hair care, we have a global launch program that is being run which was a global rollout. India sampling, etc., is happening already and we expect that to roll out ; we have food as a category that is growing nicely in India albeit the overall volumes on food being not so big, but that, nonetheless, is a category. Home care is another category, which has been growing, so if there is a hit in oral and oral as you know is a lower margin product, and if we are able to replace that with anything non-oral that will only help boost our margins better and as I explained that if the balance 297 customers give me 1 million extra business each along with our team efforts then we are home. I hope that answers your question.

**Nihal Jham:** So, just in terms of outlook if I have to look at, for this region, I know you mentioned that you may be expecting things to get better from Q2 and I understand that one of the strategy is obviously going to be to target the tail in terms of getting



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incremental volumes from them, but if I understand that the coming year, which is FY2020 could still see growth, which would be in the single digit for India region is that what you would also expect , if I understand right?

**Ashok Goel:** All this what I have said Nihal is assuming that the economic condition remains where it is and with that I am saying that we will grow at 15%. If the economic condition improves then there is only upside to be added.

**Nihal Jham:** Sir, my second question was on the America region, there we have been seeing that since the last four quarters and even if I have to look at FY2018, the performance has been pretty decent and has been arguably the highest growing region after EAP. If you can just give a little more granularity about what has been driving that in terms of, is it either Colombia or Mexico, US or in terms of oral and non-oral, what has been the growth engine and how it is expected to go ahead because this I think is the first year after many years where Americas has really turned around?

**Ashok Goel:** Yes, Nihal. Americas, of course has grown the highest among the four regions, it has grown both in oral care as well as non-oral care. Let us discuss country by country. US has been the major growth engine where we have grown in oral as well as non-oral, but more on oral side and what they have also done is that they



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have added more new customers as well and within the same customers, more categories; so that is how US has been growing. US last year had faced some service issues to the customers, although the issues are now sorted with the zero-defect program. So, I am not going into the actions of what has helped, but the fact is that the customers are super happy and our service levels are much better; sometimes we exceed their service levels, so US has been one of the major geography. Mexico also has been winning more business particularly on non-oral care and they are running full capacity. As I alluded to we have shifted some capacity from US after the shot 2 was commissioned and that line is already in Mexico and is under commissioning right now, the moment that is commissioned we will be able to service the new contracts that Mexico has won, so Mexico is on the growth path and that magic number that I always talk that every factory has to have - 300 million tube sales per year - I expect that Mexico will achieve that this year and the logic for that is, is if a unit has 300 million tube sales consistently every year then that unit is better equipped to absorb shocks and those shocks could be currency fluctuations, temporary softness in demand or stuff like that; so Mexico will also grow very nice going forward. In case of Colombia, we have done the tail cutting, which I had already reported in last quarter concall; now they are restored back to their volumes and we only hope and expect that



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they have the capacity and therefore they, month-on-month, will deliver higher sales than what they did last year and therefore I expect Americas to continue to grow at high double digits in revenue terms.

**Nihal Jham:** Yes, it answers my question. I will get back in the queue and come back for further questions.

**Ashok Goel:** And of course, US will improve their margin also.

**Nihal Jham:** Yes, you mentioned that. Thank you.

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

**Hitesh Taunk:** Congratulations on the good set of numbers. I have some questions to ask. In our European regions, though the performance has increased significantly during the quarter, I just wanted to know how sustainable the growth is and in this region, we have seen a very good recovery in this region annually also and in this quarter also, so just wanted to know how much the growth is sustainable going forward from here?

**Ashok Goel:** Yes, Hitesh thank you. Question on Europe, I am pleased with the team's efforts and the business growth pipeline that they have had and the new wins they have had and they recently have also



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made some wins. Europe, as you all know has been predominantly a non-oral care sales geography. The highest sales in non-oral care has been coming from Europe and therefore our target for Europe was little reverse than the global numbers we have been saying 50:50 revenue split between oral and non-oral whereas over the years from 80% revenue coming from non-oral care last year was 60% and we want them to be at 50:50 because that brings in the critical mass or economies of operations and therefore they are winning more business; of course continue to grow in non-oral care, but they are growing in oral care as well and they have recently won some good business, so as we speak Germany is running at full capacity, Poland is running at full capacity, about Russia I have already mentioned in my opening remarks, so for the increased business we have to increase capacity in Europe, which we will provide, which is part of our business plan and therefore Europe as I have been saying is only one way, which is for them to grow, so that the lowest margin geography that we have today Europe and therefore with the increased volumes their margins will improve and their growth will be in the same region as this year, which is at 14.8% or 15% thereabout.

**Hitesh Taunk:** Sir, my next question is that in the EAP region we have grown at a very good rate for the nine-month FY2019 if I see the numbers,



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but in Q4 FY2019 we have grown by single digit, is it largely on a lower base or we have lost any market share over there?

**Ashok Goel:** Hitesh, EAP we do not really hold them on quarter-over-quarter numbers as long as they deliver their yearly numbers to us; of course we monitor not only quarterly, but monthly and do not forget, they have two national holidays, which is what they call Lunar Year Holidays and which one of them happens to fall in February; so in EAP, the fact still remains is that it is not an oral care growth geography at the moment for us, from our point of view, what we are growing the oral care business is from what they call Wechat brand. Now, Wechat is very particular name for China, but in global parlance we talk about e-commerce brands and that is what is called WeChat brands in China; so we are going after those brands, so only those volumes will come as far as oral care is concerned, so their focus is mostly in non-oral care. Non-oral care is a big market in China and we have strengthened our resources, our business development teams in China and that is how our revenues will continue to grow. The projection for the next full year is low teens for China in the overall context.

**Hitesh Taunk:** My next question is how much capex have we planned in the coming year for FY2020?



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**Ashok Goel:** Capex as we have planned already, which is at \$34 million global, in that we have not factored two identified building expansions - that is building expansion of Germany and building expansion of Poland, which by the way, currently they are full; somehow, we will manage to add this capacity for the business that they have won right now, but for that 34 million is our plan.

**Hitesh Taunk:** Thank you.

**Moderator:** Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Congratulations for pretty strong set of numbers given the conditions. Sir, I am a bit confused about the margins. We have seen a very blow out number in Americas at this time and in the past we have kind of indicated and maybe my understanding may be wrong, if you could correct me that would be there, is there any reason why Europe cannot converge with America because one would expect that given the non-OC proportions there and full capacity utilizations the cost structure should be very similar, so should we expect Europe to catch up to this 20% roughly number or Europe is completely different, the plants have a different economics there. How should we look at it and on the same thing in India we have had this in India, but if there is going to be normalization next year given that assumption, what kind of



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operating leverage we will see here because you have mentioned that we did that capex in Assam and that has not really fully delivered volumes, but once that kicks in what kind of steady state margins are we expecting in India and hence what are the margins going to be across the consolidated entity, how are you seeing it now, Sir?

**Ashok Goel:** Europe, I have been maintaining that the lowest volume that any geography had in our system is Europe all combined together or individually as well; so therefore it is clearly a case of critical mass and as we build more business, which we are building more business, and therefore I was always keen to support Europe for their growth and I am happy that they are growing, so there is no reason why Europe cannot start to move towards American margins. In America and that will only come the volume growth, so that pretty much answers your question, but why the margins are so low is it because the cost structure different, obviously Europe we see it as one geography, but the fact is that it is agglomeration of geographically smaller countries and therefore the spread is so huge as far as the market is concerned, therefore it requires organization structure, which is little larger than any other geography and that needs to be again seen in the context of the business, the volume that they currently do, therefore obviously their costs are higher, so in order to overcome those





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higher cost or the fixed cost are already sitting there; let us put it this way, therefore, amortization of that cost over a smaller volume versus bigger volume, it will only add to the margins and therefore economies of scale will definitely help. I can elaborate even further, but just for the purpose of saving everybody's time and of course if you have a followup question I am happy to answer further.

**Agastya Dave:** Sir, you mentioned that it seems that Europe is spread across more plants than Americas and by the geographical market in terms of scope of the market, so I have 164 Crores revenue for quarter in Americas, I have 164 Crores per quarter of revenue in Europe, but obviously they are not the same in terms of the factors that you have mentioned, so at what scale as Europe equate to America, does it happen at let us say 200 Crores, 250 Crores when does that equalization happen with respect to the fixed overheads?

**Ashok Goel:** That is a great question Agastya. We will do the simulation of what is the level of revenues that Europe should have for them to have the margin profile same as US, that we will do the simulation and share with you offline, but yes because the Europe by the way is the highest sales price for 1000 tubes also, that tells you why the revenue is higher, but since the geographies are spread



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our business development teams have to be much more spread and therefore the travelling and over across many countries, obviously is higher there that is the only thing and for example Germany had just reached the 300 million mark. Of course, Poland is higher, but Poland also makes plastic tubes so that complicates the cost structure there, it makes plastic tubes as well as laminated tubes, Russia is still very small and therefore and I believe that next year Europe will improve the margin by 2pp and you have already seen the uptrend in Europe as far as margin profile changing is concerned. Now, coming to India, on the contrary to your understanding Assam has been success from day one. It has exceeded all the parameters of any new plant, so therefore we are happy that we opened up a factory in Assam, so that we could sustain the India numbers to previous year level or thereabouts; so therefore, Assam is a welcome addition & it has a positive impact that it is having and it is going to have going forward. The next part of India question is will there any economy of scale benefit that will kick in, yes, we do expect some improvement there as well.

**Agastya Dave:** Thank you Sir. All the best for the future. I will see you next quarter and thank you for hard work.



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**Moderator:** Thank you. The next question is from the line of Harsh Mehta from Prabhudas Lilladher. Please go ahead.

**Harsh Mehta:** My main question is what would be the impact of Blackstone acquiring the Essel Propack Limited, what would be the major implications after that acquisition?

**Ashok Goel:** So as far as we are concerned right now other than the anxiety that the human mind always has, which no one can be faulted about, it is business as usual for us. What is going to change and which in case was built in our business plan, is the growth; therefore the theme for us this year is growth, growth and growth and there cannot be any letup as far as growth is concerned ; ,that is how the teams across the globe are aligned and being aligned and efforts therefore are being put on that, so that is one change and I expect the change likely to happen and so far there is no change. I do not expect Blackstone to be charitable if there is no growth and that is what we are going to see and for that our teams are already mentally prepared. They have already been putting in their efforts across the globe and I am absolutely confident that they will grow. India has come as a bit of shocker, and that nothing to do with our teams here, strictly speaking, but the disconnect between the statistics that we have been seeing versus what the ground reality is and therefore the disconnect and



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therefore the confusion and now we know how we are going to fix it and our teams are fully geared up to fix it.

**Harsh Mehta:** Thank you Sir.

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

**Ritwik Sheth:** Sir, couple of questions on the business first, what is the revenue from Assam that we did in this financial year FY2019?

**Ashok Goel:** Ritwik, the revenue we achieved from Assam this year was only 15 Crores and going forward it will be 40 Crores.

**Ritwik Sheth:** 40 Crores for FY2020?

**Ashok Goel:** Yes.

**Ritwik Sheth:** And I believe there was a second phase of the capex for Assam, is that included in the 34 million guidance that you have?

**Ashok Goel:** No, that is not included. So, this 15 Crores vis-à-vis 40 Crores revenue is based on the current capacity.

**Ritwik Sheth:** So, this will be at full capacity 40 Crores?

**Ashok Goel:** Current full capacity and if we add more capacity then that revenue has to be more.



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**Ritwik Sheth:** Sure, and in the initial remarks you have mentioned that the top few customers , oral care customers, in India are a bit soft for us, so is it possible to give a flavour of what kind of revenue they would contribute in FY2020, in the top three or top five customers of ours.?

**Ashok Goel:** Ritwik, as I mentioned that I am not expecting any improvement while giving this guidance in any change in economic situation, so therefore I do not know if they are going to buy more that these three top customers that you are referring to, I am not sure if they are going to buy more and therefore the contingency plan not the contingency plan, but the plan for us is to get one million extra business from balance 297 customers.

**Ritwik Sheth:** Sure, and lastly on the stake sale and the open offer and the timeline, what is the expected sale of the current promoter's shares expected? Will it be during the open offer or any timeline?

**Ashok Goel:** Ritwik, let me explain, first the antitrust approvals have to come and they are about nine countries including India and all the filings have already been done in all the nine countries. The draft letter of open offer has been submitted to SEBI yesterday. The open offer is conditional upon antitrust approvals having received and once that is received then the acquisition of the majority share as well as open offer will happen simultaneously.



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**Ritwik Sheth:** So, according to the timeline it should be done by the end of June?

**Ashok Goel:** In regulatory approvals we do not know what the timeline is. It could be one month, it could be three months.

**Ritwik Sheth:** Sure, and on the top management, how will that role take place will that be from the company or Blackstone would want to, any colour if you can give?

**Ashok Goel:** Yes, so first let us talk about me. Right now being a promoter, I have to be declassified as promoter. Now, that means that for three years I cannot hold any executive position or a board position. So, therefore first head to roll is of Ashok Goel, but of course Blackstone have asked me to deliver this year's numbers and that is what I am after and the entire team is fully aligned. Apart from me, there is no change that has been projected or being foreseen. The top team continues as is, Blackstone are in the business of managing money. They are not in the business of running a business. This I keep explaining to everybody and also to all my people and to all our customers and that is exactly the same message that has been coming from Blackstone as well. So that has been very consistent. Customers are ready because their



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touch points would not change, our people are at ease because there is no change expected; so there we are -the only focus is growth, growth and growth that is what we jointly will ensure along with Blackstone is delivered.

**Ritwik Sheth:** So, we are confident to do a 15% topline growth for the current year?

**Ashok Goel:** Absolutely.

**Ritwik Sheth:** Thank you and all the best for your future.

**Moderator:** Thank you. The next question is from the line of Ankit Gor from Systematix Shares & Stocks Ltd. Please go ahead.

**Ankit Gor:** Thank you. Mr. Ashok, I have a question with regards to India, where we observe and we listen to commentary of all major FMCG company that there is a slowdown, but for example on a substitution side like you know from aluminum tubes to laminated tubes and non-oral care, how that replacement is happening and how even is the demand side actually impacting the conversion as well?

**Ashok Goel:** Ankit, thank you. Yes, we already are seeing the results across the geographies where the plastic tubes getting converted into laminated tubes, aluminum tubes example I gave Soframycin- I



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explained and many other brands that our teams are talking to. So that is the buzz word right now in the packaging industry. The laminated tube is consuming less plastics and is more sustainable, gives better shelf appeal or the first moment of truth and that is what we set out to do; the hard work we have put in over the last five to six years are actually now yielding the results and we are seeing that practically.

**Ankit Gor:** Yes, but I am trying to see there is a slow down across the categories - for example, in India there is an oral care slow down and non-oral care slow down I understand that, but the replacement from blow molded bottles are replacement from the pouches to tubes is that the conversion is also impacted during this slow down or obviously how it is in your experience?

**Ashok Goel:** I think you are mixing two things, so we are talking specifically India now.

**Ankit Gor:** Yes, I was talking about India only.

**Ashok Goel:** Right, in India the slowdown has different impact and the conversion from the other format of packaging is another, so slow down I have already answered that how we are going to deal with it. Now the conversions are also happening. We talked about hair conditioners, I had explained in my opening remarks that is





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getting converted from bottles to laminated tubes, aluminum tubes getting converted to laminated tubes that also I have mentioned, so I think there are two different tracks not very necessarily intermixing and of course we have been converting a lot of plastic tubes also into laminated tubes, so all that is happening, but the fact is that the overall demand in the FMCG if it is low, then the conversion will happen, but the growth will also be low, so therefore I am not mixing the two necessarily in this case.

**Ankit Gor:** Got it, my question with regards to Blackstone thing, obviously Blackstone is into managing money, so, have been any expectation in terms of appointing CEO or someone who can manages Essel Propack on your behalf post you retire?

**Ashok Goel:** By law I cannot hold executive position or Board position for three years, so that necessarily means that a CEO has to come.

**Ankit Gor:** And when can we expect the entry of new leadership?

**Ashok Goel:** Not new leadership, it is only one leader, so that makes a big difference. As I said that I am sure Blackstone has already started the head hunting and at some stage it will be presented to me as well for my opinion and as and when it happens obviously we will make announcement as well so do not worry.

**Ankit Gor:** Thank you.



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**Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL Securities Ltd. Please go ahead.

**Percy Panthaki:** Sir, just wanted to understand in India in the oral care segment you mentioned there is a slow down, so just wanted to understand that the slowdown is it sort of precipitated by any particular customer or do you see almost all your customer sort of seeing similar kind of slow down without naming any names?

**Ashok Goel:** Percy thanks. I see this slowdown as a secular slow down, particularly of the brands, which were pan India and also rural intensive brands.

**Percy Panthaki:** And the India EBIT has fallen 23% now we know there is a higher depreciation, which is responsible for that, but apart from that any other reason why the EBIT margins have sort of contracted so much?

**Ashok Goel:** Lower volume, Percy.

**Percy Panthaki:** Just the operating de-leverages?

**Ashok Goel:** Yes, plus full year operating cost of Assam versus the revenue coming in only for part of the year.

**Percy Panthaki:** Also on Europe, there was a question earlier in terms of comparing Europe margins to America and basically the scale of



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operation being different but apart from that do not you think there is any other reason like for example in Europe because it is a much more competitive market, Albea is really big there, your market shares are small, are not those the reasons and not just a particular level of turnover?

**Ashok Goel:** Sorry, I missed your balance part of your question.

**Percy Panthaki:** So, I was asking that apart from a scale of operation, which affects the margins when you compare US versus Europe, I am saying is not there another angle altogether that of competitive intensity that of Albea being much bigger in Europe and your relative market shares being lower, is not that also one of the main reasons apart from scale of operations, which affects your margins in Europe?

**Ashok Goel:** Well they could be Percy. For example, one of the other factors could be that we outsource our laminates for Europe from third parties, which is approved by the customers.

**Percy Panthaki:** And what is the reason for outsourcing because we have more than enough capability to do that ourselves as well?

**Ashok Goel:** Yes, so even the laminate has to be approved by the customers that again goes to the stability test and all that, so even though the attempt by us has always been to push our laminate with the



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customers, but customer sometimes do not have resources to put on the stability test and therefore it takes a backseat, but that plays not a major role, I would still believe that is the volumes is the scale of business and Albea and all is there with us competing across the world of course they are headquartered in Europe so the competitive activity is higher in Europe, but at the same time the highest amount of tubes consumed are also in Europe, so therefore that is not a worry or a concern from margin perspective.

**Percy Panthaki:** Sir, can you give us an idea of the capacity of Europe relative to America?

**Ashok Goel:** You mean Essel capacity?

**Percy Panthaki:** Yes, relative like it is 40% more or 50% more in Europe relative to America or whatever that number may be?

**Ashok Goel:** So, I think in US will be about 30% more than Europe.

**Percy Panthaki:** US's actually capacity is higher, is it?

**Ashok Goel:** America's capacity is higher than Europe.

**Percy Panthaki:** So, then with the same turnover in Europe versus US, your capacity utilization in Europe would be higher than US, right?



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**Ashok Goel:** No, because they do more of non-oral care cosmetic products and in non-oral care the capacity utilization tends to be lower.

**Percy Panthaki:** Sir, I probably take this offline, I did not fully understand it. That is all from me. Thanks, and all the best.

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

**Ritwik Sheth:** What was the capex for FY2019?

**Ashok Goel:** 300 Crores.

**Ritwik Sheth:** This quarterly depreciation of 48 Crores to 49 Crores should we expect it to stabilize over here for the current year?

**Ashok Goel:** Yes, March quarter depreciation number should stabilize except that some of the capex, which is work in progress, will be capitalized this year.

**Ritwik Sheth:** Thank you. All the best.

**Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to the line of management for closing comments.

**Ashok Goel:** Thank you so much to the moderator and I greatly appreciate ladies and gentlemen for you to join and Percy for hosting the call



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and your team for organizing everything. Thank you very much.

Any questions we are happy to answer offline. All the best, have a nice evening.

**Moderator:** Thank you. On behalf of IIFL Capital that concludes this conference. Thank you for joining for us. You may now disconnect your lines.



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**Commented [AHB1]:** Since no contact information was available for the IR Head, I have put Amit Jain's information for the contact person as available in the investor presentations.



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