

Transcript

Conference Call of Huhtamaki PPL Limited

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Presentation Session

Moderator: Ladies and gentlemen, good afternoon and welcome to the Huhtamaki PPL Limited 1Q CY19 earnings conference call hosted by Aditya Birla Money Limited. As a reminder, all participant lines are in the listen only mode now. Later there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is recorded. I would now like to hand over the floor to Mr. Jaymin Trivedi of Aditya Birla Money. Thank you and over to you sir.

Jaymin Trivedi: Good afternoon everyone. We welcome you to the 1Q CY19 earnings conference call for Huhtamaki PPL Limited. From the management we have MD sir, Dr. Arup Basu and also we have a new CFO, Mr. Ranjeev Lodha. So, a very warm welcome to Mr. Ranjeev Lodha, who has been appointed as the CFO just two to three days back. To start with the call, we will have a brief update from Ranjeev sir on the results, after which we will open the floor for questions. Kindly note that we will be restricting this call for a duration of about forty five minutes, as the management is scheduled for another meeting. So, I request the participants to limit their questions to two per participants. Over to Ranjeev sir.

Ranjeev Lodha: Thank you Jaymin and good afternoon everyone. You all might have gone through the results for the quarter that we published yesterday evening. The revenue for the first quarter has grown from 553 crores to 629 crores, a growth of 13.8%. The profit from operations has improved from 33 crores to 68 crores, a growth of over 100%. This is of course on the back of higher volumes, improved realization and our cost reduction measures, which are all, have contributed to better margins of our products. The PAT is up by 136%, from 17.8 crores to 42 crores.

I, now with these limited opening remarks; I open the floor to questions.

Question and Answer Session

Moderator: Thank you sir. We will now begin the question and answer session. Kindly note the duration for the call will be for forty five minutes. So, I request participants to limit their questions to two per participant. If you have any questions, please press * and 1 on your telephone keypad and wait for your turn to ask the questions. If you would like to withdraw your request, you may do so by pressing * and 1 again. I repeat, ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad.

The first question comes from Mr. Ankit Gor from Systematics. Please go ahead sir.

Ankit Gor: Hi, thank you. Thank you gentlemen. My first question is with regards to volumes and margins you have said. I am just trying to understand was there any one offs here and would they be sustainable? Do we expect this sustainable margin going ahead as well? Any inventory gain was there because of which margins were higher? That is my first question.

Ranjeev Lodha: Thank you Ankit. Ankit, there are no one offs except the other income there is, which has gone up from 4 crores to close to 9 crores, there is profit on sale of assets of 5 crores. This is typically the land and flats that we have sold during the quarter. But, apart from that, as explained that the performance is from the back of improved realizations, healthy margins owing to cost reduction measures.

Ankit Gor: Sure. And overall, the revenue grew at 14% YoY. What was the volume growth in this 14%, if you can guide us or if you can tell us? Thank you.

Ranjeev Lodha: The volume percent was around 3%.

Ankit Gor: Okay, 3% volume growth in completely value growth and this value growth is expected to continue for subsequent quarters as well?

Ranjeev Lodha: As you know we do not give future statements, but I can only assure you that we are in a healthy position at the moment, though we are always exposed to two or three typical risks associated with this industry, one being the growth in the FMCG consumption growth sector, the second is the crude oil prices and the third is the impact or the influence of monsoons.

Ankit Gor: Sure. My next question is with regards to lower tax rate. So, can we assume that we have started paying a debt of OYJ in that sense, the tax rate has kind of normalized and even interest cost of Q-on-Q has come down? So, how do you actually.....?

Ranjeev Lodha: So, the tax rate is lower because of two reasons. One is the onetime income which is taxed at a lower rate and the other is the improved performance from operations. And if we have improved performance from operations, the disallowances, the weightage of disallowances in percentage terms comes down.

Ankit Gor: Right. My last question is with regards to the overall demand scenario, since all FMCG companies.....

Ranjeev Lodha: Ankit, can I request you to come in queue please, because I think we have restricted to two questions per participant, otherwise others won't get any chance.

Ankit Gor: Sure, thanks.

Ranjeev Lodha: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Sunil Kothari from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Thank you very much for this opportunity. Thanks a lot. Sir, just one request, yesterday we had a very good presentation at AGM, if you can upload on the website that would be helpful for everybody.

Ranjeev Lodha: Fair enough.

Sunil Kothari: And second, sir, my question is related to, again I am repeating this thing is our interest on NCDs are not allowed in income tax for tax purposes, as an expense. So, what is your thought process and how will we be preparing ourselves for redeeming it by January 2020? So, effective interest cost towards this is almost 11%, 10.7 or something, if you remove this 35% maximum tax.

Ranjeev Lodha: So, as you would have seen yesterday at the AGM also where you were present and the fact that we have made this disclosure in the annual report, we are pursuing the tax allowance matters separately as and when we get the favorable order, we will consider that. Your second question was on the cost of this borrowing and what we will do, the company is examining all alternate options for refinancing the prepayment or part prepayment.

Sunil Kothari: And sir, at which stage this tax authority will our strategy, any appeal have we made to the income tax department or which department, can you give us detail, something more?

Ranjeev Lodha: This appeal, this is basically not an appeal, it is an assessment. And the assessment is pending with the tax authorities.

Sunil Kothari: But sir, last four years we are paying this 50% plus tax, then being an MNC company, you feel that you should allow this type of things to go on without any proper assessment. I am surprised by the full tax that we are paying.

Ranjeev Lodha: So, paying the tax is better governance from E&Y and it is not to do with being an MNC or otherwise. We are arguing our case and we are following it up and it should come up in the current financial year.

Moderator: Thank you sir. The next question comes from Mr. Lala Ram Singh from Vibrant Securities. Please go ahead.

Lala Ram Singh: Thank you sir for the opportunity. I have two questions. Number one, can you give us the broad split of our revenue with respect to end user segments? Second question is, the global parent is into four segments, out of which one of is flexible packaging, which I believe the Indian entity is also involved in. So, can you throw some light on the strategy of the company for the Indian market, considering that we have made a slew of acquisitions over the last two to three years? And will we continue to do flexible packaging or we can enter the other lines of segment like food service packaging or paper packaging, which the global parent does? Thank you.

Dr. Arup Basu: Okay, this is Arup Basu. I will quickly answer your question. Our emphasis in terms of segments food is roughly in the 50% to 60% category and home and personal care etc. is the balance. And in terms of our areas of focus, flexible packaging itself has a significant scope for growing, because it is growing on the back of FMCG. And also there is still a fairly large amount of food and non-food that is sold

loose. So, everything that is sold is not packaged. So, we see a migration of loose to packed and within packed, of course, different things being packed in line with the growth of FMCG. We also have a labels business as you know. And between flexible and labels, we plan to stick to these businesses.

Lala Ram Singh: How much would be labels as a percentage of overall revenues sir?

Dr. Arup Basu: Labels will be about 17% - 19%.

Lala Ram Singh: Okay. Thank you

Moderator: Thank you sir. The next question comes from Mr. Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Kumar Sonthalia: Sir, my question is that the contract we made with the customer is on a monthly basis or on a quarterly basis?

Dr. Arup Basu: It differs from customer to customer. Some are quarterly, some are monthly, some are half yearly, some are bi-transaction. There isn't a fixed model.

Aman Kumar Sonthalia: Sir, if there is a sudden jump in the raw material prices, so whether it will impact the profit or whether you will negotiate with the customers?

Dr. Arup Basu: It depends on how the jump is or what is our stock situation and what is our pricing model that we have. If it is on a transaction basis and if we have to get the raw materials, then it will typically be a pass through. We are converters, so we prefer not to or we don't really have the muscle power to carry the raw material risk. And if it is a quarterly price agreement, then we have to absorb it, because that is part of the contract.

Aman Kumar Sonthalia: And sir, how is the outlook of the FMCG sector, because I think your performance will be very much linked with the FMCG sector's performance.

Dr. Arup Basu: That is right. So, we are looking at the portfolio in terms of our customer base. And your assessment of how the FMCG will grow or not grow can't be particularly worse than our assessment. But, we also have an export business which we try to use as a balancing trigger for if something happens in India.

Moderator: Thank you sir. The next question comes from Mr. Kaushik Poddar from KB Capital Market. Please go ahead sir.

Kaushik Poddar: In the last conference call you had suggested that or you had stated that as far as the NCD goes, which is subscribed by your parent, you will come to some conclusion as to how, whether it will be rolled over or financed or whatever. So, when can we expect such an announcement from you?

Ranjeev Lodha: Mr. Poddar, I think in the last call we had said that we will firm up our strategy around June. So, it is still in work in progress.

Kaushik Poddar: Okay, so by June we can expect something.

Ranjeev Lodha: June-July.

Dr. Arup Basu: These things can extend a little bit as you can imagine, but that is the kind of timelines we are hoping.

Kaushik Poddar: Okay. And did I hear you correctly? The volume growth was only 3% last quarter?

Ranjeev Lodha: Yes, on a quarter on quarter basis.

Kaushik Poddar: So, is it in line with the FMCG, because Lever for example has shown I think 6% growth or something or 7% growth? So, your growth is less than that of the FMCG segment or is it in line with the FMCG growth?

Dr. Arup Basu: We have yes; volume sale is there, quantities of what they produce. And we have, we do our portfolio choices as Ranjeev mentioned at the beginning, in terms of the areas where we want to grow. So, it is really in terms of getting our mix right with the FMCG. And we have also had a significant uptick in our exports. And we have used this combination to make sure that we get the right value into this company.

Kaushik Poddar: So, export forms what percent of your turnover?

Dr. Arup Basu: About 20 odd percent.

Kaushik Poddar: Okay. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity sir. Sir, first a clarification, this volume growth number you said is quarter on quarter or year on year?

Ranjeev Lodha: So, it is not trailing quarter, it is quarter versus previous year quarter.

Agastya Dave: Okay. And sir, you mentioned something about raw material prices, if they spike up then you have to bear the consequences completely or is there a lag in passing through. I didn't understand that point sir.

Dr. Arup Basu: So, it depends on the source of the raw material and in terms of when we have bought it, how much we have bought and the inventory value of it. If it is just a one-off transaction that is one thing, if it is already on a quarterly price model, then we can't pass it on.

Agastya Dave: Okay. Sir, my only question is, in terms of, so you have seventeen manufacturing units, could you talk a little bit about capacity utilization and how do you strategically think about capacity utilization? My guess is that you would be closer to your end users and you will be fairly closely linked to them. So, is it a good

thing? How should we look at your capacities, some optimal capacities is part and parcel of your business or you always try to optimize capacity utilization?

Dr. Arup Basu: First of all, the locations are not all uniform, in the sense that they all don't produce the same set of products. And the way to view capacity utilization in this business is really about getting the balance right in terms of optimizing the use of your assets and at the same time having a cushion to be able to deal with spikes in demands from your customers, because if they suddenly find some specific SKUs moving very fast in the market, then their visibility and their demand for that SKU goes up in a very short period of time. So, if we are running neck to neck on capacity utilization and we cannot meet their requirements for the sudden increase in demand, then that becomes a negative in terms of their reliability or our reliability to support them.

Agastya Dave: What is the least amount of buffer you keep sir, in terms of spare capacity?

Dr. Arup Basu: There isn't a least or high number that way, but we typically tend to target about 80%-85% capacity utilization

Agastya Dave: Thank you very much sir. Thank you sir. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Naushad Chaudhary from Systematics. Please go ahead.

Naushad Chaudhary: Hi, thanks for the opportunity. Sir, can you elaborate little bit more on what kind of cost cutting measures we have taken, which has led to this kind of margin improvement?

Dr. Arup Basu: So, we have looked at wastage reduction. We have looked at capacity optimization in terms of productivity, reducing changeover times and better quality planning and better engagement with the customer to get an earlier visibility to orders. So, combination of better planning, scheduling, set up reduction of set up times and wastage reduction.

Naushad Chaudhary: Okay. You believe this current margin is sustainable or you feel there is much more scope to grow it further?

Ranjeev Lodha: So, Mr. Chaudhary I think, we wouldn't give forward looking statements. But, I think we are happy with these margins.

Naushad Chaudhary: Lastly on the tax rate sir, the current tax rate of...

Moderator: Sorry to interrupt Mr. Chaudhary, could you please join back in the queue for further questions?

Naushad Chaudhary: Sure, sure.

Moderator: Thank you sir. Participants are kindly requested to restrict with two questions in the initial round and join back in the queue if time permits. Thank you sir.

The next question comes from Ms. Drushti Mehta from Antique Stock Broking. Please go ahead.

Drushti Mehta: Hi. I just had one question. I wanted to know if in the profit after tax, are we having any one off for this quarter.

Ranjeev Lodha: So, as I said earlier, we have an income of almost 5 crores in the other income, which is from profit on sale of assets.

Drushti Mehta: Okay, that is it?

Ranjeev Lodha: That is it.

Drushti Mehta: Okay, fine. Thank you.

Moderator: Thank you ma'am. The next question comes from Mr. Kashyab Jhaveri from Emkay Global. Please go ahead.

Kashyab Jhaveri: Thank you very much sir for the opportunity. I just had two questions. One, if I look last about three years, even excepting for the extra or let's say the case dispute related tax that you would have paid, our tax rates will remain significantly in excess of the maximum marginal tax rate. So, what is that number and how do we see it going forward? And question number two is that if I look at your raw material cost to sales, let's say CY14 till now, from about 72½ odd percent, this quarter we have almost touched about 65%. So, what is driving this lower raw material cost to sales and again here how do we see this going forward?

Ranjeev Lodha: So, let me take your second question first. The raw material cost has a direct correlation with crude oil prices and it is also the value add that we do in our portfolio. So, that is where the percentages are. Obviously with value added products that we introduce, based on our innovation capabilities, the realizations change and that also brings down the percentage term raw material cost. On the first question that you had on this interest tax, I think till the next round of refinancing, this status would continue.

Kashyab Jhaveri: No, my question was on the effective tax rate actually that even after excluding let's say the disputed amount that we have provided for plus the interest of about, I think roughly about 10 crores on that, even if I were to exclude, still the tax rate still remains quite in excess of maximum marginal tax rate?

Ranjeev Lodha: So, the effective tax rate is actually 37%, 37.8% as against the normal 35% and this is because of the impact on the NCDs and the ESOPs and some of the deferred tax matters. But, largely it is driven by the interest on the NCD. The difference is largely made on account of the NCD, tax disallowance.

Moderator: Thank you sir. The next question comes from Mr. Sameer Deshpande from Splendid Investments. Please go ahead.

Sameer Deshpande: These are quite good numbers, congrats for that.

Ranjeev Lodha: Thank you.

Sameer Deshpande: Just I want to get clarity about the operating margins of the current year, would it continue? What is your opinion?

Ranjeev Lodha: As we said earlier in the opening remarks, we wouldn't be giving the forward looking statements, but it will also depend on what happens on the monsoons and what happens to the crude price and the growth in the FMCG sector, because that is the largest sector that we are exposed to.

Sameer Deshpande: And what about sales side growth ?

Ranjeev Lodha: What do you mean by that, can you elaborate?

Sameer Deshpande: Can we expect this similar type of growth percentage?

Ranjeev Lodha: Ideally in terms of capacity in growth, it should be, we should be running our plants on full blast. But, again it will also depend on the scenario, how it changes in the FMCG sector.

Sameer Deshpande: Thank you.

Moderator: Thank you sir. Next is a follow up question and comes from Ms. Drushti Mehta from Antique Stock Broking. Please go ahead ma'am.

Drushti Mehta: Sir, you mentioned the other income on the sale of asset, can I please know what asset you are referring to?

Ranjeev Lodha: We sold some surplus flats and land.

Drushti Mehta: Okay sir, got it. Thank you.

Moderator: Thank you ma'am. Next is a follow up question and comes from Mr. Sunil Kothari from Unique Investment Consultancy. Please go ahead sir.

Sunil Kothari: Thank you sir. Sir, my question is to Dr. Basu. Sir, basically which are the other levers we have in the organization to reduce cost or innovation in terms of new product range or say, to lower the raw material cost and ask for better or premium pricing?

Dr. Arup Basu: So, one is we have great amount of capability in creating anti counterfeit features in the products. And for many companies that is an important thing, because anyone who worries about adulteration or anti counterfeit to their brands would like to have packaging, which the consumer can use to check whether the product is from the brand from which he or she has bought it. So, that is one portfolio of capabilities which can derive additional value. The second increasingly becoming important in India is sustainability. Our structures are now far more recyclable in terms of the way they can be used. So, many FMCGs are now publically kind of making commitments on sustainable structures. And we have a very decent portfolio of products, structures that allow their products to be packed in a recyclable packaging, which is increasingly becoming quite valuable for them, because the consumers also

want to probably buy products that are packed in a recyclable packaging without losing the convenience and the protection of whatever is inside the packaging, in terms of retaining their, whether it is flavor or nutrient value or whatever product features are. These are two large areas we find. The third is we have a digital capability which allows us to create a very high degree of customization, which is also something that many companies are finding of value that they would like to create products where each package is unique. And that is something that we can provide at a certain value. So, these are some of the levers we have in terms of differentiation. On cost, we are working on all the cost levers that are available. Typically in a manufacturing organization we have an institutional process that drives it in the manufacturing unit, in the post manufacturing and in the sales and operations planning. And that is a company wide program that runs continuously, because it is incremental improvements we get through this process and it is embedded fully into the organization.

Sunil Kothari: Great sir. And what is the CAPEX for the current year, in this current calendar year what kind of CAPEX we will be doing?

Dr. Arup Basu: About 70 crores to 90 crores.

Sunil Kothari: Thank you very much sir and wish you good luck.

Moderator: Thank you sir. The next question comes from Mr. Aditya Shah from Vikram Advisory Services. Please go ahead.

Aditya Shah: Sir, I have two questions. One question is, the first question is that what would you attribute the main reason for a 3% volume growth on a 14% value growth, if you had to give one reason? And the second question is that if you add back the other income of 5 crores, which is not there in the previous quarter, the tax rate will come to around 40%, instead of the 37%. So, typically in the last few, let's say ten quarters your tax rates have been around 45% to 50% or sometimes even 54%. So, what would explain the 10% reduction apart from the NCD, which I have already considered at 40%?

Ranjeev Lodha: So, to answer your first question Aditya, I think the entire benefit of the growth in revenue is because of the portfolio churn that we have done, where it has been targeted towards more healthier prices. And as far as the second question is concerned, tax as a percentage when you do the effective tax rate, as I explained in the earlier question, this is because of what happened is the profit is low, then the tax disallowance carries a higher weightage. And therefore the tax rate looks high. If the company's profits from the operations are good, that weightage comes down and that is what is really the case in this quarter.

Aditya Shah: Okay. So, apart from that there is no other reason like let's say which was there in previous quarters and not in this quarter, nothing like that?

Ranjeev Lodha: Nothing like that.

Aditya Shah: Alright. Okay, do we foresee the revenue mix, as in which is targeted towards better products or high yielding products to be continued forward or probably, because in our industry as I understand, sometimes some months you have

some orders and that is why you can have these kind of margins. So, is it a long term thing that we are doing or probably for few quarters that we are thinking?

Dr. Arup Basu: We respond to our customers requirements on this. So, the line of sight is of course a little better for a month or two months or for the quarter or for a longer period. And we have a higher degree of confidence to continue like this in this quarter. Next quarter will depend on as Ranjeev said, what is happening to crude oil, what is happening to the sentiment and what is happening to the growth of FMCG based on monsoon.

Aditya Shah: And sir, one last question is that the 10 crores in the Rudrapur tax issue, which you have already mentioned in your notes that in February 2019 that the impact could have been reversed. So, when do we see some kind of visibility on that reversal in the coming quarters? Or, when can it be resolved?

Ranjeev Lodha: I wish I could give you a date more precisely. But, these are matters with the administrative authorities and the relevant authorities will have to take a call, but we are hopeful that it should be resolved in the twelve months' period.

Aditya Shah: Okay, thank you. Thank you Ranjeev.

Moderator: Thank you sir. The next question comes from Mr. Udit from Catamaran. Please go ahead.

Udit: Thanks for taking my question sir. Sir, you mentioned that you have three differentiated capabilities. It would be helpful if you could just tell me what is your current revenue contribution from these three things? And my second question is, you highlighted that this quarter had seen a good improvement in the value added products. So, is there any particular customer where you have seen this value growth and is this because of some new products that they have introduced or is it just a market share gain in the higher value products?

Dr. Arup Basu: It is a combination of all of them.

Udit: Okay. And on the differentiation, like you mentioned that digital capability, recyclability.

Dr. Arup Basu: We don't measure revenues by this capability, because these are soft capabilities and they are very customer centric. And we want to be very careful that we maintain adequate confidentiality, because the customers don't want really people to know what we are doing. So, I won't be able to share more.

Udit: I just wanted to check if there is more revenue coming from recyclable plastic products or digital or where you do digital labeling, is that theme kind of fitting our company.

Dr. Arup Basu: Sustainability will certainly benefit, because we are seeing a significant amount of traction with customers who want more sustainable products or products that are recyclable. So, that over a period of time I think we are hoping that demand will grow because of the commitments that many of our customers have made in the public domain.

Udit: And which other packaging companies has that capability, like multinational or Indian companies?

Dr. Arup Basu: I wouldn't be able to comment on that. I don't have that knowledge

Udit: Thanks sir.

Moderator: Thank you sir. The next is a follow up question and comes from Mr. Lala Ram Singh from Vibrant Securities. Please go ahead.

Lala Ram Singh: Sir, I believe that this quarter has the impact of consolidation of Ajanta, because of which there is some uptick in the revenue growth numbers. What would be the revenue growth numbers ex-Ajanta?

Ranjeev Lodha: It is in the same range. It is in the same range.

Lala Ram Singh: How can it be in the same, if I exclude Ajanta, it has to go down sir?

Ranjeev Lodha: No, no, if you take Ajanta in the previous year and in the current year, it will be in the same range. If you take out Ajanta in the current year and if you take if vis-à-vis what we have reported, then it will be in the region of 10%.

Lala Ram Singh: Yeah, so in the March 2018 quarter, Ajanta was not included in the revenues. Am I correct sir?

Ranjeev Lodha: Yes, you are correct.

Lala Ram Singh: Got it. Thanks a lot. Second question which was unanswered in the previous when I asked was what is the strategy in terms of when we do M&A, so are we looking to expand capabilities or what kind of, what is the broad strategy which powers the engine of M&A? What is the thought process for the company?

Dr. Arup Basu: On M&A, we continuously scan the environment, of what is it that we need to add in terms of capacity or knowledge or customers. And this is an ongoing process, in line with our agenda to grow in the areas of flexible and labels.

Lala Ram Singh: If I can just comment on this, when we look at the acquisitions, does it mean that if we try to do organically there is some sort of entry barriers to some of the niches that the businesses within packaging, there are sub segments which are difficult to enter organically? Does it mean that and therefore acquisition makes much more sense?

Dr. Arup Basu: No, there isn't anything like that.

Lala Ram Singh: Okay, thanks.

Moderator: Thank you sir. Next is a follow up question and comes from Mr. Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you again sir for the opportunity. Sir, if you consider the impact of price hike because of raw material and the value addition that you may be doing in some cases and also on the cost side, if you also take into consideration the hikes in the raw material prices, is the current P&L reflecting the things as they are? Are they a good reflection of crude at 70 and level of value addition that you have done or do we expect some variation here or there over the next quarter, so that we start reflecting the things as they are?

Ranjeev Lodha: So, this depends on crude prices and as you rightly said, depending on the crude prices the numbers can undergo a change; but as Dr. Basu mentioned earlier, it also is taking into account the inventory that we have and the conditions, commercial considerations and terms that we have agreed with the customer.

Agastya Dave: Sir, my question was, if nothing changes next quarter, everything is as they are, as they were in the previous quarter, will the numbers be exactly the same or will there be some variations?

Ranjeev Lodha: I won't say exactly the same, but yes, in the same region.

Agastya Dave: In the same region, okay sir. That is it sir, thank you very much. Good luck for the next quarter sir. Thank you.

Moderator: Thank you sir. The next question comes from Mr. Nilesh Shah, an Individual Investor. Please go ahead.

Nilesh Shah: Hi. Dr. Arup Basu, this question is for you. Hello? Am I audible?

Dr. Arup Basu: Yes, yes.

Nilesh Shah: Yeah, okay. Recently there was a big acquisition made by Blackstone on a company called Essel Packaging, apparently they are into flexible tubes and laminates. I was just wondering whether Huhtamaki was also interested in acquiring this company and did you put up a binding bid to actually acquire this company.

Dr. Arup Basu: I am told we can't give this data in terms of from a regulatory angle.

Nilesh Shah: No, in terms of just bidding. I know the acquisition went to Blackstone. But, was there a bid by Huhtamaki or you are not supposed to disclose this?

Dr. Arup Basu: We did not bid.

Nilesh Shah: You did not bid. Alright. My second part of the question is, because of a new change in management at Essel Packaging, is there any material benefit that Huhtamaki PPL would occur due to getting extra business from existing

customers in the same lines? Is there any incremental benefit you see from customers, because of this change of company happening?

Dr. Arup Basu: No, I don't think from that specific change there will be anything additional. We anyway are in the business of only tube laminates. We don't make tubes as you know. Our product is laminates, which then our customer converts to a tube and then prints it or rather prints it and then converts to a tube.

Nilesh Shah: Alright. That is about it. Thank you so much.

Moderator: Thank you sir. Next is a follow up question and comes from Mr. Kashyab Jhaveri from Emkay Global. Please go ahead.

Kashyab Jhaveri: Thank you sir for another opportunity. I was just looking at your quarterly numbers for last about ten-twelve quarters. And if I look at our other operating expenditure, it is more or less stable at between 67-68, towards 70-72 odd crores. So, where is this kind of let's say significant cost control coming from, because inflationary increases should have been there, which also seems to be very much controlled. So, are these sort of sustainable cost controls in nature?

Ranjeev Lodha: So, you have actually answered the question, if it has been constant in the last ten-twelve quarters, we don't see any reason that it should change materially. And these basically are extensive more to do with power, fuel, repairs, maintenance and administrative cost. The only blip that I can see is power and fuel or if owing to the de-growth in the consumer or sentiments on account of monsoons the pricing promotion expenses have to increase, but otherwise it should be the same.

Kashyab Jhaveri: So, barring that on quarterly basis, they should remain more or less range bound in this fashion?

Ranjeev Lodha: Yes.

Kashyab Jhaveri: Okay sir. Thank you very much sir.

Moderator: Thank you sir. The final question comes from Mr. Udit from Catamaran. Please go ahead sir.

Udit: Thanks for taking up my follow up question. Sir, I wanted to understand what was the domestic growth in this quarter and how much growth was from (inaudible)? And my second question in this regard is, will Huhtamaki India also expand its manufacturing capabilities outside India, because your parent recently opened up a manufacturing center in Egypt. Whatever base we currently have, is that the maximum?

Ranjeev Lodha: It is in the region of 10%. And your second question on the (not clear).

Udit: How much growth was the first quarter growth? 10% was the contribution sales?

Ranjeev Lodha: No, what is your question then?

Udit: Year on year growth due to exports?

Ranjeev Lodha: Year on year growth due to exports is 10%.

Udit: 10%, okay.

Dr. Arup Basu: And on the Huhtamaki, in terms of the expansion, the Egyptian expansion, as you are right was from the parent. HPPL is India based. So, we expand here. And if the expansion is happening somewhere else, it is typically the parent that drives it. That is the way it is designed.

Ranjeev Lodha: Just one correction. The domestic growth was 10, the export was 30.

Udit: Export was 30?

Ranjeev Lodha: Yeah.

Udit: Thank you.

Moderator: Thank you sir. That will be the last question for the day. Ladies and gentlemen, this concludes the conference call for today. You may all disconnect your lines now. Thank you and have a pleasant day.

Note: 1.This document has been edited to improve readability.
s2. Blanks in this transcript represent inaudible or incomprehensible words.