

12th November, 2018

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Sub: Transcript of Conference Call held on 2nd November, 2018

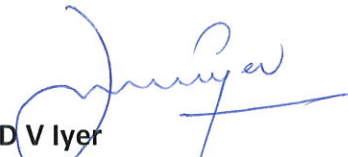
Dear Sir/Madam,

Further to our intimation dated 30th October, 2018 in relation to the conference call on the unaudited financial results of the Company for the Quarter ended 30th September, 2018, please find enclosed herewith Transcript of the said conference call held on 2nd November, 2018 for your perusal/records.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For Huhtamaki PPL Ltd.,


D V Iyer

Company Secretary & Head – Legal



Encl: As above

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Transcript

Conference Call of Huhtamaki PPL Limited

Event Date / Time : 2nd November 2018, 03:30 PM IST

Event Duration : 43 min 37 sec

Presentation Session

Moderator: Ladies and gentlemen, good afternoon and welcome to the Huhtamaki PPL Limited 3Q CY18 earnings conference call hosted by Aditya Birla Money Limited. As a reminder, all participants' 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: Thank you. Good afternoon everyone. We welcome you to the 3Q CY18 earnings conference call for Huhtamaki PPL Limited. Today from the management we have Mr. Parag Vyavahare, who is the CFO of the company. To start with the call, we will have a brief update from the management on the results, after which we will open the floor for questions. Over to you sir.

Parag Vyavahare: Thank you Jaymin. And good afternoon ladies and gentlemen and thank you for participating in this call and welcome to this call. Today I have got with me our Managing Director Dr. Arup Basu. And I would like to first hand over the floor to him, because he would like to make one announcement. Over to you Dr. Arup Basu.

Dr. Arup Basu: Good afternoon ladies and gentlemen. At the outset of this call, I would like to share some news with those who are on this call. Mr. Suresh Gupta, Executive Chairman will retire on 31st December, 2018, on the expiry of his term. We would like to place on record our sincere thanks and deep appreciation for the leadership and direction given by Mr. Gupta, spanning more than three decades for the company. The Board of Directors of Huhtamaki PPL Limited has appointed Mr. Murali Sivaraman as Independent Non-Executive Chairman of the company with effect from 1st January, 2019 for a period of five years, subject to approval of shareholders. Mr. Sivaraman is an accomplished business leader who has worked most of his career with global multi-national companies, including Philips and AkzoNobel in a variety of geographies, including India, Singapore, China, Canada and the UK. He has managed large businesses and led transformations in many of his roles. Currently he is the Chairman and Director of Philips Lighting India. I will now handover the proceedings back to my colleague and CFO Mr. Parag Vyavahare.

Parag Vyavahare: Thank you sir. So, once again good afternoon ladies and gentlemen. So, I think the results are there with you. I just want to add some three-four comments quickly for the benefit of this thing.

So, the current quarter I think is marked by couple of important events. One was obviously the dollar appreciation and the oil prices going up. And that led to the raw material price inflation, so that has been one factor which has impacted these results. Ajanta Packaging, which we acquired in the last quarter, has now been fully consolidated and its full quarter results are incorporated as part of these results. So, and it is working quite fine as per our expectation. Otherwise on the sales growth, roughly we have grown from, sequentially we have grown by 1.2% and compared to the last year we have grown by something like 10.8%. And obviously there has been the impact of the raw material price increases, which has affected our performance and has had an effect on the profits.

So, I think that is it. And of course there has been this issue on the tax provision, but which we will talk more later in the course of the discussion or I can take it up myself. I will take it up. If you remember, the analyst's community will remember we had set up a plant in Rudrapur in the year 2006-2007. And as per the income tax policy we were eligible to claim tax exemption for 100% of the profits for the first five years and from thereafter 30% for the next five years. So, those benefit we enjoyed for the first five years. As per also the policy, if a unit undertook a substantial expansion thereafter. There it was eligible for another benefit of again 100% profits for the next five years. So, accordingly we had undertaken an expansion in the year 2011-2012. And we were claiming that exemption benefit. When we claim this benefit, this was basically backed up by expert legal advice what we had obtained from the experts. And thereafter recently there has been judgments and more specifically from the Himachal Pradesh High Court judgment which was in favor of another party, but almost on a similar fact pattern. However, recently in the month of August 2018, when that matter went up and appealed in the Supreme Court, the Supreme Court has turned down the decision of the Himachal Pradesh High Court decision and they had ruled in favor of the department wherein the department has taken a stance that the business who have once established new unit and if they undertake expansion within the span of the tax holiday period, they are not eligible for once more tax exemption. Consequent to that, we had to take in this quarter a tax charge of Rs.21 crores and around Rs.9 crores on account of interest on this thing. We are evaluating what are the further legal options, how we can fight this matter and we are considering this thing. But, as a prudent measure and considering the fact that this is Supreme Court's decision, it is the law of the land and at this point of respecting that we have made this provision. And that has had an adverse effect on the results for the quarter.

With that I would like to throw open the floor for questions. Thank you very much.

Question and Answer Session

Moderator: Thank you Mr. Parag. We will now begin the question and answer session. 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.

The first question comes from Mr. Rakesh Seth from GEPL Capital. Please go ahead sir.

Rakesh Seth: Sir, good afternoon. I am Rakesh Seth from GEPL. Can you please tell me when are we going to repay the NCDs borrowed from your foreign

parent company at the rate of 7% you borrowed.....? When are you going to prepay that? Are you going to prepay this loan?

Parag Vyavahare: No, we are not planning to prepay this loan, because this repayment is due in January 2020. And we are looking at the various options how we can refinance this loan.

Rakesh Seth: Because, as per the notes to accounts given by you, the Supreme Court has given some decision confirming the disavowment of the interest components, whatever you are paying to your foreign company.

Parag Vyavahare: Sorry, I didn't get you.

Rakesh Seth: As per the notes to your accounts, you have mentioned that there is a Supreme Court decision saying, conforming the disallowance of the interest component, am I right?

Parag Vyavahare: Unfortunately your voice is not clear. Your voice is cracking and your question I am not able to understand fully well. And what notes to the accounts you are stating, I am not very clear on that thing?

Rakesh Seth: What I am saying is, you had borrowed NCD which is falling due in the month of January 2020. And you are providing in your books interest at the rate of 7%. Is it along with the expenditure?

Parag Vyavahare: Yes, according to this allowable expenditure.

Rakesh Seth: But, as per Income Tax Act, it is not allowable.

Parag Vyavahare: Why? Why it is not allowable?

Rakesh Seth: Because, you borrowed your funds from the foreign parent company, there are some Supreme Court decisions stating that these type of expenditure is not allowable. You have given some note in your results with respect to income tax for earlier years, on the basis of expert advice.

Parag Vyavahare: Okay, let me clarify. I don't think in this matter there is any Supreme Court judgment. The Supreme Court judgment is on a different matter, which I explained at the beginning of the call, which is in connection, hello?

Rakesh Seth: Okay, if that is the case I am sorry. I thought it is related to your interest expenditure of which you are paying to your foreign parent company

Parag Vyavahare: No, the Supreme Court judgment is in respect of Section 80IC of the Income Tax matter for our Rudrapur unit.

Rakesh Seth: Okay. Other than that as the company is concerned, the income tax is allowing the interest payment what you are making to your foreign company on this NCD?

Parag Vyavahare: The amount is deductible.

Rakesh Seth: Okay, thank you.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

The next question comes from Mr. Ankit Gor from Systematix. Please go ahead sir.

Ankit Gor: Hi sir. Good afternoon. Thanks for taking my question. Parag-bhai I have a question with regards to the Rudrapur facility. In which year we have started this facility and in which year we have undertaken expansion?

Parag Vyavahare: We started this facility in the year 2006-2007 and we undertook the expansion in the year 2011-2012.

Ankit Gor: Okay. So, that is 2011-2012, the court dismissed this 2011-2012 expansion what we did?

Parag Vyavahare: Yes.

Ankit Gor: Okay. My question is with regards to the EBITDA margin there. We see sequentially also we have not improved. YoY is a different case altogether. But, sequentially it was 8.7 and it is now 8.3. So, the basic reason behind this is as you pointed out, crude and currency. But, we tend to pass on immediately, because our overall (not clear) cycle is also very less. So, what happened this time around and what should we expect going ahead if the situation remains the same?

Parag Vyavahare: Ankit, if you remember the raw material price increases what we are faced with; we are not able to pass on instantaneously to the customer. If you see, I have mentioned very clearly we have the pricing arrangement with the customer, wherein the price increases can be monthly, can be quarterly and can be also in some places six months and yearly. Majority of the cases we are on the quarterly basis. And that is why typically you will find that minimum lag of at least a quarter when these raw material prices you are able to pass on. And in this quarter the raw material price increases happened in a very rapid manner. Especially, if you take the material like the polyester, the price went up from something like Rs.120 to almost like Rs.140-Rs.150 a kg in one quarter. And every month there was a change taking place. And that really has upset the whole situation. Please try to understand. Increase in raw material price situation always there will be a lag by which we will be recovering and hence we will suffer to some extent in those periods and subsequent to that we will be able to recover.

Ankit Gor: Okay. And what is the proportion of currency in this case then, if it is crude price and currency? If you see YoY, our overall EBITDA margin dipped by 300 bps, so how do you actually say or bifurcate the crude impact and currency impact with regards to the inflationary cost?

Parag Vyavahare: Ankit that becomes too, getting into too minor analysis, because we are not directly buying the crude or something. So, basically people are buying their imported material, they are converting or I am directly and importing the material. So, basically those prices go up, because if the crude has gone up, the derivatives prices go up and that, it has been quoted in the international currency like a

dollar and the dollar has gone up. So, it comes at a higher price to me. And on that thing I am paying the duty and getting in. So, obviously that price goes up. And that is where you see in a quarter most raw materials have gone up anywhere between 2% to 8%, polyester has gone up much higher i.e. by almost 12% to 15%.

Ankit Gor: Okay, got it. My two questions are remaining. What is the status of our new East India facility and how they are shaping up in terms of capacity utilization?

Parag Vyavahare: So, the unit has been set up. The first phase has been completed, which is flexible line. The line what was completely set up last year itself as I had mentioned. And the cylinder line has gone into operation in the current year. And now the unit is fully functional. And it is very close to the expected capacity utilization in the range of I will say, 80% to 85% capacity utilization level it is operating today.

Ankit Gor: Okay, so that is fine. And second is with regards to this finance cost, which also increased substantially, what is the reason behind that?

Parag Vyavahare: The primary reason is that because of this Rudrapur issue, there is 21 crores of tax charge which we have taken and on top of that tax charge there is also this interest payable to the Government, to the tax department. So, that interest earlier as per the old GAAP, we are allowed to account that interest as a tax expense, but whereas as per the new IND AS requirement, this interest cost cannot be accounted as a tax expenditure and has to be accounted as an interest expense and that is why the cost is debited to the interest and that is why the finance cost has gone up. So, it is not because of increased borrowings or something.

Ankit Gor: Okay. And that is 9 crores, the tax amount?

Parag Vyavahare: That is right, 9.38 crores to be precise.

Ankit Gor: Okay. Lastly with the demand scenario, if you can give us some heads up with regards to every FMCG companies are posting a good volume growth there. What is your sense with respect to the overall demand? And sorry, I forgot that question, in Q2 what was the volume growth number?

Parag Vyavahare: In Q2 I have mentioned compared to the last year, Q3 to Q3 we had a volume growth of 9%. And compared to if you look at, compared to the Q2 to Q3 we were very flattish. So, the primary reason is that with the increased raw material prices, with the difficulties in passing on those increases to the customer, we have that resistance led to some amount of restriction in the sequential growth I will say in the volume growth.

Ankit Gor: Okay. And last thing with regards to your demand outlook?

Parag Vyavahare: Demand I think is reasonably good, barring these kinds of unforeseen factors like let's say crude and currency issues or let's say polyester film price has gone up or some measures Mr. Trump announces there etc. and that has a cascading effect. So, barring that the general economy seems to be trudging on the right path of recovery and a good growth.

Ankit Gor: Okay. Thank you. Thank you very much and hope to see Mr. Arup Basu in every calls. Thank you Parag sir.

Moderator: Thank you sir. The next question comes from Mr. Saurin Shah from Saurin Financial Services. Please go ahead.

Saurin Shah: Good afternoon sir.

Parag Vyavahare: Good afternoon.

Saurin Shah: My first question is regarding the hearing. Any idea when the hearing is going to come up in the Supreme Court for which we have provided in the current quarter?

Parag Vyavahare: As I mentioned, the case on a very similar matter where the decision was given by the Himachal High Court in the month of November 2017, the department had gone into appeal against that to the Supreme Court. That appeal came for hearing in the Supreme Court in August 2018, wherein the Supreme Court has overturned the favorable decision of Himachal High Court. So, already that has happened. So, there is not going to be any further hearing at this point of time, because the appeal has been decided.

Saurin Shah: Okay. Second question is regarding this salary provision which has gone up from 56 crores-57 crores, to 64 crores-65 crores and that indicates a substantial hike in the provisions. So, can you just highlight what maybe the reason for the same?

Parag Vyavahare: There are three factors attributable for this, First factor of course is, that Ajanta Packaging was not there last year, if you remember and they have come in the current year, the full salary cost is coming into our P&L in this quarter. That is one effect. Second effect obviously also is because of the increment which we have to give annually to the people. Third is that because of some of the expansions, we had to recruit additional people, those costs have come in. So, I think all these factors have really played a role and plus some amount of regrouping we had to do because of certain requirements and that had some effect and also had a corresponding benefit also you will see on the other income. The other income also has gone up, because of certain transactions that we had with our group companies, where the way treatment had to be changed and also related to the expenditure going up and the other income going up.

Saurin Shah: Okay. And now with regard to the depreciation charge which has gone up from around say, 20 crores to 22 crores, can you just highlight what kind of capitalization has taken place during this quarter?

Parag Vyavahare: Just one second. Primarily if you see, just one second, you are talking of the increase in Primary account from 21 crores to 22 crores?

Saurin Shah: Depreciation.

Parag Vyavahare: From 21 crores and 22 crores to 22 crores. One of the prime reasons as compared to the previous year, is that the Ajanta has been added to our

portfolio. So, Ajanta we are quoting depreciation which was not earlier there, either the previous quarter or either the previous year, same quarter or the current year, previous quarter. Other thing is that we have done certain expansion in Silvassa. So, that depreciation has come into the play. And third also is that our Guwahati factory cylinder line went into operation in current quarter. So, that also has added to the depreciation charge.

Saurin Shah: Okay sir. Thank you. That is all.

Moderator: Thank you sir. The next question comes from Mr. Rakesh Seth from GEPL Capital. Please go ahead sir.

Rakesh Seth: My question is already answered by an earlier person. I am withdrawing it. Thank you.

Parag Vyavahare: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Bharath Bhagnani from Tasha Invesco. Please go ahead.

Bharath Bhagnani: Hi Mr. Parag.

Parag Vyavahare: Good afternoon Mr. Bharath.

Bharath Bhagnani: Good afternoon. I just wanted to ask with regards to the IT matter, are we going to pursue an appeal?

Parag Vyavahare: We are evaluating what are the options available, because since the matter is a case of certain some other party and since Supreme Court is the final authority, there is no direct appeal possible against that thing. So, we are evaluating what are the alternate actions other than the possible like, what kind of review can be done or etc., so those options are being evaluated.

Bharath Bhagnani: But, it can be safely assumed that as of now the amount we have to pay the amount or we have already paid the amount?

Parag Vyavahare: Unfortunately as of now the Supreme Court decision is the law of the land and we will have to respect that thing. And it has attained the final meeting. So, we can't say that alternate view can be taken easily, it is not possible.

Bharath Bhagnani: Apart from this IT matter, what are the other IT matters which are currently pending against different tribunals? Can you give me a rough figure amount of the same?

Parag Vyavahare: Parag, unfortunately I don't have that thing, but I don't think we have any major issues pending as such. We don't have any major issues.

Bharath Bhagnani: So, this issue was pending for how long?

Parag Vyavahare: This issue has been pending; it started in 2011-2012, so say the assessment would have taken place in say, in 2013-2014, from that time this issue has been going on.

Bharath Bhagnani: Okay. And one other thing is that our export forms around 25% of the total sales. So, that seems like a natural hedge for the rupee. Rupee has increased and it is favorable to us. So, can you tell me what kind of benefits has the company seen because of the depreciation of the rupee and since we are 25% exporting company?

Parag Vyavahare: When I am exporting on exports side, I do get benefited because my sales realization goes up on the dollars sales, so that really helps. And that automatically has been helped by the growing realization in the currency. But, that really helps me in automatically protecting my margins that is the first and biggest advantage. And since I am also sort of a net exporter, so my export receivables always will be slightly more than my import payables. So, obviously that surplus whenever there is a revaluation, because let's say the dollar moves up from 63 to 64 or 64 to 65, you gain that much to the extent of the forex surplus.

Bharath Bhagnani: Tell me one thing. If there is Rs.1 depreciation in the dollar price, what kind of benefits do we accrue? Can you give me that sort of that calculations, so that I can understand?

Parag Vyavahare: Let's say my import payables are 1 lakh dollars, and my export receivables are let's say Rs.1,50,000 dollars. So, that means I have surplus of 50,000 dollars and let's say the dollar has gone up by Rs.1, so basically that 50,000 dollars into Rs.1, so Rs.50,000 I have gained.

Bharath Bhagnani: So, within the current profit and loss which we have seen for the last quarter, these gains are there.

Parag Vyavahare: Gains are very much there, very much.

Bharath Bhagnani: So tell me, if this tax hit would not have been taken in this particular quarter, if this tax hit would not have been there, what would have been the normal profit? I think we would have still been down for the year, year over year?

Parag Vyavahare: We would have been slightly down. If you basically look at it, obviously compared to the last year we would have been down, because the fact that the raw material price situation was still adverse to us in this quarter, compared to let's say the previous year, same quarter. So, the raw material price situation has not been benign, it being adverse to us, so that has hurt. So, if you straightaway add that 9.38 crores of the interest on the tax matter, so that 9 crores would have been added, 15 crores would have become let's say 24.4 crores. But, still we would have been down compared to let's say the previous year and also unfortunately the previous quarter. But, previous quarter is much smaller and the previous year is much larger, because the previous year, the third quarter was much better in terms of the overall raw material price situation.

Bharath Bhagnani: Okay. So, with regard to the revenue, I think we have already, have we consolidated Ajanta Packaging into the company?

Parag Vyavahare: Yes, very much it is consolidated.

Bharath Bhagnani: It is already consolidated. Apart from the Ajanta Packaging, sir what would be the Ajanta Packaging contribution to this?

Parag Vyavahare: Ajanta, roughly as I had mentioned, it is roughly around 90 crores Turnover Company. So, around we can say 25 crores-26 crores of turnover they have contributed to the quarter.

Bharath Bhagnani: Okay. Sir, if we say 25 crores-26 crores approximately has been coming, then we don't see much of sales growth, like to like basis from on the last quarter, last year.

Parag Vyavahare: Yes, because as I mentioned earlier in the call, what happened is because of the raw material price increase situation, we had to fight at the market place for the price increases. And in that process, we had to give up certain sales. So, that challenge was there. And also since the exports market, the challenges in some of the markets also in terms of the export realization challenges continues in terms of the dollar availability. So, we had to take bit of a difficult action with some customers and we have to restrict our exports to them or reduce our exports to control our exposure. So, I think both of these factors have their impact on the sales revenue growth.

Bharath Bhagnani: Okay. No, but right now if the dollar price comes down and we were talking about raw material used probably for which the price had gone up, just explaining some time ago. So, do you think in the current quarter, you would be able to recover most of the price damage which was done in the last quarter?

Parag Vyavahare: Yes. Typically as I had mentioned earlier and many times I have covered, whatever raw material price increase you suffer between July to September, we will be able to recover from the customers in October to December period. That will help us in going forward, because that always is the lead and lag which will remain.

Bharath Bhagnani: Okay. So, one more thing. It is good to see that Mr. Basu is also there. Dr. Basu is also there on the line. So, I would just like to ask him, what is your view since it has almost been one year for you now that you have been heading the company, what do you feel about the demand scenario going ahead, if you can just throw some light from your perspective?

Dr. Arup Basu: I would say that I would be cautiously optimistic, because we are seeing demand expansion happening with certain sets of customers. And we see a certain uptick on the rural demand. And we also see certain patterns in terms of preference for smaller sized, but premium products. Against that I would put the current challenges around plastics, which is there in the market place. And it is the balance of these two that will finally work out. But, I think flexible packaging is actually environmentally probably, the most sustainable form of packaging we can have, if you look at really the carbon footprint of all other options to packed foods and personal care products. So, if we go by really scientific temperament, then flexible packaging based on polymeric materials is really the way forward for a country of our size, scale and

diversity. And we will have to see how that pans out. I think the challenge has been the increase in raw material prices, which we at the end of the day, we are in the value chain in a converter position. And typically if there is a seamless pass through of the raw material risk onto the brands, then really things work well, but the dynamics sometimes don't allow that very well. But, in terms of the demand side, I think the brands are wanting to grow. The consumers are wanting to buy packed products vis-à-vis unpacked products. And these two macro indicators suggest a dry why I am cautiously optimistic.

Bharath Bhagnani: Okay. Just one follow up question, last follow up question. Do you think that you will be able to take the requisite price increase to cover up your costs and converting margins going ahead from here? Do you see that the company has retained that position with the customers?

Parag Vyavahare: Yeah, as we mentioned earlier, there was a substantial increase in the July to September period. And there were continuous increases. It was not like let's say once an increase suddenly occurred, let's say in the month of September or August there was increase in July or increase in August or increase in September. When these kinds of changes take place, passing on them on real time instantly to the customer becomes impossible. And that is what really has hurt us in this quarter. Obviously our discussions with the customers started and in few places we did manage to get increases in September etc. But, the majority of the increase has come from October end and that is why we see that recovery effect will be more visible in Q4. And that should also will have to get corroborated or let's say supported by how does the raw material situation pan out in the Q4.

Bharath Bhagnani: So, if the raw material again increases in October, can you say that again recoveries will happen in January?

Parag Vyavahare: That is right. That is right.

Bharath Bhagnani: So, it would be postponed by that amount of lag period of quarter will always be there.

Parag Vyavahare: That is right. The one quarter lead-lag you will always see.

Bharath Bhagnani: Okay. Thank you so much. Thank you so much.

Parag Vyavahare: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Gautam Gupta from Nine Rivers. Please go ahead sir.

The next question comes from Mr. Gautam Gupta from Nine Rivers. Please go ahead sir.

Gautam Gupta: Hi. Can you hear me?

Parag Vyavahare: Yes, we are able to hear.

Gautam Gupta: I think there was a problem with the line. Thanks for taking my question. I wanted to know the industry mix in terms of our sales, so FMCG, food, what would be the mix?

Parag Vyavahare: We primarily cater to the FMCG industry. Our biggest share will be in the FMCG industry. And second will be I think the pharmaceutical segment. And within FMCG if you ask me, the split will be last year will be towards the food and second will be the personal care and other products.

Gautam Gupta: Got it sir. Thank you. And in terms of new nominations or new products or new customers, if you could give us some color on the pipeline?

Parag Vyavahare: Those developments are happening continuously. So, it is a continuous process. Right now I do not have a specific comment to make up any large major change or something at this point of time. But, roughly on a continuing basis, our last program contributed 20% of the sales, that continues. That trajectory curve is continuous. So, I don't think there is any let up on that thing.

Gautam Gupta: Okay, fair enough. Just one last question if I can squeeze in. So, I think Dr. Basu was speaking about the fact that flex packaging is most environmental sustainable least carbon footprint. Just in terms of customer discussions are we seeing some discussions around customers, we want to increase our share of flex packaging or we are hearing some others in terms of mono packaging or more easy recyclable packaging and any of that you are seeing from your customer? Any kind of conversations around that?

Dr. Arup Basu: We are in conversation with all our key accounts, because there is a regulation in India now, which is Plastic Waste Management Rules. So, every product has to conform to that. And as per the Plastic Waste Management Rules all these packaging materials need to be recyclable or sustainable as defined in the Plastic Waste Management Rules, which allows something to be either recycled or even converted to a fuel, both of them are allowed under controlled conditions. So, every plastic or flexible packaging organization, their products need to conform to the PWM Rules. And the customers actually, our brands even more involved in this, because they are the ones whom the consumers face. And the consumer is recognizing the brand that comes in. So, we are in conversation with all of them on what are the activities and steps we can take to make sure that they are able to use flexible packaging products that conform to all the criteria and are used up properly. There is also a push from the Government side for the brands and for those in this ecosystem to participate in the post consumer use flexible packaging. Collection and either recycling or converting it into energy, so either polymer to energy or polymer to recycled polymer. And I think that is something what you will see playing out in the future, because that is something the Government desires very, very strongly. And we are working with them to try and start that ecosystem.

Gautam Gupta: Fair enough. Sir, if I can have a follow on question on this. So, this would involve two-three things. Of course one is the whole collection and the waste management ecosystem, which would have to be built out possibly by the producers. But, would it also involve change in terms of the kind of materials being used within polymer or the kind of packaging? Would we see reduction in packaging for

example on a per unit basis or thin wall containers or lesser secondary packaging and things like that?

Dr. Arup Basu: I think there would be a little bit of work that happens on the materials of construction that are used for the flexible packaging. I think there will be little more, I think the greater effort will be around collecting and segregating. And that is really the bigger issue in terms of post consumer use how do you collect and segregate and bring it to the reprocessing centers. Wherever this is being done well, the recycling industry in India is generally very efficient where this process has happened. It was just not extended to the packaging side of things and now that is happening. So, I think that is really where the biggest emphasis will be.

Gautam Gupta: Okay. Fair enough sir. Thank you. Thank you for your inputs.

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

Aditya Shah: Sir, most of my questions have been answered. But, there are two questions left. So which is, how much would be the CAPEX by the end of this year? And what could be the reason that we have an increase in provision of tax percentage since last year and continuing this year as well?

Parag Vyavahare: The CAPEX in the current year I think is going to be in the range of around 85 crores to 90 crores as per our estimate as of this point of time. And so that is of course one side. Coming to the tax, so there are two issues. One is that there is certain contentious issue which are there and for which we have been doing the provision, so which is one of the reasons also why the tax provision is going up from last year itself what you have seen. That is one factor. And the second factor which has specifically happened in the current year is that particular Supreme Court judgment which has come and which was the award in a similar case pattern situation like us which has gone against the assessee. And hence we had to make a provision

Aditya Shah: That is only for this?

Parag Vyavahare: Quarter.

Aditya Shah: So, this is only for this quarter, but what is the previous issue that because of which we have been providing such high provisions?

Parag Vyavahare: I would not like to answer specifically on that thing, but we can say it is a very contested matter and it is very dear to our heart and we are trying to fight it to our level best. But, I would not like to talk more on that thing.

Aditya Shah: So, can we expect for the years to come by in those years, the tax expense percentage would be but similar fashion to what it is last year, this year and going forward?

Parag Vyavahare: Yes, actually for two years you will see similar percentages.

Aditya Shah: And post that it will be normalized to around 35%, right?

Parag Vyavahare: Thereafter it will start gradually coming down. I would not say it will come down dramatically in one stroke. It will have to come down in a gradual fashion.

Aditya Shah: Alright. And sir, can you just tell me what is the operating cash flow in the nine months gone by, if you have it?

Parag Vyavahare: No, I don't have it readymade in my hand. Can you excuse me for that please? I can email you. Thank you.

Aditya Shah: Alright.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

The next question comes from Mr. Ankit Gor from Systematix. Please go ahead sir.

Ankit Gor: Hi, thank you again. Just continuing on CAPEX, you said CY18 will have around 80 crores to 90 crores of CAPEX, how much we have already done on this?

Parag Vyavahare: Just a second. I think in the current we have done so far roughly around 50 crores plus.

Aditya Shah: Okay. And this 90 crores budget, if you can give us a break down where we have spent or we are spending?

Parag Vyavahare: Some money has gone into the digital printer equipment what we have set up in Thane. Some expenses have gone in the cylinder line which we have set up in the Guwahati plant. Some expenditure has gone on the expansion that we have done in Silvassa factory. Some expenditure has gone on the expansion that we have done in Khopoli factory. And some expenditure has also been done in Hyderabad. And plus there are some expansion we have also done at our Mahape unit. So, these are the five-six places where we have spent a good amount of money. Plus there are some expansions in Rudrapur, sorry. There has been some expansion in Rudrapur as well.

Aditya Shah: Rudrapur as well. And what will be this CAPEX number for CY19, just tentative number there?

Parag Vyavahare: It should be around at least 100 crores that we should be doing.

Aditya Shah: And again expansion across the factories?

Parag Vyavahare: Yes, yes.

Aditya Shah: Okay boss. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

Ladies and gentlemen, if you have a question, please press * and 1 on your telephone keypad.

There are no further questions sir.

Parag Vyavahare: Yes, I think we can close the call. So, thank you very much ladies and gentlemen for taking part in this investor call for Huhtamaki PPL. And we hope to see you the in the next call in the month of February. Thank you very much.

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

Parag Vyavahare: Thank you.

Note:

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