

**Piramal Glass Limited**  
**Investors/Earnings Conference Call**  
**(January 21, 2011)**

**Moderator:** Good evening ladies and gentlemen. Thank you for standing by. This is Sonia, the moderator for your conference call today. Welcome to the conference call of Piramal Glass Limited hosted by Hanmer MSL. We have with us today Ms. Ninie Singh from Hanmer MSL. At this moment, all participants are in a listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press \* and 1. I would now like to turn the conference over to Ms. Ninie Singh. Please go ahead ma'am.

**Ninie Singh:** Thank you. Good afternoon ladies and gentlemen. On behalf of Piramal Glass, I welcome you all for the teleconference to discuss the Q3 results of the company. It is our pleasure to have Mr. Vijay Shah, Managing Director; Mr. Sandeep Arora, Chief Financial Officer; and Mr. Chunduru Srinivas, Vice President-Strategic Planning and Head Investor Relations with us today on the call. Now let me hand the call over to Mr. Vijay Shah who will brief us about the Q3 results and the latest developments at Piramal Glass. After that, we can proceed with the question and answer session. Thank you.

**Vijay Shah:** Good afternoon ladies and gentlemen and welcome to the call. Our results are in track with what we have been saying and with our expectations. The business environment is very very positive and good both from Europe, U.S.A., as well as our other markets. Orders are flowing very well and we have got good backlog of orders. There is increasing customer traction from high-end customers and gradually India is developing as a very good hub for packaging ecosystem. So we are in a very very sound position and we have also reviewed and revived the strategy as we had promised earlier and if you look at our analyst presentation in last time, we had indicated what is our future outlook for the next 2 years revising it beyond FY12 to FY13. So to take you through the presentation that is already available with you, I request Srinivas to take you slide by slide and afterwards we will open for question and answers.

**Chunduru Srinivas:** Thank you Mr. Shah. The presentation has been e-mailed to all of you and in case you have not received it, it is on the website under the investor relation of Piramal Glass. So I straight away take your attention to slide #4. Indian operations accounted for 57% of sales in this quarter followed by USA 28% and Sri Lanka accounted for 15% of our sales. Out of the Indian operations, almost about two-thirds has been export to 55 countries.

I am on slide #6 which gives you a review of Q3 performance. The sales grew by 10.2% and at a constant foreign exchange if we compare with last year, the sales growth it has been 13.2%. In terms of EBITDA, from an EBITDA of 59.7 crores and 21% EBITDA margins, we have moved to 78.4 crores of EBITDA and 25.3%. Just to recap that in the past FY09, we were at about 14.8% of EBITDA and FY10, we were at about 19.6 and last 6 quarters, quarter-after-quarter we have been improving on the EBITDA margins. The interest cost as a percentage of sales has come down from 7% of sales to 6% of sales. As a resultant of this, the PAT margins grew by 135% or an improvement of about 455 basis points from 11.3 crores to 26.6 crores in Q3.

I am on slide #7. On an YTD basis, the sales grew by about 8.5% and if I neutralize FX impact and look at a constant FX, the sales grew by about 12.5%. In terms of EBITDA from 19.6% last year YTD, we have grown to 24.3 and in absolute terms, we are talking about 160 crores EBITDA growing to 216 crores. In terms of interest cost as a percentage of sales, it has come down from 11% of sales to 6% of sales YTD and in terms of PAT, we are talking about a swing of 76.4 crores which is almost a 1000 bps higher than what it was last year where at this point of time last year, we were negative at 8.9 crores.

In terms of each of the businesses after going through the overview of the numbers, I am taking on to slide #9. Slide #9 gives you breakup of quarter 3 segment wise which we have been reporting. So happy to share with you that C&P, Cosmetic and Perfumery, the growth trajectory for the company has touched 51% of total sales. You may recall that this number was hovering around 32% in FY09 and slowly moving

towards mid 40s and as I talked to you in this quarter, it is about 51%. Pharmaceutical is about 26% of sales and Speciality Food and Beverage which is mainly in Sri Lanka and US is 23% of sales. On a YTD basis, Cosmetic and Perfumery almost accounts for 50% of sales and pharma 29%. The number in the bracket indicates rate of growth that we had compared to same period last year. So Cosmetic and Perfumery grew by 32% in line with our long-term strategy in the Q3 and on a YTD basis, it has grown by 27%.

I am on slide #10 which gives you historical trend of how Cosmetic and Perfumery has improved over a period of time. So if you look at FY05, 30% of company turnover was coming from Cosmetic and Perfumery which is currently hovering at about 49% and in terms of a 6-year CAGR, it grew by about 34% and Specialty Food and Beverage by 29% and Pharmaceutical by 11%.

Moving on to each of the segments, I will take on to slide #12. The top part of slide #12 has been shared with most of you and we met one-to-one or even in various analyst meet, but just as a recap the market overview has been given. The bottom part pertains to mass and the top 2 circles pertain to premium. So overall organization focus has been to improve and get on to more and more of Cosmetic and Perfumery and within that improve on premium that has been the broad strategy of the company in the past which we have shared. So if you further sub-classify this and get into little more details and look at Cosmetic and Perfumery, the overall growth was 32% which I have shared with you primarily led by premium and premium grew by 56% compared to last year same quarter and mass grew by 16% and on a YTD basis where the overall growth of Cosmetic and Perfumery was 27%, premium grew by 36% and mass grew by 26%. In terms of geographical breakup, rest of world emerging markets accounted for closer to about 43% of overall sales followed by USA of 43% and West Europe of 14% in terms of geography spread.

I am on slide #14. Pharmaceutical which accounts for little more than a quarter of company's sale, it de-grew by 3% in the quarter and on an YTD basis grew by 2%. Here essentially what we have done is that in line with our long-term strategy, some of the pharma capacity has been diverted to Cosmetic and Perfumery and closer to about 3000 tons of pharmaceutical capacity has been diverted to high-yielding Cosmetic and Perfumery that is why you see a slight dip, but within pharmaceuticals, we have gone for a product reaching. So currently 40% of sales are pharmaceuticals is exports and category of type 1 which is high yielding has been growing. So within pharmaceutical, it is more of a product mix gain than a top-line growth.

I am on slide #16. Slide #16, we had a dip in Speciality Food and Beverage by about 10% in the quarter and YTD basis, the dip was 13%. This is essentially in USA and during the Q&A, we could discuss about as a Speciality Food and Beverage segment that we are talking. In India last year during the same quarter, some amount of Speciality Food and Beverage was being made that has been replaced with Cosmetic and Perfumery. So some amount of this is also contributed by product mix change from Specialty Food and Beverage in India to Cosmetic and Perfumery.

International slide #18, when we look at it, software aspects of the business, you would have received the e-mails from our end on various awards that the company has been winning in terms of the business process. One of the awards which was recognition was important the India Manufacturing Excellence Award by Economics Times and Frost & Sullivan where among 75 odd companies that have been short listed by Frost & Sullivan, Piramal Glass was conferred with Silver Certificate of Merit for world class business processes and this happened in the quarter. Balance of the list is mentioned on slide #18.

Slide #19 is overview of the revised strategic plan where overall Cosmetic and Perfumery with a new base of FY11 is likely to grow by 24% in next 2 years. It may be pertaining to firm in the past when we talked about the base number was FY09 to FY12, now we are talking about FY11 to FY13. Within Cosmetic and Perfumery, the premium growth would be 26% and the mass growth would be 22%. The Greenfield low cost capacity of 160 tons which will be added in FY12 with an investment of about 100 crores in a distinct location that Jambusar where we have our pharmaceutical furnaces. We would be shrinking capacities in pharma and transfer to the Cosmetic and Perfumery business and rationalize the product mix. 75 tons of the pharma would be transferred to Cosmetic and Perfumery in Kosamba. Within USA as we spoke, we have been shrinking the capacity from 8 lines, we are currently running 6 lines. By

end of this financial year, we will come to 4 lines or one furnace and the other furnace would be shut down and the two lines equivalent of production would be made from India therefore yielding higher margins. In the one furnace that is in USA, we will be concentrating on Specialty Food and Beverage bottles which are large bottles and grow that market. In Sri Lanka, we are happy to share that the market share has gone up from 88% more close towards 91% and the focus over there is to improve the product mix with high value exports and niche domestic markets. Sri Lanka as an economy itself is also growing. So there is a huge demand which is being anticipated in the domestic markets. With 91% market share, we find that the markets in Sri Lanka probably would be growing in double digits. Summary which has mentioned on to the right side, between FY11 and FY13, we are envisaging our growth of about 16% top-line growth. This compared to the earlier base was about 10 to 12% was what our guidance was. Within this, it was led by premium Cosmetic and Perfumery which is likely to grow by 26%. With this, I open the forum for any questions. Thank you.

**Moderator:** Ladies and gentlemen we will now begin the question and answer session. If you have a question please press \* and 1 on a pushbutton phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and wish to withdraw your request, you may do so by pressing the # key. We have our first question from Mr. Kirti Chopra from Silverdale Capital. Please go ahead Mr. Chopra.

**Kirti Chopra:** Good evening sir. First of all congratulations for the robust set of numbers that the company has come up with and so I have few questions. Firstly when we talk about shifting of the US capacity to India, what is the closure cost that you are looking at please?

**Vijay Shah:** US when we shrink from two furnaces to one furnace, there is a very marginal closure cost. We moved from 8 lines to 6 lines. We had almost no closure cost because in US, unless you are doing more than one-third of labor even if you are doing one-third of labor assets, then you have to give 2 months warrant notice and during that 2 months, you have to pay them the wages and they will continue to work. So US has no significant closure cost in that sense.

**Kirti Chopra:** hard cost related to the plant closure to anything as such as an environmental cost?

**Vijay Shah:** I am not shutting the site. If anybody shut the site completely at both the furnaces, then there is a question of closure cost which would involve the warrant notice which I have mentioned 2 months wages some you have to give them as a cheque, but you have to give a notice and they expected to work during that period. Relation to that may be a cleaning cost where we have to get that environment agency to check out of what is under the soil and stuff like that and dust it out and then may be then there is a cleaning cost. If I am doing a closure there would be some write-offs. Part of the equipment may be, part of the working capital may be the things. However in our case what we are proposing is that we would continue operating the one furnace with speciality big bottles.

**Kirti Chopra:** Alright. My next question is you have been speaking about capital expenditure of somewhere around 160 crores in 2011. So I was wondering where is the funding in terms of this CAPEX going to come from only from internal accruals or are you going to raise some debt or equity or what?

**Vijay Shah:** The CAPEX that we have mentioned let us split it into two. You are talking about 100 crores for our Greenfield expansion. This is the first time we are announcing that and 160 crores towards several relining of furnaces that we were announced earlier also and along with this relining, we also proposing capacity expansion. So almost the 3 or 4 furnaces that we are doing relining would lead to a capacity expansion of another 100 tons approximately and we are proposing 160 tons of new Greenfield projects okay. Now this CAPEX is happening over next 2 years. It is not what we are proposing is not for 2011 alone. This will be funded out of our internal generation only. We have sufficient internal generation to reduce the debt as well as incur this CAPEX.

**Kirti Chopra:** And lastly in the current quarter results, it was mentioned about the change in the accounting policy for the accounting of moulds. So I just wanted to know what is the average life of the

moulds that the company has and had been depreciated over the usage what is life of the mould basically?

**Vijay Shah:** I will explain that again. The mould accounting policy was changed to be in line with international standard in fact both our acquisition in USA and Sri Lanka when we acquired the companies had this policy and we reverse it to the policy that we are following in India then that is treating them as inventory. Internationally, companies treat mould as assets and not as inventory. In the case of moulds, some moulds are paid for by the clients and some moulds are paid for by the company. In whatever be the case, the mould life would depend on how many times you are making the bottles. So in our pharmaceutical business, the mould life is lesser because we routinely make the standard bottles again and again. So you fix a mould and some other cases, you just do not remove the mould and till the life is over or may be couple of months. In a Cosmetic and Perfumery business where we are growing out into the mould life could run into couple of years or may be less depending on how many times it has been taken up for production. The depreciation policy for the mould is completely and totally linked with the usage of the mould. So it is depreciated is in corresponding to the life that is remaining and what is life that has been used up.

**Kirti Chopra:** Thanks and the last question would you be able to give you the YTD capacity utilization of the various facilities that we have in India, US, and Sri Lanka please?

**Vijay Shah:** On this question as we have always been saying glass industry is a 24 x 7 industry and all furnaces at any point of time have been fully utilized. draw could vary 10-15% on a furnace; however in a business like ours where we are trying to grow in a particular segment of the market, the issues of product mix. So if you notice that our values are going up is because our product base is growing into more and more high-value added product. Then you are not doing that, you are on a low value added product and that is why your realization is lower. So at any point of time we have to keep making bottles whether it is for the high-end market or in the low-end market. Capacity utilization is normally almost full.

**Kirti Chopra:** Alright sir, that is all from me. Thanks.

**Moderator:** Thank you for your question sir. We have our next question from Mr. Apoorva Joshi from HSBC Bank. Please go ahead sir.

**Apoorva Doshi:** Yes sir. Congratulations on a good set of numbers. Just wanted to understand you had spoken of this realigning of almost say 100 tons of capacity which will be added. So we wanted to know what will be the impact in terms of shut down of what quantity of capacity will be shut down and for what period of time and beginning when?

**Vijay Shah:** Okay, we have got almost four furnaces. One furnace had shut down this year, the type one glass furnace. It was shut down for 45 days this year and it had a capacity increase from 25 tons to 45 tons. As I have been telling in the past in the call is that we have to be in readiness for relining of furnace; however, the exact date of relining is not determined by us. We often wait for the furnace life to end on its own. Okay so that is where, it can go plus minus 6-8 months. Several furnaces, couple of furnaces more we expected to end this year, but are lasting their lives. Now coming to since you want to know the detail, I will share with you, but it is a little bit complicated, but I will share it with you. There is one furnace which is 75 tons in pharma, it will come up to closure in mid March and will be shut down for 45 days, but this furnace is moving from Pharmaceutical to Cosmetic and Perfumery and restart at 55 tons. So there will be reduction in capacity, but the market mix will change. There is another furnace which is 230 tons in Pharmaceuticals which will shut in say mid April also and that will be shut for almost 60 days and it will restart after 60 days at 265 tons capacity. There is a third furnace which is 65 tons for Cosmetic and Perfumery that will be shut for 2 months we have not got the dates exactly into place because it is still lasting. So it could be somewhere, may be at the end of the first quarter or may be earlier or may be even later and that could, once you reline the 65 tons will go up to almost 95 tons. These are the ones which are proposed in the near future.

**Apoorva Doshi:** So basically what you are saying that say from April, May, June of 2011 could be substantial reduction in quantity. 230 will go out and 75 will go out?

**Vijay Shah:** 75 will go out and come back at 55.

**Apoorva Doshi:** Will come back only towards the end of that quarter?

**Vijay Shah:** No, 45 days I said. Most realign 45 days, 230 the larger furnace it may be slightly longer say 60 days or 65 or something.

**Apoorva Doshi:** So net-to-net, you don't see any significant you know impact on say volumes in terms in the first quarter of FY12?

**Vijay Shah:** First quarter FY12 is not significant. We have not worked out the numbers yet, but it is not significant.

**Apoorva Doshi:** Because on the prima facie, it seems 230 plus 75, so that will go out, at least for two months, if not say for the entire quarter?

**Vijay Shah:** But then we got totally how many furnaces, 8 furnaces in India. One in Sri Lanka and one in USA.

**Apoorva Doshi:** That is okay and the question on the revised strategic plan which I go through since the previous quarter. Earlier we have been talking that C&P premium could be 30% of the revenues and now we have drastically reduced it to 24% of revenue?

**Vijay Shah:** So that was at a lower base, those numbers are with the base of FY09 or FY10 you are discussing. FY09 I think.

**Apoorva Doshi:** That is growth. This is an absolute number in terms of percentage of revenues which we have said that by 2012, C&P premium would be 31% of revenues. Now you are saying it will be only 24% of revenues by 2013.

**Vijay Shah:** That is not changing. If you go back to the numbers, what you see, the sales base earlier we have said the growth will be at 10-12% till 2012. Now we are saying 16% CAGR from year till 2013. So if you notice we are talking about one Greenfield capacity expansion for the mass market. So as against the earlier strategy that we were growing at the cost of mass, we have decided to service both the markets and that is why the mass number is as a ratio of total sales higher than earlier. It is not shrinking the absolute number of the regional market.

**Apoorva Doshi:** Okay I just wanted to clarify that because this is the key investment rationale in the company, C&P, you are not saying any headwinds in terms of C&P market right because of any reason?

**Vijay Shah:** No, not at all.

**Apoorva Doshi:** Okay and when is this new plant of this 160 TPA expected to commission?

**Vijay Shah:** It should be ready or in place by somewhere in the last quarter of the next financial year.

**Apoorva Doshi:** So March 2012?

**Vijay Shah:** In that quarter.

**Apoorva Doshi:** In that quarter okay. And in terms of approvals, do you have to again go through the entire process or since it's a unit by primal glass itself all the approvals..

**Vijay Shah:** First of all is the mass C&P furnace, all those things are relevant only to the premium market. So there is no approval that all required and secondly if you notice to a large extent, we are shifting production from the premium furnaces to the mass furnace. So there is already a ready and running market for it.

**Apoorva Doshi:** No I understand, market is ready, I am saying from the customer point of view. What we have always mentioned is that this segment is only dependent on the customer approvals which is..

**Vijay Shah:** No, let me clarify the premium segment both if you remember the triangle which we always show. The European–MNC mass and the select that means the top two parts of the triangle what we say as premium segment. They need customer approvals. They have very rigorous process of approval. Here that is all through of that, is not at all through for the mass market.

**Apoorva Doshi:** And is the land acquired for this project environment clearance?

**Vijay Shah:** In Jambusar where we are planned is existing. We have 65 acres of plot, we have utilized hardly 10-20 acres today.

**Apoorva Doshi:** Any environmental clearance or it is bunched up for the entire area?

**Vijay Shah:** No we should not have any issue there because we have been taking clearance regularly for our every expansion and does not have to wait any longer.

**Apoorva Doshi:** So you don't see that as an issue.

**Vijay Shah:** No, not at all.

**Apoorva Doshi:** Absolutely okay and I think that is it from my side currently. If there is any more, I will get back to you. Thank you very much and best of luck.

**Moderator:** Thank you for your question sir. We have our next question from Ms. Neha Manohar from Kotak Bank. Please go ahead ma'am.

**Neha Manohar:** Sir I have two questions one is your market share, the overall market share in the C&P business, the Cosmetic & Perfumery business. I would like to know the total market share and also the subdivision into cosmetics low end, medium end and high end. What is the market share respectively?

**Vijay Shah:** Actually there are three segments we are catering to. Within mass, we also called nail polish or it is called color cosmetics where we are dominating the world market. Almost every third bottle of the world is ours, so the market share is around 35%. The low mass what we called as low mass, we are roughly 12% of the market share, 12-15% in the share of our market. There also, we are the largest player with the share because very segmented supply base. In the premium market that is where we are growing, we are roughly 3.5% of the global market from that segment.

**Neha Manohar:** And the medium end, the perfumes in the range of \$10-15, the perfume bottles?

**Vijay Shah:** That is what we call low mass and that is why I said 12-15%.

**Neha Manohar:** But low end then, \$8-10 wala?

**Vijay Shah:** No if you look at them as a triangle there is no 8 to 10. They are straight.

**Neha Manohar:** Okay and the medium-range. And what is the overall market share then?

**Vijay Shah:** Roughly it is around 5%.

**Neha Manohar:** Any new clients are added or any new brands for the existing clients?

**Vijay Shah:** Yeah I will tell you, as we have been maintaining that there are 20 major customers that constitutes 80% of the premium market almost all of them, 17-18 of them are already have approved a facility and are dealing with us with one or several brands. So there is no new customer reporting in this quarter in that sense, yes there is one PUIIC, a Spanish company which was so far not our customer that's the only major company in Europe which is out of Spain and is a large basket of big brands has just given us one or two products for development. So they have just begun with us. Other than that we have got more brands which have offered commercialization, often clients do not like us naming them. They are a little bit sensitive about it but let me say **Coti 31.25** has got several more brands commercialized with us.

**Neha Manohar:** Okay thank you sir. Thanks and best of luck.

**Moderator:** Thank you for your question madam. Our question comes from Mr. Pritesh Chaddha from Emkay Global. Please go ahead sir.

**Pritesh Chheda:** Hi everybody. Congratulations for a good set of numbers. First question on the SF&B side, the Pharma business reduction was planned but what is went wrong in SF&B at this juncture and how do we go at it rectify it?

**Vijay Shah:** Our SF&B it is basically in US there is one large customer who had developed a bottle with us called NUVO, this is for sparkling vodka. This product was sold by owner to Diageo. Diageo during the process of acquisition going through a detailed due diligence of inventory and due diligence of manufactures and other processes and that's why they did not have off-take or had a negligible off-take through the whole last quarter. So that has impacted the numbers. We would expect them to come back in the future. However, that has not impacted the overall US numbers because they were more than made up by the growth in cosmetics and perfumery.

**Pritesh Chheda:** Okay so NUVO a single client impacted the SF&B growth for the first nine months?

**S Shrinivas:** Yes smaller way.

**Pritesh Chheda:** Okay, so excluding NUVO the other clients and the existing business should have registered growth?

**Vijay Shah:** Yes.

**Pritesh Chheda:** Okay if you could help us identify what is the growth that we are looking at in SF&B after this incident, second if you could decipher that growth in India, US and Sri Lanka because these are the three places where we sell SF&B bottles, right?

**Vijay Shah:** Let me explain this. India we do very negligible SF&B, we are only in some quantity of what they call Jam jars we are doing for UK market. So, hardly anything so to speak from India. Sri Lanka is there and Sri Lanka has grown well this quarter, the growth was 15% overall. So Sri Lanka is doing well the economy is picked up and exports are also good. US as I said is only being impacted because of this. So I don't have the numbers as to how to predict the SF&B growth but as I said that US has been meeting it sales number quarter-after-quarter despite of the SF&B de-growth because they have been doing very well handsomely in cosmetics & perfumery.

**Pritesh Chheda:** Okay could you tell us what is the nine-month growth in Sri Lanka is?

**Vijay Shah:** Its 12% to 13% top-line. Sri Lanka is doing extremely well if you know, go and try the share price in the local market of the company. Not that we are discussing that but it has grown from Rs 2 to Rs 3 today I think yesterday it was Rs 9.10.

**Pritesh Chheda:** Okay on the US side sir.

**Vijay Shah:** I will give you the exact numbers. Sri Lanka grew by 15%.

**Pritesh Chheda:** Okay 15% for the first nine months?

**Vijay Shah:** Yes.

**Pritesh Chheda:** Okay now the US side generally the SF&B market what is the rate that it grows at and what is the rate that we look at in terms of growth?

**Vijay Shah:** The whole strategy was to grow by developing more products and getting more customers there so that we in any case; we planned to vacate the other two segments out of US. The growth we were planning in the region of 10% but mainly because of we were developing new products and new customers there.

**Pritesh Chheda:** Okay few clarifications. We said that we are realigning capacities and adding 100 TPD and we have brownfield capacity expansion of 160 TPD. This entire Capex is at 160 crores?

**Vijay Shah:** When you do realigning you treat capacities. As I mentioned earlier that 65 goes to 95, so that's where I said around 100 is being added to this 20-45 that is part of that.

**Pritesh Chheda:** Okay adding another Brownfield of 160?

**Vijay Shah:** Yes.

**Pritesh Chheda:** Now I wanted to understand the CAPEX of these two together is 160 Crores?

**Vijay Shah:** 260 Crores.

**Pritesh Chheda:** Okay its 260.

**S Shrinivas:** 160 four all the four CAPEX including expansion and the Brownfield project 100 Crores.

**Pritesh Chheda:** Okay so its 160 four the realignment and 100 for the 160 TPD. Now knowing the new strategy our balance sheet is leveraged, does it then increase the risk on the company and does it get a thought of equity dilution at any point of time?

**Vijay Shah:** No if you look at the numbers currently our debt equity is down to 2.7:1. Broadly two years down the road in spite of this CAPEX it will be down to 1.50:1.

**Pritesh Chheda:** Okay without factoring any round of equity dilutions?

**Vijay Shah:** We are not looking at any equity dilution.

**Pritesh Chheda:** On the C&P.

**Vijay Shah:** We do not need any equity dilution.

**Pritesh Chheda:** Everything at this juncture in terms of planning is through in terms of accrual and some amount of bridging debt?

**Vijay Shah:** Yes.

**Pritesh Chheda:** Okay on the C&P side we have registered an extremely high growth for the last 4 to 5 years. Do you think over the next 3 year period at least this percentage growth rate is sustainable and is it sustainable and what would be the reasons?

**Vijay Shah:** As against the AD growth rate in the past we have already predicted a slightly lower growth in the future. As we have said will grow at 25% in the future.

**Pritesh Chheda:** Yet that number is pretty large.

**Vijay Shah:** It is sustainable because our share of the market is very small. Of the premium market we are already 3.50% of the premium market today and in the mass market there is a lot of head room for growth, there is a lot of demand and we are not able to supply them. Also in the mass market that we are discussing a lot of these feelers and that entire ecosystem is moving more and more towards India. And the mass numbers includes a Nail Polish, which is every year we keep growing at 15% in that market without much effort because we are the only significant player in that market. There is hardly any competition there.

**Pritesh Chheda:** Okay. What would be then the risk to this assessment?

**Vijay Shah:** I always say as I said in the past volatility of the exchange-rate.

**Pritesh Chheda:** No in terms of business growth we assume.....

**Vijay Shah:** On business growth I don't see major risk unless even during the recession we had slight set back mainly from the developed market not from the emerging markets. So if the recession comes back also.

**S Shrinivas:** May be Pritesh if a recession comes in it may be more good news because in terms of gearing up and getting developed Piramal Glass is only player from Asia. So the urge of European customer to go for cost-cutting and develop an alternate vendor would be much faster than what it is.

**Vijay Shah:** So we don't see any risk to the growth.

**Pritesh Chheda:** In case if there is any slowdown. Generally what are the signals to look at and how soon does your business throws those signals?

**Vijay Shah:** I will just give you an example. India as a market for us was nothing 3 years back per months. It is 10 Crores a month today and one customer like Hindustan Lever is almost just 2 Crores a month. Riding on the back of a product like Ponds Cream jar, that white magic or whatever you see is one of the highest advertised products of Levers. Then entire glass jar that they use is made by us. Now what I'm trying to say in this that every leading company in India is now looking at launching cosmetics and perfumery and wherever they want to price it high they want to launch it in Glass. So we have had orders by some leading companies recently to now launch perfumes in India. So I am seeing a booming market so here I can't even imagine how to answer your question where I have huge shortage of capacity even as I speak.

**Pritesh Chheda:** Okay say at a blended level and at the company levels say not specifying India per se because India is 25% of your total business today? Right?

**Vijay Shah:** Blended level I will give you some numbers. Brazil and Russia growing almost at 20% plus at the moment in cosmetic perfumery. Turkey is growing almost in similar range. These are emerging markets. Then comes the US and Europe, US we grew in spite of whatever conditions are this year, we do at almost 33% in the cosmetic perfumery business.

**S Shrinivas:** So taking on your market shares on the existing players so not surely the market growth to add to what Mr. Vijay Shah said.

**Pritesh Chheda:** Okay so in your business exposure what would be the developed market exposure and what would be the developing market?

**Vijay Shah:** We shared in the CMP very specific number which is on the slide number.

**Pritesh Chheda:** No at the developed and developing at the company level?

**Vijay Shah:** I do not think why we should put cosmetic perfumery and Pharma together, it's like apples and oranges and bananas.

**Pritesh Chheda:** Okay but still for a perspective?

**Vijay Shah:** I don't have the number at the moment.

**Pritesh Chheda:** Okay lastly just wanted to understand the taxation, what it would be over the next 2 years, the debt in the balance sheet at this juncture and what is the cost of debt?

**Sandeep Arora:** The debt is around similar level as it was in September; it's about Rs 930 to Rs 935 crores. And the cost if you see was slightly higher but it's only because we paid of some ECBs and the buyers credit which we are now coming back in because these are old ones which had to get repaid and as we are incurring CAPEX this will comeback. So that will neutralize that, again 7% similar.

**Pritesh Chheda:** 7% is the cost of debt?

**Sandeep Arora:** Yeah.

**Pritesh Chheda:** Is there a chance that this increases in a near term?

**Sandeep Arora:** No, although it is increasing from the base rate in the market but we rigid our this thing because we increased the mix of a TCFC which was lower earlier. So that's benefiting you as a mix and you are maintaining those costs. I don't see it increasing and because we are managing in that pace.

**Pritesh Chheda:** And taxation, this year and are we getting in to full tax or how is it at this year?

**Sandeep Arora:** We would still have some carried forward losses about 50 to 60 Crores next year. That's in India and anyway Sri Lanka is tax-free till December 2012 and US. After that is 10% for two years. US anyway is Zero.

**Pritesh Chheda:** So Sri Lanka is 10%.

**Sandeep Arora:** After December 2012.

**Vijay Shah:** We have this tax holiday because of kind of an SEZ that we are present into till December 2012.

**Pritesh Chheda:** Also what would be the blended rate?

**Sandeep Arora:** We do not see a blended rate anyway.

**Pritesh Chheda:** India there are still some losses?

**Sandeep Arora:** Yeah.

**Pritesh Chheda:** Okay which should last till another year?

**Vijay Shah:** Yeah.

**Pritesh Chheda:** Sri Lanka is 10% after December 2012 and what was the comment on US?

**Sandeep Arora:** US anyways a huge carries forward so there is no cash price.

**Vijay Shah:** US will be zero in foreseeable future to answer your question.

**Pritesh Chheda:** Okay many thanks to you and all the best to you sir.

**Vijay Shah:** Thank you.

**Moderator:** Thank you to your question sir. We have our next question from Mr. Abhijit from JM Financial. Please go ahead sir.

**Abhijit:** Hello good afternoon sir thank you for taking my question. First regarding the EBITDA margin guidance. In last years presentation we had spoken about our aspiration of nearing 28% by FY 12. So this time I did not see any margin guidance in your presentation, so if you could just elaborate on that?

**Vijah Shah:** In the last year we have already repeated that that we would be in the range of 28%. No sorry we missed it. Okay but it remains the same.

**Abhijit:** Okay so no change to the margin guidance?

**Vijay Shah:** No.

**Sandeep Arora:** Just the top line instead of 10% to 12% growth we are now seeing 16%.

**Abhijit:** Okay just working to the numbers from your previous guidance it does seem like this premium C&P guidance seems to have come down a little bit may be delayed by a year or so. I'm I reading that right or am I mistaken? Earlier previously we were talking about maybe getting to premium C&P of 400 Crores by FY12 now seems like that happening more in FY13? Am I missing something?

**Vijay Shah:** I think maybe more because of the realigning of furnaces that could be the impacting some production.

**S Shrinivas:** See then a particular furnace go for realigning in 45 days it is not available it gives some amount of impact on the sales. Annualized number on the steady state basis of FY12 we continue to was the guidance of the number that you referred.

**Vijay Shah:** It maybe some fine tuning of numbers based on the actual capacity available.

**Abhijit:** That is great. And any color at all that you might be able to provide on what EBITDA margins are by business C&P versus Pharma versus.....

**Vijay Shah:** No we don't share things. We can only tell you that you that the C&P as a segment is more profitable and that's why the margins are going up.

**Abhijit:** How much of the cash balance as of December 31<sup>st</sup>?

**S Shrinivas:** What is on the cash balance?

**Abhijit:** Cash on the balance sheet.

**Vijay Shah:** Debt so we would repay the debt there would not be any cash.

**Sandeep Arora:** That's only normal working cash that we keep. We are not holding huge cash.

**Abhijit:** Okay and just on the US production so the production shift there so we are basically saying that after this shift of these two lines the entire C&P production out of US is shifted to India and the only production in the US that will be left over is the SF&B is that correct?

**Vijay Shah:** It stands correct eventually. So that would be gradual shift and gradual this thing suppose SF&B we don't have full three lines of order then we will be making something else for sometime. But yes eventually what you're saying is actually correct.

**Abhijit:** Right and just one final question on the debt repayment plans. If I heard you correctly you were saying the debt equity ratio will be down to 1.5:1 by the end of this year?

**Vijay Shah:** By the end of FY 13.

**Abhijit:** So I'm asking you the debt number will be some where in the region of 600 crores or so by then?

**Vijay Shah:** No let's look at the ratio of debt and equity. Equity is going up cash balance is going up but debt may on I don't know how much it will be. So you have to work backward.

**Abhijit:** Okay I got it. Thank you so much sir, appreciated.

**Moderator:** Thank you for your question sir. Our next question comes from Mr. Nehal Shah from India Bulls. Please go ahead sir.

**Nehal Shah:** Congratulations for good set of numbers. One clarification I wanted what is the actual size of CAPEX which we will be in getting over the next 2 years, is it the only 100 crores or so it 260 crores which includes picking of capacities?

**Vijay Shah:** it is 260 crores over two years.

**Nehal Shah:** Okay 260 crores over next 2 years?

**Vijay Shah:** Yes.

**Nehal Shah:** Can you give us how much would be the CAPEX for FY 12 and FY 13 individually?

**Vijay Shah:** Furnaces are little bit like human being they don't die and we want them to die. So it is very difficult to predict exact date or time. So that's why we always gave a range of 2 or 3 years

**S Shrinivas:** Main what happens is if the furnace has to come for the realigning it would happen in Q1, Q2, Q3 of a year or it would go to Q1 or the next year. 6 to 8 months is the range so exact prediction of that will be a challenge. That's why we have in our guidance we always talk about clubbing of two years so that we are kind of certain over two years how much CAPEX would be there.

**Nehal Shah:** So basically 160 crores would be the maintenance CAPEX over the next two year?

**Vijay Shah:** Yes but on our ongoing basis if you have to look at it you should look at a same 3 year period at the depreciation and look at 30% or 40% of that as maintenance CAPEX on the range of 3 years basis. Sometimes it becomes lumpy because this time suddenly there are three furnaces are coming for realigning.

**S Shrinivas:** You may not that this 160 is not just maintenance you are also upgrading the Capex is Mr. Shah explained. In terms of size about 100 tonnes additional is coming up by picking a furnace rate.

**Nehal Shah:** 100 tonnes is basically from 55 it will go to 75 for one furnace.

**Vijay Shah:** No other way round that furnace anyways is going to 55 but 230 is going to 265.

**Nehal Shah:** So 220 will go to 265 but that will be addition of 45?

**Vijay Shah:** Yeah let us say 35 to 40 something. 65 goes to 95 as well as 30,60 and then we have tied one furnace fixture that went into 25 and 45 so 80 but now this capacity was never prescribed. They are range of capacity.

**Nehal Shah:** Perfect absolute thanks a lot.

**Moderator:** Thank you for your question sir. We have our next question from Ms. Runjhun Jain from Nirmal Bang. Please go ahead madam.

**Runjhun Jain:** Thank you. Sir my all the questions have been answered, just wanted to know what is the Capex you have already spent till now in FY11?

**Vijay Shah:** The whole year it will be around 60 Crores.

**Runjhun Jain:** So you have 200 crores over two years?

**Vijay Shah:** No I said next two years it's 260 crores.

**Runjhun Jain:** Okay that would be addition of that. And just wanted to confirm sorry for repeating it, you were saying that you would be spending 160 crores for realigning the facilities to add 100 tonnes capacity. And 100 crores would be spent for 160 Greenfield capacity?

**Vijay Shah:** Yeah.

**Runjhun Jain:** Okay thank you sir.

**Moderator:** Thank you for your question madam. We have our next question from Mr. Kiran Cheda from Value Quest Research. Please go ahead.

**Kiran Cheda:** Sir in the current three quarters of the current financial year in each quarter we have been increasing our EBITDA margins and which has been our stated policy. So should we assume that in the quarter in future also this will go and where will be the quarter where a strategically way too up I mean beyond which it will be difficult to increase the margins?

**Vijay Shah:** Well you are right that we have been stating that and we have been living up to it and we expect that so far we are saying okay, we are saying 28% in next two years. But my gut feel is to keep going up; I don't want to put an expectation in the mind of people because the upside on premium is very high because we are competing with European suppliers. And our cost basis is low compared to them. But as we stabilize in the premium market, as we keep going in the premium market the uptick can be a lot higher.

**Kiran Cheda:** Okay but just rough ballpark like in another 2 or 3 years?

**Vijay Shah:** 2 years again the number that we are aiming around 28% to sell. That's what, beyond that I would not like to commit.

**Kiran Cheda:** That is it thank you sir.

**Moderator:** Thank you for your question sir. We have our next question from Mr. Deepak Malhotra from Silver Seek AMC. Please go ahead.

**Deepak Malhotra:** Hi everybody. Just one small question, not really on quarter-to-quarter perspective but over a long-term. While the C&P business is definitely doing well and the company's focus on that is quite clear. Just like to comment from a 3 to 5 year perspective on the emerging competition and emergence of any new players in the segment, especially internationally?

**Vijay Shah:** So the competition currently is only from European players and nobody has forayed out of there. We are the only significant player from Asia.

**Deepak Malhotra:** We haven't seen anybody emerging from China or otherwise?

**Vijay Shah:** No China is taboo for these players because in China every player believes in copying bottles, so they will not even come near them.

**Deepak Malhotra:** Exactly so that we ensuring for nobody is really working on that.

**Vijay Shah:** Entry barriers are very high for this market So what we have done is through a lot of struggle of last 3 to 4 years of getting approvals and having clearly stated policy of not encouraging, allowing any copying of bottles in our system, whether it is for premium market or mass market.

**Deepak Malhotra:** Excellent thanks.

**Moderator:** Thank you for your question sir. Sir, please proceed.

**S Shrinivas:** Thank you so much this is Shrinivas here. Thank you so much for coming on to this con call, in case you have any queries in the presentation last slide has my contact numbers. Please feel free to ask any queries and e-mail the queries to me and my contact details are mentioned. Thank you so much.

**Vijay Shah:** Thank you everybody.

**Moderator:** Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using Tata Indicom conferencing services. You may please disconnect your lines now. Thank you and have a great evening.