

August 1, 2012

Moderator

Ladies and gentlemen welcome to the Q1 FY13 Results Call of Essel Propack Limited hosted by Emkay Global Financial Services. We have with us today Mr. AV Ganapathy-CFO; Mr. R Chandrashekar-President and Mr. Vinay Mokashi-Financial Controller. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call you may signal for an operator by pressing "*" and then '0' on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prashant Kutty-Research Analyst of Emkay Global. Thank you and over to you Mr. Kutty.

Prashant Kutty

Good afternoon. Thank you for joining us today. We would like to welcome the management of Essel Propack Ltd and thank them to giving us the opportunity to host this call. I would now like to hand over the call to Mr. Chandrashekar for his opening remarks, over to you sir.

R. Chandrasekhar

Thank you Prashant and thank you for all who have been on this call. Just to quickly sum up the numbers and how the results are looking, on a quarter-to-quarter basis the revenue has grown by close to around 20%. We have been able to maintain the gross contribution and the EBITDA almost at the same level. At the EBITDA level there has been a growth of around 16%, as we move along towards the end the PAT, you will see that we are actually fallen by around 5%. The sharp fall in PAT is mainly driven by the increased interest and the tax provision. I am sure when Ganesh will give you more details as we go along. In terms of the business all the four regions have performed in line with our expectation. If you were to have a look at the segment revenue there you will see that almost there has been a good growth across all the four regions as far as revenue is concerned. As far as EBIT is concerned we did come under pressure in China especially in the EAP region. You will recollect that during the last call Mr. Goel has very specifically mentioned that we are seeing growth coming off in China. So our strategy is slowly to expand the market by moving into high end tubes which is what we are doing currently. So that pressure still continues on the Chinese business, other than that in almost all the other markets, especially the markets like Europe where it has been quite a turmoil we have managed to hold our heads and the business has performed to expectations. I will now hand over the mic to Ganesh and he will walk you through the financials.

A V Ganapathy

Good afternoon everyone. This quarter the sales was 431 crores representing 8.8% increase over the last year, it is in continuing with our previous quarter that again we had grown around 18%. Sequentially also sales have grown by 4.3%. Sales have been basically supported across all the regions with MSR growing 17.9%, America growing 20.5% and Europe 59.8%. East Asia pacific region has been still muted for the reasons as Chandrashekar are explained on account of sales volumes in China but overall sales have increased quite significantly. Aligned to that operating margin has also been almost maintained, the operating profit grew in step at around 18.9%. The important thing here is that we have had very good performance in America and Europe where the margins have improved considerably and AMESA of course has been a strong contributor to operating margins so overall operating margins have been sustained at last year level. Sequentially while sales have grown by 4.3% operating margins appear to you in the results that have dipped by about 50 basis points. This is essentially on account of the flexible packaging business which came under a huge raw material cost pressure during this quarter. The corrective actions and the pass through are already happening and it should be corrected in the next quarter but during this quarter that was one of the reason why operating margins dipped by 50 basis point. Now coming below in terms of PBT the growth has been muted at 12.3% year over year, now this is largely arising on account of the finance cost increase. You would see that an increase year over year of fixed growth in the finance cost. This is attributable to a number of factors, one, interest increase which has happened in India constantly in the interest rate. The second one is also the impact of exchange rate. There has been a very sharp movements in the currency compared to the previous quarter the results that there is a translation impact is coming in a big way in the interest number the consolidated figures which we have presented and the third of course is there has been amount of increase in the borrowing on account of new projects which have been undertaken since last year so all these have increased this interest line cost. On the other side FOREX gain, the tax line has been also impacted to some extent due to taxes in certain geographies where the tax is not always calculated based on the P&L basis; they are also calculated sometimes on the receipt and payment basis. So otherwise but for that effective tax rate continues remain same as

last quarter. So overall PBT growth has therefore been 12.3%, PAT level we are therefore at 8.8 crores compared to previous quarter of 9.4 crores. Only thing is that in terms of comparability the previous quarter had one, the beneficial impact of one-off impacts on account of the merger of the Ras companies with Essel Propack end of 31st March and also there was an extraordinary item which has impacted the PAT line. So overall the PAT for this quarter is 8.8 cores versus last year of 9.4 crores but sequentially as I said the comparison factor because of these two things, one is the Ras and the other is the extraordinary items. So with this we would request you to come with your questions.

Moderator

Thank you very much. Participants we will begin the question and answer session. If you would like to ask a question at this time may press “*” and “1” on your touchtone phone. If you decide you want to withdraw your questions you may press “*” and “2”. Anyone who has a question may press “*” and “1” at this time. Our next question from the line of Ruchita Maheshwari from Nirmal Bang Securities, please go ahead.

Question and Answer Session

Ruchita Maheshwari

Our sales have increased by 20% year-on-year was it the effect of the raw material pass on increased which we have taken in the last Q3 quarter which hadn't come on Q4 quarter?

R. Chandrasekhar

Raw material costs per se is not a very major issue but in India we had of issue of exchange rate movement and one of the things we took was here productivity work on getting the prices reviews in place. If you really see the material costs compared to part of it is happening because of the productive price correction which we have done for actual typically for instance in India for example we had price correction to the tune of 4 to 5%.

Ruchita Maheshwari

In Q3 you told that you have taken on raw material pass on the increase of raw material you have passed it on but due to the lag effect the positive impact should have come into Q4 but in the last conference call the set that the effect has not come yet so is it that in Q1 quarter the pass on has been experienced?

R. Chandrasekhar

Let me explain it to you how it worked for the quarter ending December 2011 when we had the conference call they said that they are going for a price increase to offset the increase in the raw material costs which happened during the quarter ending December. Somewhere around February 12 is when we rolled out the price increases the focus mainly being on India. Why is it important for us that we roll this across in India is because most of the laminate which is globally by other regions, come either from India or China so that anyway when we increase the laminate prices the pass through happens to the customer in the other two geographies so in February we rolled across a program to increase prices in India and as Ganesh was mentioning it was about 4% price increase across the board. Now in the results for the quarter April to June you do see some impact of that price increase on the numbers so if you were to for example if you were to look only at the India numbers you see the impact much more clearly than when you can see it on the consolidated numbers. I will give an example I am just quickly doing some numbers which might possibly give us something it is now raw material costs as a percentage of sales during April to June is 47.4% it used to be 49.2% for the March quarter and it is almost 49 same levels for the December quarter as such.

A V Ganapathy

And to add to that Ruchita for the tubing business as all globally also our material cost percentage has declined for this quarter by around 2 to 3% so for the tubing business as I mentioned in my introductory this thing that we have are having huge cost pressure increase coming in the flexible packaging business and that is the reason why you find that improvement is only at about 1% in the global results. In summary the tubing business as we have already mentioned to you has been corrected fully but where we experienced unforeseen cost pressures were in the local flexible packaging business in India.

Ruchita Maheshwari

Can you give the reason for all geographies how it has performed or how the plans are panning out in all the geographies?

R. Chandrasekhar

When you refer to performed what is the reference to the business or to the plant?

Ruchita Maheshwari

To the business? AMESA, EAP, America and Europe all the 4 geographies have grown but the margins have been impacted if it can throw light on that aspect?

R. Chandrasekhar

I presume that you are looking at EBIT margins. When you compare with the quarter we look at EBIT margins running across the previous year's same period and across the preceding quarter, so AMESA as the EBIT percentage of sales if you see is in the June is about 11.8% which is almost on similar lines to what we had last year in the same quarter but it is almost like 1% point down compared to March quarter. One of the main reasons for this change is that when you look at the depreciation provision was much lower for the month of March and now it has gone up because we have added some capacity during the month of April and May in India so we do expect this increased capacity to give us higher growth and the increased depreciation to be absorbed down the line in the next two or three quarters that is the main reason why compared to the March quarter the EBIT percentage in India especially in AMESA is lower June quarter. EAP I think I did mentioned to you earlier EAP the volumes have come off, the growth in the revenues which you're seeing is primarily being driven by the change in the sales mix, so when you look at EBIT as a percentage of sales you will see a very sharp decline because though we have managed to control the operating costs but still the fall in the revenue will hit our margins.

Ruchita Maheshwari

So what is the decline in the volumes in EAP region?

R. Chandrasekhar

I think we will continue this by the time hopefully. Ganesh will give the numbers for you. In America it has been an increase when you compared to the increased 4% to compared to 0.6 of the previous year but it is still down compared to the March quarter which was around 6.2% we think this is only an aberration and it will get its self corrected possibly from the second or the third quarter onwards. And Europe last year the margins were -13.3% the March quarter the margins were -15% and now the margins are -6 indicating a very sharp reduction in the losses which we have made in Europe. Specific to Europe and I must add this very specific to Europe because of the volatility in the Euro we do have some foreign exchange losses on account of translation which is also happening And because of the outstanding which we carry in the book but at an operational level Europe has broken even so I think that is how we look at Europe. Now you are the question was on what is the type of loss of volume in China compared to the previous year. The total loss of volume is around 70 million tubes.

Ruchita Maheshwari

It was actually in China right?

R. Chandrasekhar

Only in the niche market.

Ruchita Maheshwari

In the last quarter guidance for FY 13 was somewhere around 12% growth and operating margin improvement by 200 basis points so are we still maintaining the same guidance or there is some..?

R. Chandrasekhar

We will maintain the same guidance because this is only the first quarter and we're bad as far as the revenues are concerned which seem to be trading what we said though there will be some averaging impact which will come in as far as the margin improvement is concerned it is too early to say that which direction we will be going it will an improvement weather we will reach 200 basis points on which we are working it was something which will get confirmed only at the end of third quarter.

Ruchita Maheshwari

How Poland and Russia is panning out?

R. Chandrasekhar

Russia at this point of time is trending very well they have grown on an year-on-year basis compared to the previous year both in EBITDA as well as volumes as well as revenues. As far as Poland is concerned there have been two major events in Poland, one is that we completed the shifting of laminated tube business from UK to Poland this has happened very successfully and we have managed to retain almost all our clients whom we were servicing earlier. We are looking at this point of time at some small expansion in Poland on the laminated tubing capacity. On the plastic tube we are just at the breakeven level at this point of time and we want to be there and we have certain challenges internally from an operation perspective to make it more profitable especially on the cost platform but I think we have got the acts together in moving in the right direction.

Ruchita Maheshwari

In Q4 you said that Russia and Poland had posted losses so Germany turned profitable so if Russia and Poland are still in losses or how is it like?

R. Chandrasekhar

I presume if when you refer to loss you are seeing at the PAT level?

Ruchita Maheshwari

Operating level?

A V Ganapathy

Poland for this quarter we have break even in that EBITDA terms and as helped by improved volumes, Chandra explained to you and in terms of PAT yes, we are still around where making a little bit of a loss there EBITDA is about 3.7 crores that is mainly on account of the depreciation interest in those cost. And the operation is now slowly ramping up and operational cash losses have been completely flattened. As far as Russia is concerned, Russia again is breaking even operational terms and in PAT terms it is almost now we have a breakeven.

Ruchita Maheshwari

By what time we can see both these countries break even at that level and operational level?

A V Ganapathy

Our estimated that this year we should exit with a positive PAT in both these places.

Ruchita Maheshwari

That means by the end of FY 13?

A V Ganapathy

Yeah FY13 exit.

Ruchita Maheshwari

And what about Mexico like are we supposed to get added profit in Q2 FY 13 or there is some change in that?

R. Chandrasekhar

In the last call, I specifically mentioned that we see breakeven volumes in Mexico in laminated tube business from July onwards and I think whatever the current numbers have come in for the month of July shows that the volumes are there as what we expected only when we do the financials we know whether we actually broke even in this month or not.

Moderator

Will take the next question from the line of Mr. Manish Gupta from Rear Enterprises, please go ahead.

Manish Gupta

You have such a diversified portfolio across geographies and along product lines if you were to segment that which part of your product/geographic combination is the most profitable?

R. Chandrasekhar

If you look in absolute terms profits?

Manish Gupta

Well let us look at it in EBITDA margin?

R. Chandrasekhar

In EBITDA margin I think at this point of time China and laminated tubes, AMESA and EAP on the laminated tube side is the most profitable.

Manish Gupta

How is the profitability of the plastic tube business vis-à-vis the laminated tube?

A V Ganapathy

In plastic tubes business we have three places one is India, Poland and one is the US as I mentioned that in Poland the plastic tubes there now almost break even in the operating profit terms. India plastic tubes business is quite profitable for us and then US is the one where we are still losing money in EBITDA terms.

Manish Gupta

When you save quite profitable in India what is the range that we're talking about?

A V Ganapathy

In India the business is about let us say 160-170 million tubes a year and in terms of EBITDA margin we will be about 3 to 4% above what we make in laminated tube's. But plastic tubes intrinsically are more profitable because they are adjusting their cosmetic and higher value-added segments.

Manish Gupta

So this would be approximately 15 to 16% EBITDA margin business for you?

A V Ganapathy

Sure in excess of 22%.

Manish Gupta

Where are you privatizing CAPEX across your portfolio now?

A V Ganapathy

CAPEX is prioritized in the areas where we have a growth backed by strong contract from the customers so typically this happens for example what Chandra explained before that in India we have already put support already in place in terms of CAPEX and which is actually fueling different volume increases that are happening in India. Apart from that it is basically more of a replacement capital expenditure and it is more intensive utilization of capacities.

Manish Gupta

Is there any technology of soullessness that you're saying in the plastic do business?

R. Chandrasekhar

No we're not seeing any technological soullessness in the plastic tube business but yes we do seek newer generation material coming in and basically makes the tube much more thinner and more cost-effective.

Prashant Kutty

If you can just probably give us the volume growth numbers region wise and also if you can give us the laminated tubes and the plastic tube volumes numbers?

R. Chandrasekhar

I will give you the laminated and the plastic tube volumes, Ganesh will give it region wise. In terms of plastic tubes we did sell about 72 million tubes.

Prashant Kutty

That would account for how most percentage of growth?

R. Chandrasekhar

That is growth over the previous year is about 26%.

Prashant Kutty

So you are talking about this is the value growth?

R. Chandrasekhar

No you wanted the volume growth? And in terms of the laminated tube business we sold close to about 1226 million which is about 2% growth over previous year.

A V Ganapathy

And region wise in America we have grown 11% volume, Europe we have grown by 44% and as we already mentioned in the case of China because China has declined EAP we are lower close to by about 19%. America of course the volume are very stable and there has not been much growth.

Prashant Kutty

Could I know what is the reason for this low growth as far as the laminated volume is concerned we have just seen a 2% volume growth so that ideally indicates that as far as the laminated tubes are concerned just on the overall numbers a large part of it probably would either be priced increases or probably would be on account of any rupee depreciation effects?

R. Chandrasekhar

No Prashant I think this the simple fact for the laminated tubes as we have seen in China.

A. V. Ganapathy

We have given you the numbers of laminated tubes and.....that is the single largest tubes....that is the single reason why the numbers are lower.

R. Chandrasekhar

Entirely off take driven by the contract customers markets shared still holds in these contract customers. At the moment they turn around terms of their volumes you'd see it as a capacity that in place in China, we should be able to see the much better growth in laminated tubes. China is our second largest operation that is the one which is actually pulling down the average.

Prashant Kutty

If I have to say on the complete number that is the overall revenue number of 430 crores where we have seen a 20% revenue growth could we have then the volume breakup?

R. Chandrasekhar

That will be difficult for us to give you like that Prashant I can just give one quick number if it helps I have given you it is a 2% growth in volumes in laminated tubes. And the laminated tubes revenue grew by around 17% and as far as the plastics it was at 26% growth on the volume and the revenue grew by around 37%. So this broadly gives you that now when we look at these revenues what your question is that how much of it is coming through an exchange route I think that is the only numbers...

Prashant Kutty

Exactly that is basically looking more at the exchange route actually?

A V Ganapathy

For the tubing as Chandra was mentioning that your volume growth which we should take plastics and laminated tubes 2.5% but the revenue growth is about 19.5%.

Prashant Kutty

So 2.5% would be our volumes growth?

A V Ganapathy

Yes we're combining that the 2% in laminated tubes...

Prashant Kutty

So the balance would be due to pricing changes and exchange rate both?

Moderator

We have a follow-up question from the line of Ruchita, please go ahead.

Ruchita Maheshwari

In China we are facing problem is that due to our business moving to local players or what is the scene like?

R. Chandrasekhar

Based on our own analysis and understanding and discussion with the customers because we have large customers to whom we are the contract customers we continue to hold our market share with them. We are either the sole suppliers or very major suppliers to them. What is happening is their own offtake in the market has dipped considerably that is the reason why there is dip. You should have observed that this problem started towards sometime in the last year quarter 2 while one of the customers volume has started picking up in fact in March we thought the problem are almost through with another customer we had a problem in this quarter that is quarter ending June 30th, so there is a pickup in one place and there is again a slight stagnation in the other place which is what is actually impacting the China volumes compared to last year. In fact last year quarter 1 that is June was one of the best volume growths for them all the cylinders were firing for them and capacities were in place. They believe this is the transition period because they are all large industry customers who are as concerned about their own market share and performance in the economy and therefore we would like to be a little bit patient to watch how it happens. But the fact is that there is a volume which is actually dragging our average.

Ruchita Maheshwari

How much this customer accounts for the total sales from China?

R. Chandrasekhar

These are all significant volumes we're talking of but otherwise it cannot impact so much.

Ruchita Maheshwari

That is why I'm asking?

R. Chandrasekhar

We do not normally share the customer shares with the public, we are not allowed to do under our contract.

Ruchita Maheshwari

By what time we will be seeing this problem to be resolved or are we going to face such kind of issue again?

R. Chandrasekhar

In future what will happen nobody can say Ruchita that is a fact of life today, not only to us even to our supplies and even to the customers but definitely as I told you that on the one front that we got hit in the last year quarter 2, quarter 3, we saw the pickup in the Q4 and that is now under control. The other area where we have had hit now hopefully we should not go beyond one quarter or two quarters.

Prashant Kutty

Just to probably take forward from the early participant asking about the EAP business what is the strategy going forward as far as this is concerned I do understand that to an extent there is something which we cannot do anything as far as the customer is concerned but what do we intend to do going forward do we intend to probably channelize this toward some other client or any other geographies or anything of that sort how do we?

R. Chandrasekhar

Let me answer, we have done two or three things in fact, the first thing is we have downside capacity and pulled out some of the one of the lines at least has moved out and new spreads in another region where we are seeing opportunity growth that is the first thing we have done from our side. The second thing is that most offer business in China which is coming under pressure it mainly in the oral care and you will recollect that our oral care business is built on two large contracts that we have both the contracts are the large multinationals companies. Now what we have decided to do is and while these companies are taking time and one of them has recovered the volumes and the other one is possibly do that in the next quarter, we have now expanded our market beyond oral care and so for that purpose we have specifically targeted on two categories, one is pharmaceuticals and the other is the high-end cosmetic tubes so on the pharmaceutical side what we have done is we have always a clean room to make the tubes but we were not having appropriate licensing in place, government license in place to start production now that license has come through so we are well-positioned to start supplies to the pharmaceutical market and in fact in the last quarter and we have started some supplies as well. On the higher-end cosmetic tube, one of the first thing which we have done is upgraded our entire decoration capability and printing technology by going for a state-of-art technology and we have also launched a new technology in China which makes the side seam almost invisible so what is happened is that product can be ideally used to launch for a higher end cosmetics products. In the high decoration and this new feature we have now started aggressively marketing the tubes for high-end cosmetics market broadly our strategy on how they are going to manage the transition in China.

A V Ganapathy

Prashant just to add to what Chandra mentioned you could see the way the strategy China is being managed is very important market for us and so in spite of the decline in the volume, we have judiciously managed our sales mix as well as the sales pricing that in revenue terms we have grown but the volumes are down as we mentioned earlier by close to about (-18 to 19%) though revenue are still positive and we have somehow been able to manage to grow our gross margins in that business but because we have already established capacity in place for anticipating the growth which we believe is getting a little delayed but it has to come and that is what this pulling down at the EBITDA level.

Prashant Kutty

It is mainly because of these capacities which have basically put up which has actually pulled down the EBIT margins?

A V Ganapathy

And again we have been judiciously managing the margins. The impact we have minimized as much as possible that the PAT level. As Chandra was mentioning that we have downsized part of the operation kept retain flexibility there. This is an important market where this needs our maximum attention and we believe that there is a good opportunity for us to continue and grow.

Prashant Kutty

As far as these new launches are concerned or probably the new strategies are concerned may that be pharma or high-end cosmetics what is the margin expansion potential over here although I do understand it is at a very nascent stage but what is the margin potential do we have over here or is it like very similar to the oral care margin in the EAP region I'm talking about?

R. Chandrasekhar

The breakeven at a delta of at least 3 to 4% points and second is that in the case of cosmetics the base price itself is higher in terms of the margins per 1000 tubes it will be better.

Prashant Kutty

Assuming this over this full year period of FY13 do we assume that about maybe you can expect another say a 150 to 200 bps expansion in the EAP region because I believe in the last 4 to 5 quarters we have seen the EAP EBIT margins to be the lowest at about 14.5%. So would it be safe to assume that we can assume a 100 bps expansion from here or would be more than that or what would be the number like?

R. Chandrasekhar

EBIT margins can improve through two things one is due to the revision in the mix it is now helping us to in terms of keeping our profitability up in terms of gross margins our sale in revenue are still up. They are not declining although volumes are declining but importantly the recovery of this volumes as we mentioned that earlier that we have lost compared to last year 70 million tubes especially in the oral care and the recovery of that itself will push the EBIT margins up significantly.

Prashant Kutty

New thing will probably be an added?

R. Chandrasekhar

Will add to it.

Prashant Kutty

So have there been any feelers if you actually comment and things were improving currently or it's like the similar scenario till now as well?

R. Chandrasekhar

We will have to wait for a quarter.

Prashant Kutty

So, probably could we know what is the utilization level currently in each of these geographies?

R Chandrashekar

On an average our capacity utilization is around 65 for the quarter ending June. If you take the individual regions possibly all of them will be trading at plus or minus 200 basis points to that. I don't say it will be very different.

Prashant Kutty

How is the working capital behaved in the 1st Quarter how it has been, has there been an improvement, it's reduced how it would be?

R. Chandrasekhar

I will say that the debtors are well in the terms of the DSO has not changed substantially since March, but the inventory has gone up compared to March, a part of this inventory increases is also on account of strategy buying which we have done on the raw material front and a part of it is because of sudden supply chain inefficiencies. We hope to have this fixed possibly in the next two quarters. So by December we will be back obviously lower than what we were in terms of for the month of March for the Q1.

Prashant Kutty

As far as CAPEX is concerned, do we continue to maintain our CAPEX guidance which is about 90 to 100 crores for the full year or is there any change in it?

A V Ganapathy

That is right unless there is any other specific opportunity comes to us we will be holding to this product as mentioned.

Prashant Kutty

As far as the AMESA EBIT margins are concerned, yes we do understand that on a Y-O-Y basis there has been decline of just about 10 bps but if I had to probably compare it on a say previous 2-3 quarters they have been the region of about 12.5% or in excess of 12.5% so is there a seasonality factor over here or for that matter how do I actually comprehend this? Like March to March quarter we see only 10 bps decline, yes you do, you did mention about the fact the flexible packaging business was one of the key reason for the margin decline but barring that any other reason for it, for the AMESA margins to decline because on a Q-O-Q basis that is if you compare it with the previous quarter the AMESA margins was about 12.9% and subsequent to that the last two quarters was about 12.5 and 12.7% margin so is a flexible packaging the only reason for the EBIT margin decline?

R. Chandrasekhar

That is the only reason.

Prashant Kutty

So, ideally the steady state margin should be in a in excess of about 12.5%?

R. Chandrasekhar

That is right.

Prashant Kutty

But sir, what are we doing as far as the flexible packaging business?

R. Chandrasekhar

You see dip in the margins of flexible packaging business is mainly due to the sharp increases which happened on the rupee dollar side. It is a totally India centric business, sort of volatility which we saw in certain LDP prices. We have done a major price correction and in the beginning of July and we expect that the margins which we lost we should be at least able to improve it by about 300 to 400 basis points by the end of September, so you will see the first recovery happening immediately in this quarter itself.

Prashant Kutty

I will just want to also ask about the Europe market, yes, you did mention that we are almost breaking even in as far as Poland is concerned. So can we probably looking at the ramp up happening in the Poland market and also even in Russia? Can we safely say that this year we should be PAT positive in these regions?

R. Chandrasekhar

I think Ganesh did reiterate earlier that we exit from March 2013 will be PAT positive.

Prashant Kutty

And we continue to maintain our revenue as well as our EBITDA margins guidance as well?

R. Chandrasekhar

No change in it.

Prashant Kutty

No change as far as that is concerned. But the extent of 200 bps which you were saying will probably not be?

R. Chandrasekhar

It will be at this point though there will no change in our approach that we are committed to.....

Prashant Kutty

Just two questions over here on the employee cost, employee cost for this quarter was a bit higher, was it just because of the general hikes and all which we gave or was there anything specific?

R. Chandrasekhar

Two reasons for the increase in the employee cost, one is of course the general increase which we have given and also the fact that just because of rupee depreciation and the overseas units when they get consolidation they will be reflected higher because of the translation effect.

Moderator

We do have a question from Ruchita Maheshwari, please go ahead.

Ruchita Maheshwari

Sir, there is one bookkeeping question, what is your total debt as of now?

A V Ganapathy

Debt in constant in money terms in terms of March EBITDA is about 999 crores because this is subject to that huge rupee movement which basically impacts in terms of the translation of our offshore debt. I hope you understand this because we have debt not only in India but also in the overseas subsidiaries. So when we consolidate our debt we have to translate them at the exit rate.

Ruchita Maheshwari

So are you planning to reduce this like going forward because in the last quarter you said some 50-60 crores will be reduced?

R. Chandrasekhar

That plan is in place but it will happen through the year but in the meantime because of the translation you will find that our debt level appears more than.... what I mean by translation is that this is not something which will translate in terms of actual cash flow for us. Reason is that my offshore debts are held were in the same currency of my P&L.

Ruchita Maheshwari

So in our projection should we take like in FY12 you total loan was 936 crores so in our projection should we reduce this 936 crores by 50 crores or what should be like?

R. Chandrasekhar

That's what I'm saying, what my publication is going to be, it can be 1000 crores or more depending on how I'm translating it on which I have no control because the exchange rate on rupee dollar is something which is difficult for us to predict. So that is why I'm giving you the figure in constant March '12 terms, if you take my March '12 exchange exit rate that was my last financial yearend, my debt is today 999 crores and now you can look at any reduction against this 999. That is the only way we can measure now otherwise my offshore debt will keep on getting devalued for translated every time depending on what rupee is.

Ruchita Maheshwari

So in this 999 crores we can reduce it by 50 crores or we can keep 999 crores as such?

R. Chandrasekhar

Yeah.

Moderator

As there are no further questions, I would now like to hand the conference over to Mr. Prashant Kutty of Emkay Global for closing comments.

Prashant Kutty

On behalf of Emkay I would once again like to thank you all for joining the call today. Thank you management, have a great day.

R. Chandrasekhar

Thank you.

Moderator

On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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

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