TCPL packaging limited

Empire Mills Complex
414, Senapati Bapat Marg,
Lower Parel
Mumbai 400013, India.
Tel : +91 22 61646000
Fax : +91 22 24935893
Email : tcpl@tcpl.in
Website : www.tcpl.in
CIN: L22210MH1987PLC044505

7th August, 2019

The Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001
Security Code:-523301

The National Stock Exchange of India Ltd
Exchange Plaza, Plot No. C/1, G Block
Bandra Kurla Complex,
Bandra East, Mumbai 400 051
Trading Symbol:- TCPLPACK

Dear Sir(s),

Re:- Transcript of Investors Conference call

This is further to our letter dated 03.08.2019 wherein we had given an advance intimation of the upcoming schedule of conference call to be held on Monday, 05.08.2019 at 11:00 a.m. (IST), in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In the said connection please find attached the transcript of Investors Conference Call. The transcript of the conference call has also been posted on the Company website at www.tcpl.in.

Kindly take the same on record and acknowledge the receipt.

Thanking You

For **TCPL Packaging Limited**

SOHAN GAMANLAL NANAVATI

Digitally signed by SOHAN GAMANLAL NANAVATI
Date: 2019.08.07 13:41:35 +05'30'

Compliance Officer

Encl. As above

“TCPL Packaging Limited
Q1 FY2020 Results Conference Call”

August 05, 2019

ANALYST: **MR. ANKIT GOR – SYSTEMATIX SHARES & STOCK LIMITED**

MANAGEMENT: **MR. SAKET KANORIA – MANAGING DIRECTOR- TCPL PACKAGING LIMITED**

Moderator: Ladies and gentlemen, Good day and welcome to TCPL Packaging Limited's Q1 FY2020 Results Conference Call hosted by Systematix Shares & Stocks Limited. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Gor from Systematix Shares & Stocks Limited. Thank you and over to you Ankit!

Ankit Gor: Thank you Mohsin. On behalf of Systematix, I welcome everyone on the call of TCPL Packaging to discuss Q1 FY2020 results. From the management side, we have Mr. Saket Kanoria, who is the Management Director of TCPL Packaging limited.

Now I would like to hand over the call to Mr. Saket for opening remarks post which we can commence Q&A session. Thank you and over to you Sir!

Saket Kanoria: This is Saket Kanoria, I am the MD of TCPL which you know is in the packaging business. We have been around for about 20…this is our 29th year of operation. We commenced in a small way in 1990 with a unit at Silvassa and then over a period of time we have been expanding and it probably will be of great interest for all of to know that over 29 years and 116 quarters. We have had only two quarters where the company has not grown when you compare quarter over the previous year's quarter.

So it has been a very healthy growth track record and that growth has continued in the Q1 of this year despite as you all know sluggish conditions in the general market where the growth of our customer's products have been slightly muted. It is not as bad is what has been made out in the media, but definitely consumer sentiment is slightly affected and which has resulted in a lower growth.

However we continue to believe in the business, we continue to invest and build new capacities and we have recently commissioned new plant in Goa. It is a Greenfield to cater mainly to the West and South market and with this the company in the folding carton space is now represented in all four geographic zones of the country. So we have a big plant in Silvassa and even bigger one in Haridwar and then in Guwahati in the North East and now in Goa in the South.

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Apart from that we also do tobacco packaging which is where we started from, of course from the initial days, first 10 years we were doing 100% tobacco. Of late the other products have grown, hence tobacco as a percentage has dropped, but it is still a significant part of our business and thirdly, we are also into flexible packaging which we got in three years ago and that has also done quite well and we are now looking at expanding it next year to achieve a much higher operating level.

Coming into this, I assume that most of you had studied our results as well as our past performance.

So, if you look at the Q1, we have ended with a revenue of Rs.206 Crores, which has a growth of 15.7% over the corresponding quarter of the previous year and the EBITDA margin has also marginally improved from what it was last year, but the profit before tax level has seen a slight growth thanks to the higher depreciation and interest charge in this quarter, which is mainly due to the capitalization of the Goa unit. The Goa unit's target in end of March and it is now stabilized. So we are very confident that it will now contribute to the topline as well as bottomline, which was not the case in this quarter, which resulted in this slight dip in PBT.

Otherwise at a net level, the profit is marginally higher that is because of lower deferred tax charge and one more interesting point I would like to mention is that our compound average growth rate in the last 10 years has been 18% year-on-year and most of our customers are reporting a growth of 6% to 8%. So we feel that we should be able to sustain a growth rate much higher than their growth, because we add new categories and new customers all the time and even though we have fairly well spread out, there are lots of customers in India whom we do not cater to and within existing customers, there are lot of categories which we do not cater to. So there is a lot of room for growth.

Overall I would just say that since demonetization was a very big shock to the industry in the November 2016 period and was followed by GST and those two events kind of structurally changed the economy because the volumes dip for six, eight months and the cost of paperboard increase significantly because of also international factors which resulted in a higher RMC cost from historic levels, but since then of course market has stabilized, but the structure of the industry has definitely got affected because people have set up capacities and growth has not happened to that extent.

However with our scale we are in a much better position than our competitors and hence we are confident of maintaining high growth rates and constantly investing in new technology to sustain that. Incidentally day after tomorrow we will inaugurate a new line in Haridwar which is a state-of-the-art, one-of-the-kind machine, which will add significantly to our capacity, a large tech sanction in Haridwar was done in 2015. So it has been long time since we have added capacity there and this will balance the capacity of the plant quite significantly.

So I welcome questions and happy to receive whatever you all would like to ask and also your comments. Thank you.

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have our first question from the line of Siddharth Agarwal from Prudent Value Partners. Please go ahead.

Siddharth Agarwal: First of all thank you very much for starting this conference call, so that we as an investors can get a little bit more insight into the business and how things are panning out. So thank you very much for that.

Sir I have a few questions, first of all is structurally, Sir we have seen even though our volumes have picked up in the last four, five quarters now, but our margins are still way lower than what they were two, three years back, before the demonetization etc. So Sir could you give us some more color on what is happening in the industry and what do you think given the maturity of the industry or where we are now, what are the sustainable margins, EBITDA margins in the long run now for this industry?

Saket Kanoria: There is no straight answer to this question, but basically I am talking about, I will break this answer into two, one is about the industry and the other is about earns. So as far as the industry is concerned, there is capacity building and which is called being pressure on margin so I would say that most of our competitors operate at lower margin than we do because of their lower scale, but in principle, if you see across the world also the margins are in this 10% to 13%, 14% range depends on where the company is positioned. But as far as we are concerned, since demonetization we have been on an actually on an expansions spree. So every quarter we have at least one unit which is not fully operational, which suppresses our margin. So once we come to a more stable kind of situation, we do see our margin improving because like this quarter we have suffered on account of capitalization of Goa. Last year, we had added capacity in other unit. So that has resulted in this constant pressure because at the end of the day we are talking about 1% or 2% here or there, it is not that we are talking about very significant number. So I would say that to expect a margin between what it is now and upwards to about 15% is something which we look forward to in the next coming period.

Siddharth Agarwal: Thank you very much for that, and Sir about, I also would like to know what is our, how does the management thing about the capital allocation in the long run. So we have a consistent dividend payout policy, but given structurally what our ROE, what we are able to earn and our continuous expansion plans which are sometimes funded by debt as well as increasing working capital. So how does the management look at the capital allocation part of it or what are the reasonable sustainable growth rates that you see or how do you go about it planning?

Saket Kanoria: So, our overall cash profit is in the range of let us say between 9% and 12% of revenue and we could operate at a 2:1 fixed asset turnover ratio. So, if we target to do 15% to 18% growth, we need to invest 7%, 8% profit of revenue on fixed assets. So that is how we see it. We are quite risk covered and we do not believe in loading up too much debt. So interest, we monitor should be between 3% and 4% of revenue not beyond that. So within that we would allocate capital on capex. So that we can maintain growth as well as we can take benefit of new technologies which are coming because otherwise maybe let us say we step back and do not do capex for a couple of years, the world is moving ahead and there is lot of opportunity and we are in the forefront of that, so we believe that what we earn we basically invest in the… so that is why if you see overall term that has not increased over last two years even though we have built a new plant and we have expanded in other Brownfield, in other plants and much stronger we get today than we were two, three years ago. I hope that answers your question.

Siddharth Agarwal: Yes Sir. And now if dividends payout would continue to be in the range that they have been, the dividend…?

Saket Kanoria: Yes we were further first companies on BSE to announce publically a dividend policy and we constantly pay 20% of PAT as dividend irrespective of what that number is.

Siddharth Agarwal: Sir I have few more questions, but I will come back in queue and will follow up.

Saket Kanoria: Okay, thank you.

Siddharth Agarwal: Thanks.

Moderator: Thank you. We have our next question from the line of Rohith Potti from Marshmallow. Please go ahead.

Rohith Potti: I was wondering Sir, if you could detail a little more about the competitive scenario that you mentioned that the competition has lower margins, but given the capital intensive nature of the industry with a lower margin, they would find it difficult to scale up as you would is what I would have thought. So if you could detail it a little more on how that is affecting margins and on top of that is the unprecedented rise in paper prices which affected us in the past is over or even it is still continuing?

Saket Kanoria: Yes very good question and if you look at not only our sector but any sector I do not think you will find too many companies with a high double digit growth year-on-year for 10 years. So definitely this is something to feel very good about that we have been able to achieve that high revenue growth which our competition certainly cannot do, because if you are talking about a smaller company in the Rs.100 to 200 Crores range with a lower margin, it just does not have the accrual to do Capex and to be able to achieve a high rate of growth. So the industry is growing at 7%, 8% only whereas we are growing double that. So actually the competition is not growing anywhere close to us I am not saying the entire competitor is not growing, but 99% of them are not growing, there are one or two other companies like us who are also growing and they are amongst the better managed, the better positioned units. So I think that should be… paperboard pricing has risen because of international reasons on pulp and environment three years ago. So that has now stabilized and in fact it is on its way down because the China was a very big influencer there and it seems that the Chinese economy is slightly slowing down as a result their demand from pulp and international raw material has stabilized. So right now it is more of an equilibrium, we do not see any volatility in raw material pricing, so too much, unless of course macroeconomic factors change the currency of India with today morning the rupee has gone sharply down so if something like that happens we do not know but otherwise in general it seems to be quite stable.

Rohith Potti: So if I could follow up a little more on the paperboard pricing. Because, Sir one thing which I thought very interesting in a business to cater you steadily have been able to increase your margins because of higher value addition and you were able to pass on the paperboard prices consistently, but I believe there was a dislocation because of the pulp prices that you talked about two, three years back. Now has that structurally changed the margins for the paperboard segment of your business or do you think with stabilization of the pulp prices you would be able to go back to the very good gross margin that you saw in the paperboard business two, three years back?

Saket Kanoria: It is a mixture of both actually little bit structurally it has changed because also the growth rate had been lower, so when paperboard prices went up so significantly and our competitors could not pass that through, they have compromised and lowered pricing which has resulted in lower bottomline and that has structurally changed the market thanks to that the pressure comes on us also. We have also had to compromise to certain extent with some customers, but then those customers now when the paperboard prices gone down, we are not passing that back on to them. So to some extent we recover but not fully. So I would say that what we used to have three, four years ago and today there is definitely a drop in gross margin.

Rohith Potti: But do you see that improving I mean going back to the previous levels or do you think it is still too early to say right now?

Saket Kanoria: I mean it will go back to previous level only if there is a real a growth in the economy we have to have strong economic growth wherein there is a bigger demand pool and until that time I do not see a significant change.

Rohith Potti: Understood and so historically in order to achieve the scale quite clearly we have done dilution to grow, which makes sense. So going forward given the capital intensive nature of the industry and the reasonably working capital intensive nature of the industry, do you think we would continue to require dilution or do you think we are at a self-sustaining level?

Saket Kanoria: Yes, right now we do not think that we need further dilution because we are not expanding so aggressively and we add a line or two lines every let us say 12 to 18 months. So we are doing it in a very balanced way so that pressure does not come upon us to drop pricing to maintain growth in volume to fill up the new capacity. So we are quite well balanced in all our units have minimum economic size and hence we do not see any reason why we will drop margin in the quest for growth.

Rohith Potti: So, if the pace of growth so put it differently for the 16%, 18% growth that you are talking about you do not think you would require dilution for the foreseeable future for now.

Saket Kanoria: Yes.

Rohith Potti: So I will get back to you Sir as always it is a pleasure hearing you speak, you try and give it as detailed answer as possible and I appreciate. Thank you.

Moderator: Thank you. We have the next question from the line of Rukun Tarachandani from Kotak Asset Management. Please go ahead.

Rukun Tarachandani: Can you comment on the capex numbers for the coming year what is the capex that you expect and also how do you intend to fund the same?

Saket Kanoria: No, capex number for the current year has been processed, for the coming years we have not yet frozen it. As I mentioned that you can take a guidance of about 8% of revenue is the kind of capex budget plus, minus 5% so it is not going to significantly change and most of that capex is funded mixture of debt and internal accruals. So that what we basically in the management we do is that we have an outside debt equity and an outside current ratio levels which we would like to maintain, so we would stay within that. Within that whatever we can do, we do, we would not extend ourselves beyond that.

Rukun Tarachandani: Right, so for FY2020 also it should be roughly 8% of your revenues for the year?

Saket Kanoria: Yes FY2020 the capex will be about Rs.65 to 70 Crores.

Rukun Tarachandani: We have been hearing the commentary from majority of your end-user industries whether it is FMCG or other industries and the commentary on demand outlook is very subdued. In that context what is your thought process behind adding further capacities especially since your…as you mentioned that the Goa capacity is still largely unutilized. So in that context how do you think of adding further capacities?

Saket Kanoria: Well we have added further capacity now in the North. So it is quite distinct from Goa, but certainly the FMCGs day-to-day consumer need, so though the demand in subdued as I mentioned in my opening remark, but it is still growing at anywhere between 6% to 8% or 9%. So somebody has to cater to that growth and therefore we see an opportunity in that. Because 6% to 8%, 9% is still quite a significant number. Yes, but the capex you are right that naturally if the growth is 6% to 8% in the demand as opposed to 10% to 14% is which it use to be then naturally the increase in capacity has to be muted to that extent, we cannot continue to expand and hope to get 18% to 20% growth if the market grows only 6% to 8%. Absolutely conscious of that, but there are other verticals that we can look at. It is not necessarily that we will only grow in folding cartons. We as you know in flexible packaging as well and we are a small player there, but we are a very innovative player. So we have an opportunity in that space to grow significantly.

Rukun Tarachandani: Thank you.

Moderator: Thank you. We have the next question from the line of Jayesh Shroff from Cask Capital. Please go ahead.

Jayesh Shroff: I know you have answered a lot of the questions on raw material side, just a couple of follow-ups on that, if you look at the raw material scenario the wood pulp prices actually having been picked out sometime in last quarter of calendar 2019 have dropped significantly by about 15%, 20%. Apart from that I think we also suffered because of the rupee depreciation last year which has also corrected some bit, but we are yet to see and the third part sorry is that we are moving up the value chain. So a combination of all three would generally make us believe that our RM to sales ratio should come down, but so far I mean since last five quarters we have not seen any movement in that. So do you think going ahead we could see some significant movement there?

Saket Kanoria: So your question actually partially answered by me earlier, but see this drop in forex is helpful to the company it is not a curse because 15% of our revenue is export and last year the rupee corrected a little bit and this year it has not and hopefully it will now. So if any rupee fall against the dollar is positive not negative for us. Of course that influences the raw material cost increase on the domestic side little bit, but it is far outweighed by the benefit on export. But we are not moving up significantly on the folding carton side on the raw material and value chain as such. The basic product mix is quite similar in fact when the economy is not doing too well and consumer companies do not want to extend themselves they are not doing new product launches and higher value-added launches right now, they are also watching. So I would say that if the economy's growth comes back definitely there will be a scope to improve the gross margin.

Jayesh Shroff: But, just sorry to persist on this, but in terms of absolute fall in the wood pulp prices that does not benefit us is it?

Saket Kanoria: No, that does not benefit us, absolute fall in wood pulp price has benefited us, but in India that benefit has not come fully yet because the rupee went from 64 to 68, 69 so this wood pulp is largely imported. So the paper mills in India have not passed on the full benefit yet. But it is happening gradually, so we would see in the next year or so that this will help us further.

Jayesh Shroff: Okay. Thank you so much.

Moderator: Thank you. We have the next question from the line of Manan Patel from Equirus PMS. Please go ahead.

Manan Patel: First question is what would be your capacity utilization at present.

Saket Kanoria: Overall as a company it would be about 70% to 75%.

Manan Patel: And Sir what would be our maintenance capex?

Saket Kanoria: Our maintenance capex is very small. It is not a significant number. 50% of our fixed assets are actually invested in the last five years. So it is fairly new.

Manan Patel: Okay, understood. Sir my next question is on flexible packaging what would be the contribution of flexible packaging towards total revenues?

Saket Kanoria: We generally do not disclose this number, but it is a small part of our overall revenue, we started this unit three years ago and it has been growing at more than 50% annually over three years. So it is getting bigger I hope that it will become 50% in the next five years of overall revenue, but now it is a small part.

Manan Patel: Understood and Sir margin profile per flexible packaging would be similar to the paperboard?

Saket Kanoria: Margin profile as you know other flexible companies maybe you track and in general flexible packaging as a business has a lower margin, but a higher turnover in the sense I have fixed asset turnover to turnover ratio so at an capital employed level it is pretty similar, but on a pure revenue to EBITDA there is a… it is lower. But we are started to expand in to very niche and value-added product, so we are not looking to expand to match existing players just on a pure revenue level, we would like to expand only if there is a higher margin available.

Manan Patel: Understood Sir. Sir on paper packaging side, do you keep a track of market share number because you mentioned that you have been growing much faster than the competition. So like do you have a sense of what would be unorganized play and your share in the organized segment of this?

Saket Kanoria: Actually the pressure parameter in this is to know the how much paperboard is being manufactured in India because the data is not so easily available. So we track how much is the board production and then how much do we do, so it is a very fragmented and unorganized market because a lot of paperboard is being consumed for products where we do not even look at unbranded like Mithai Box and Saree Box and Diwali Crackers Box. There are a lots of Match Box so there is lot of these unorganized sort of industry. So it is very difficult to say that what is our market share but our market share is basically with a multinational and large Indian brand orders there that is the addressable market for us and there the market share in some customers could be as high as 80%, 90% and in some it could be as low as 20%, 30% but we are never a player who is the 4%, 5% of our customer, we would either be one of the top three or one of the top two we would share the business generally with two three other competitors.

Manan Patel: Understood and Sir my last question is on interest side so what would be your rate of interest at present.

Saket Kanoria: Rate of interest varies between 9% and 10% from different lenders.

Manan Patel: Next question is if you look at the trend for last many years our interest cost is substantially higher than the profits we earn. So does it like what is your, what are your thoughts on that like if we keep on doing the capex and our interest cost keeps on increasing in absolute terms, so how do we look at the company in that sense because the profit for shareholders are way lower than the interest cost to the lenders. So what are your thoughts on that?

Saket Kanoria: I would say that as I said that we maintain interest as a percentage of revenue between 3% and 4% EBITDA is between 13% and 15% so interest takes up 20% to 30% of the EBITDA overall, so it is not a very high number in that sense. Depreciation you can say is a higher number more than interest.

Manan Patel: And of a noncash item while interest is a cash expense and Sir we had around Rs.9 Crores of interest versus around Rs.5.4 Crores of PAT, so it is a significantly higher number?

Saket Kanoria: This quarter, but let us say last year we had Rs.28 Crores of interest and PBT was 41 after tax was 28 so it was matching, but yes I mean overall if our capacity utilization goes up interest automatically goes down, so it is a function of how well we are utilized actually.

Manan Patel: That is it from my side. Thanks a lot for your answers.

Moderator: Thank you. We have the next question from the line of Ravindranath Naik from Sunidhi Securities. Please go ahead.

Ravindranath Naik: Sir Can you please tell me what is the average volume of paper cartons sold during the quarter and what is the average realization for that?

Saket Kanoria: Average volume of sorry what did you say?

Ravindranath Naik: Paper cartons sold in terms of tonnage.

Saket Kanoria: Last year we did 66000 tonnes for the whole year quarterly volume numbers, we do not really share in the report, but you can extrapolate last years and make it pro rata because there has been a 15% growth.

Ravindranath Naik: That means there is no price increase in the board prices in the current quarter you mean to say?

Saket Kanoria: No, board prices have not increased.

Ravindranath Naik: And can you please give us a sector wise breakup of the revenue that is showing enough you are catering to agrochemicals, FMCG and tobacco, can you please give us the sector wise breakup, broadly sector wise breakup?

Saket Kanoria: Again this data is not for public information. As you know you will be sensitive that lot of our competitors would love to get hold of our data, so we do not really publish sector wise data but all I can say is that the FMCG is the highest contributing sector followed by tobacco and followed by food and beverage and these three would represent very, very high percentage of our revenue although rest are quite small.

Ravindranath Naik: Okay understood and Sir you mentioned that Haridwar capacity is to be booked, is to be capitalized. So is it true or we have already capitalized in this quarter?

Saket Kanoria: No, not yet we are going to inaugurate the new line and then it will be capitalized.

Ravindranath Naik: The reason I am asking that the depreciation interest has gone up in this quarter, can you please tell us the reason for that?

Saket Kanoria: That was more due to Goa which was started end of March. So this calendar year, we have got two significant capacity addition, one was the new Goa plant which is for Greenfield so it was a large Capex and this Haridwar is within the existing factory so it is basically only equipment, no land and building so it is a much smaller capex.

Ravindranath Naik: Can you quantify the capex for the both two plants Sir broadly for this year?

Saket Kanoria: Broadly in Goa we have invested about Rs.60 Crores and in Haridwar we are investing Rs.30 Crores.

Ravindranath Naik: So even the total capex that will be capitalize in this quarter in this year it is Rs.90 Crores both Goa and Haridwar?

Saket Kanoria: Because out of 60 some amount was capitalized in March itself, most of it, so this year it could be lower.

Ravindranath Naik: And Sir you mentioned that we are utilizing around 75% and if I understand correctly from their previous comments that you will be spending around 8% to 9% of the gross block every year as a capex. So should we assume that it would be in the range of Rs.32 to 40 Crores every year broad capex?

Saket Kanoria: No, this could be little higher than that.

Ravindranath Naik: And can you please mention that what is the composition of waste paper in our total sales, in terms of the paper cartons?

Saket Kanoria: You mean recycle paper?

Ravindranath Naik: Yes, recycle paper.

Saket Kanoria: Out of our total consumption of paperboard I would say 50% is the recycle material.

Ravindranath Naik: And Sir Export sales was around last year around 15% to 20%, so we have maintained that?

Saket Kanoria: Yes, we are maintaining in fact we have grown we are maintaining it as per the company's growth overall.

Moderator: Sir the participant has gone off the queue. We will take the next question which is Siddharth Agarwal from Prudent Value Partners. Please go ahead.

Siddharth Agarwal: Could you Sir talk a little bit more about our foray into this flexible packaging and you did answer that we would cater to only a certain segment where the margins are slightly better than the usual more commoditized segment but structurally or strategically how are we approaching this, how bigger a play do we see this flexible packing versus our current paperboard packaging segment and strategically, how does this fit into our long-term goals?

Saket Kanoria: You know the entire world is very worried about the pollution on account of plastic consumption and then the very big challenge of replacing plastic with a more sustainable material. So either you make a plastic which is recyclable or you replace it with cellular based product like paper and aluminium things like that. So we are working in that space and our expansion in flexible will be based on a fundamentally more recyclable product which we would bring as an alternative to what they do today and hence we feel that we can get higher value because very few companies will have that capability.

Siddharth Agarwal: So we think this as how big this could become a segment I mean in terms of our capex plans further in this area is this something which is actively being considered as of now or we would just want to first employed the adjusted capacity more of Indian…?

Saket Kanoria: No, we have to read the market and we are making a plan but it is not yet confirmed.

Siddharth Agarwal: And Sir could you also please talk a little bit about what is the typical life of some of our units because as you mentioned that we are continuously keep on also investing to keep ourselves updated with the latest technology. So what is the I mean how fast or rapid is a technology change in this particular field and a typical machine or capex that we do, is the life span or usual life span decreasing or is it more or less same or what is that usual life span is in this industry?

Saket Kanoria: You see Sir in the printing industry the printing machine the print quality per se it is not deteriorating if you have maintain the machine's health properly you have to have keep upgrading is electronics and drives etc., but the newer technology is more automated and higher speed but it is not that the old technology cannot produce pretty much the right quality but the skill of your operative, more automation in the nature of the day. So I would say that usual life of machine is easily around 15 years and we have some machines even older than that which are performing quite well but let us say if we replace those with the new ones we can improve productivity significantly. So new investment is more to do with better productivity, better utilization of space and things like that. So it is a pretty long life overall 15 years, 20 years, could be in that range.

Siddharth Agarwal: Thank you very much. That is all from my side.

Moderator: Thank you. We have the next question from the line of Amit Thakkar, an individual investor. Please go ahead.

Amit Thakkar: One of my question was the what is the total capacity do we have across all the plans and what is the average utilization level currently?

Saket Kanoria: As we have mentioned the total capacity utilization is about 75% across the company.

Amit Thakkar: And what is the maximum we can achieve across the facilities?

Saket Kanoria: I mean right now it is 75% so we feel we can achieve up to 90% overall.

Amit Thakkar: So when are we seeing the utilization levels improving over the next one, two years?

Saket Kanoria: They are improving we have grown 15% this quarter, we hope to maintain that, but we are adding one more line so that will further add to capacity so it will have a gradual effect.

Amit Thakkar: And Sir I just wanted some idea on the who will be our major competitors in the industry majorly on the listed and unlisted as well?

Saket Kanoria: The major competitors with the folding cartons are not listed there is company called Parksons, Porter, International Print-o-Pac Limited, Award, Temple so there are quite a few but all of them are unlisted. And there is the ITC who have their own packaging division which is under the ITC umbrella so they have probably the only listed as such or rather public company.

Amit Thakkar: Then Sir what will be our debt levels as of June?

Saket Kanoria: As of…?

Amit Thakkar: June last quarter.

Saket Kanoria: Debt level has not changed much since March pretty much.

Amit Thakkar: So it will be same as the March.

Saket Kanoria: Yes.

Amit Thakkar: Why the interest cost has increased.?

Saket Kanoria: As I said June quarter has already been published so please have a look at it.

Amit Thakkar: No I am just think why the interest cost has increased from March to June?

Saket Kanoria: Because Goa plant was capitalized end of March so last year there was no interest cost on account of Goa which has been added in this quarter.

Amit Thakkar: Thank you that is it from my side.

Moderator: Thank you. Ladies and gentlemen that was our last question I now hand the floor back to the management for closing comments.

Saket Kanoria: Thank you everybody for your valuable time and very interesting questions. It is quite insightful to learn how you all think about us and we are very excited to do this call for the first time which we have not done this before and I think in coming period of time we get better answering your question and perhaps more prepared. So thank you very much I know it is a very busy period in the market right now and we are right in the middle of the market, so it is very special to have all of you spent so much time with us. Thank you.

Moderator: Thank you. On behalf of Systematix Shares & Stocks Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.