

We'll shore up our capex to Rs 160 cr in three years

“Piramal Glass is a global leader in providing packaging solutions for the perfume and the pharmaceuticals businesses. In an interview with FE's Sajan C Kumar, managing director, Vijay Shah shares his views on the industry and the way ahead. Excerpts:



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Piramal Glass has a large geographic footprint. What is your marketing strategy for such a wide space?

The strategy is specific to markets. Western Europe and the US are the most important ones strategically, because they constitute close to 80% of business for premium cosmetics and perfumes. We have our own employees and sales offices in the UK and France. We also have

warehousing facilities in all strategic markets across the globe. In the US, our sales people are spread across the geography, so that they are closer to the customer and can make frequent customer visits. For slightly less strategic markets, we work with agents, who remain in contact with customer and pass on the orders to us, which we cater to through a back-end customer service team. For the least important

markets, we work with distributors. We would be one of very few companies with such extensive network.

Does your company have significant cost advantages?

Our major competitors in the cosmetics and perfumes (C&P) space operate out of Europe (Germany, Italy etc). Labour costs in Europe are almost five-fold that in India. This gives a significant cost advantage. Pira-

mal Glass has made significant strides because we were the first player in Asia to identify the opportunity in C&P business. To control costs, we emphasise manufacturing excellence.

How do you plan to augment facilities?

We would not have any green field capex. We could tweak some of the capacities for manufacturing the products in areas of focus. For pharmaceuticals, there is an increased thrust towards better realisation. Depending on the market needs, our capacities can be tailored to cater to specific segments.

How has the previous financial year been for you?

The focus of the company was on C&P and within C&P on the

premium segment. On the operating margin front, we improved EBDITA margin by about 600 basis points, driven mainly by the fact that C&P constituted 43% of sales in FY-10 as compared to 37% in FY-09 and within that the premium composition went up from 32% to 43%. Improvements in the US operations through better product mix and cost cutting measures helped us in improving the operating margins. For the last fiscal, our interest costs have come down as we repaid close to Rs 370 crore debt through the rights issue and internal accruals.

Do you foresee consolidation in the segment?

Our thrust would be on C&P segment that currently constitutes close to 43% of

total sales. The C&P premium segment, which constitutes 43% to revenue, is expected to contribute 63% to revenue by fiscal 2012. At this point of time, we are focussing on organic growth and improving our debt equity ratio and cash flows. We are not proactively looking at any acquisitions.

What would your capital expenditure be this fiscal?

We do not have any specific guidance for this year. In the next 3 years the estimated capex will be about Rs 160 crore, against the depreciation of about 300 crore. This will be mainly for re-lining and upgrade of some of the furnaces to higher capacities.