



“EPL Limited Q3 FY-21 Earnings Conference Call”

February 02, 2021



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Moderator: Ladies and gentlemen, good day and welcome to EPL Limited Q3 FY21 results Conference Call hosted by Systematix Institutional Equities. As a reminder, all participant lines will be in the “listen-only” mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” 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 Institutional Equities. Thank you and over to you sir.

Ankit Gor: Thank you Aisha. Good evening, on behalf of Systematix, I welcome all to Q3 FY21 earnings call of Essel Propack Limited, now known as EPL Limited. From the management side, we are joined by Mr. Sudhanshu Vats, who is MD & CEO; Mr. Ramasamy, who is the COO; Mr. Parag Shah, who is the CFO; Amit Jain, Head Corporate Finance; Mr. Suresh Savaliya, Head Legal and Company Secretary; and Mr. Deepak Ganjoo, the Regional VP, AMESA. Without taking much time, I would like to hand over the call to Sudhanshu for opening remarks, post which we can open the floor for Q&A session. Thank you, and over to you Sudhanshu.

Sudhanshu Vats: Thank you Ankit. Good evening, ladies and gentlemen. On behalf of EPL and my colleagues on the table here, first and foremost, a very Happy New Year to you and to your loved

ones. Thank you for being on this call with us and the idea would be in the next 30 odd minutes, I will share the results - the key highlights of our results, which we are very pleased to share with you and then we will be open to questions-and-answers. So thank you once again, and wish you all a very happy new year.

Let me start off by first again reminding ourselves that EPL 2.0 has a very clearly defined mission. We are looking at market leading revenue growth and capital efficient, consistent earnings growth. And in this mission of ours, I am happy to report that we have delivered another set of strong results. And we continue to motor along in FY21, at the end of nine months and hopefully into the future. So “the year so far” - first and foremost the market continues to be very challenging in the context of COVID-19. And interestingly, as all of you around this in this conference know, that the second wave has caused its own set of challenges, especially for a company like ours with our geographical portfolio, which is spread out. The challenges are quite strong and quite clear in Europe and America. That’s where the second wave has been very pronounced. And we continue to see those challenges, and we are navigating them to the best of our capability. But the challenges remain.

Despite these challenges, what I am very happy to report is that, we have continued to deliver on business performance.

Our YTD quarter three numbers are very good. And our quarter three results further strengthen that as we come into these numbers. So while the going is tough, we at EPL continue to motor on and deliver under the difficult circumstances.

My third, big message is an ongoing message in this period; we will continue to strengthen our team - whether it is our management team, it is our Board or it's our advisor network; we are all at it and we are working very hard to make sure that we deliver to our mission.

Lastly, I will also share with you the progress on the key levers, which we have, which help us execute this mission and our markers to the progress we are making on this mission. So the top two levers - accelerated growth in personal care and continued leadership in oral care play to balancing and strengthening of our portfolio which will continue to remain a first and foremost job to be done. With sustainability growing, our engine on sustainability and innovation continues to deliver very well and I will talk about that also. And finally, the journey which we started about 18 months back on prudent capital allocation across regions will continue and we will strengthen our capital allocation, we will be prudent about it, but at the same time deliver returns on that.

If I move on, in this period of COVID-19, we proactively worked with all stakeholders to ensure business continuity, and minimize the impact. And every quarter continues to bring challenges with it and as I was telling you, quarter three, particularly in America and Europe, has brought its own set of challenges. But, I'm happy to report that all 20 plants are operational. It's getting hard, I would say harder by the day, but we are at it and we are confident of ensuring that this thing happens. We continue to build on our volume pipeline, and on demand generation. So you've heard from us about the launch of hand sanitizers and the building of health and hygiene segment in general. The way we see it is this segment will continue to grow - which is health and hygiene segment. This trend is a secular trend, it's a northward trend. Within this there will be products which will come and there we saw sanitizers as the first reaction, which was very pronounced in the first half of this year, but we are now seeing hand wash in tubes. And we've started working with one of the largest customers in America on that, and I'm sure as we go forward, we will see innovative products, which helps manage our lives and hygiene and health during COVID times. So, basically innovative products, which will be delivered in tubes are things which will continue to come and will continue to grow. And we are very, very well seized of it. This along with all our competitive gains, our ability to grow the share of wallet in these times, to ensure supply security in the tough times

helps us to continuously generate demand and continue to deliver market leading growth. So, that is something which you will see as we go forward.

At the same time, we are very clear that we will give top most priority to the safety of our employees. And we will continue to invest in providing safe working environment to our employees and to do everything that our employees, the communities, their families are safe. And actually, we will continue to work on that. We have a committee which works continuously on this; we basically are in crisis mode in this period and are continuously in a crisis mode. And we actually review this weekly at the very highest level.

And, last point, which is very important in times like this is war on costs, as I call. So therefore, our cost management and our Phoenix program, which is now in phase two- basically, is something which will continue to deliver this - will make sure that we have the fuel for growth as we go forward. This will make sure that if there is a split we have the ability to manage it through all the cost effectiveness programs, which are running and which will continue to run and this is something, which we are absolutely committed to. We are now EPL is something which I want to continue to remind you; that basically means we will continue to lead the pack, market leading growth, leading in sustainability, leading in innovation and leading in cost control and basically ensuring

that we continue to remain cost effective. With that, let me share with you our results.

First, let me talk to you about the results, which are nine months cumulative results, because in any year, particularly in a year like COVID, the cumulative number is far more important because it takes into account the vagaries of demand and supply across geographies across regions, movement of COVID and the threat with it and the restrictions which come and go in different countries. So, I am absolutely delighted to share with you that we are delivering at the end of nine months a 10% revenue growth. So our long term journey of market leading growth, leading to double digit growth is something which is well on our way even in a tough year like COVID- this year with COVID-19. The 10% market leading growth is then translating into mid-teens EBITDA growth; our adjusted EBITDA growth is 16.1% with our EBITDA margin at nine months coming in at 20.8%, which is margin expansion of about 57 bps. So market leading growth translated into double-digit growth, delivering mid-teens EBITDA growth with marginal expansion in EBITDA margins is something, which we are committed to, in the long term.

This has delivered about 36% adjusted PAT growth and then growth in our earnings per share at the end of nine months. So this finally translates into an improvement in ROCE, from

17.8% last year to 22.3% this year; net debt has also come down because of prudent capital allocation, but equally as growth in revenue and EBITDA leading to a generation of unlevered free cash flow, which further strengthens our position and our balance sheet. So on the whole, the picture of the nine months is something, which we as a management team, are very satisfied with and are very happy to report to you with the progress that we have made.

If I was to come more specifically, the quarter three FY21 numbers. So, in this quarter, despite all the challenges, we've delivered a revenue growth of 7.9%' so total revenue of Rs.7671 million delivering a 7.9% growth compared to commensurate period last year, leading to a PAT growth of 26.3% - adjusted PAT growth. So therefore, this basically ensures that we are delivering on everything which we are doing in this period. You will notice that our adjusted EBITDA growth had come in at about 5.1%, against a growth of 7.9% in revenue. The reason for this, that in a tough period like this we continue to make investments and incur expenses for COVID-19 related issues. The investments which are needed for us to be ready for today and for future - investments in R&D, investments in "go to market" in order for us to continue to generate demand, to remain competitive, to win wallet share, are things which are happening; building our beauty and cosmetic capability, growth in regions in large

countries like US are things which we are steadfastly working towards. So we are fully focused on continuing to deliver strong top line growth, which will have an effect and we'll deliver an equally strong bottom line growth.

So, as I talk to you about our renewed focus on capital efficiency is leading to a reduction in net debt you've seen, net debt is progressively coming down. In this period net debt is almost half of what it was in the previous period last year, actually less than half - from a Rs.3611 million in the period last year Q3 FY20, we are now at Rs.1613 in Q3 FY21. This continues to improve our ROCE working a pronounced impact here at the moment, because you would also appreciate that in a year like COVID-19, CAPEX deployment is a little slower than what it would have actually been. Having said all of that, our progress on ROCE is very good and will continue to remain steady and satisfactory.

Moving on to the four fundamental levers and I am talking you through that quickly. On personal care, we continue to make impact; as you know we are adding newer categories, quarter-on-quarter building on the categories, which we've added and therefore, this segment will continue to be our priority focus, whether it's beauty and cosmetics, whether it's pharma, whether it's health and hygiene. So, we will continue to do this and that that's where you see, in nine months in this segment, we've delivered a 9.8% growth, which is very

encouraging, and ahead of our growth in the other segments. Our contribution, if you were to look at it, is holding on, it's actually marginally better. But it would be right to say that we have roughly about 45% contribution of personal care, this despite all the headwinds of beauty and cosmetics in a year like this, which you are fully aware. So, we have maintained this by increasing the demand in hygiene products, by continuing to work in pharma; so that we have - and in a tough year like this, our ability to maintain this and grow it marginally gives us confidence that we will continue to grow this moving forward.

EAP as a region has delivered very well in this space - they have delivered a growth of 43.8%, America has delivered a growth of 9%, Europe has delivered a growth of 16.7%. In AMESA, we've not been able to grow because beauty and cosmetics in this region has got very badly hit in the COVID times because of the very stringent lockdown and then extended restrictions on travel, on moving out, on opening up of offices, or opening up of everything. One thing is clear - we are very confident with all the work which we've done, the team has done a lot of good work in pharma; progress in pharma in AMESA, it's really, really good. And with situation becoming a little bit normal, we will gallop on this parameter in this region as well.

Moving on to our leadership in oral care, while we are focused on delivering growth in personal care, beauty and cosmetics and pharma in particular. And we will continue to drive that and strive to drive that hard. As our focus on oral care, which is where we have a very strong position globally and in many of our regions will stay. And you can see that even in a tough year like this, we've delivered a 9% odd growth in oral care, which is highly commendable; this, when the travel tubes, the hospitality sector, the mini tubes within oral are under considerable pressure across geographies for us. Despite that, we are managing to grow this and our position in oral continuing to strengthen and that gives us here, as a management, tremendous confidence in the work which we are doing and gives us confidence in the years ahead to be able to drive it even faster.

Our third pillar of improved performance is Europe, we continue to make good progress; you can see that we are on growth momentum sustained. In a tough year like this, under very tough circumstances in Europe, you can see as we speak, many countries are under lockdown. And newer countries are defining stringent lock downs in Europe, France being the latest which got added, from six in the evening to six in the morning. So complete lock downs across many countries, they are still being able to deliver growth here. So we've delivered a total growth of 16.6%, in Europe which is

allowing steady improvement in our margins, which, at the end of nine months in FY21 stands at around 14.1% against last year FY20 of 12.8%. So we continuously make progress as we continue to grow. So, our growth in Europe coupled with our cost efficiencies, and capital efficiency will deliver better margins and better returns as we go forward.

Finally, the thing, which we are very proud of and we will continue to build on, is the sustainability solutions. You will see, as I speak, our range of sustainability laminates - Platina, Platina Pro, is now under different levels of stability testing and commercialization in many parts of the world. So, at different times and with different customers, we are either in initial stability, final stability; in many places, even in commercialization. We've also started doing work on circular economy, and therefore tubes made out of reused plastic in certain geographies. And that journey is on, we will continue to work on "reduce" - our R&D teams are working really hard to find alternate materials - to basically look at how we can deliver same packaging with reduced use of plastic and also look at bio solutions and bio-materials. So a lot of that work is on as we speak to you. And in all of this we haven't lost sight, on innovation, on convenience in terms of delivery for customers on decoration, on aesthetics. We continue to deliver and grow and be able to rise to the expectations of the consumers and what the customers and their brand teams want

in this space. So overall, in the area of sustainability and innovation we are continuing to deliver and will continue to build it further.

I'm very happy to report that we've also got our first tube which is 100% recyclable and we've got that qualification from association of plastic recyclers. So not only the laminate, it is the full tube, 100% recyclable tube basically certified by APR and we are very proud to have done that.

Our journey on corporate social responsibility is now firmly started; we have a very clear strategy in place. Our vision is greening life, it's about ensuring that we basically work on two projects in the longer term and one very specific area in the short term as COVID is on. So we will continue to look at green communities, which is all around waste management and we would be working in and around our plants to build it and that work has begun already. We will also start working on self-sustaining communities which is our skilling program, that is basically ensuring that we are able to raise the standard of life, improve employability, increase jobs and help in our own small way add to the important issue of job creation and employment generation, which is important. So, those are the two pillars waste management and skill, we will continue to work on them in the long term under a broad vision of greening life.

In the short term we are also working under India protector Alliance on PPE equipment; we've done some work we will do more work as we go forward, so that we ensure that we make our own contribution in this area. We partnered with "Samhita" to deliver this but more importantly, we will have a very strong governance mechanism in place with our CSR Board committee and our CSR governing council helping our CSR project management team.

Coming on to Creative, which I talked to you last time. Just a quick recap - founded in 2012, by two young entrepreneurs Bhavik and Darshan; we have announced our acquisition in November of 2020. They basically operate all in personal care categories, as we say largely beauty and cosmetics about 90%. And the balance is pharma and health. They have a marquee clientele of customers; as you've seen they have some international customers like L'Oreal and there are strong Indian customers like Himalaya and Marico. So very, very strong addition to our list of customers, augmenting our own plates or adding it on. I'm happy to report that the transaction got consummated. Effective 1st February 2021, Creative is a subsidiary of EPL. 72.46% of the stake is what we paid for in cash. And the merger process has started; merger process will take its due course; for the balance, roughly 27.5% share, will be procured through issue of 2.34 million EPL shares to the Creative founders. Creative

founders are now part of the EPL senior management team, and are very strongly engaged with us as we go forward.

So, finally as I conclude, looking ahead I want to talk to you around four broad schemes. First and foremost COVID continues to be an issue, but vaccination brings hope of recovery. Availability of vaccination and basically, its execution will be critical as we go forward. So how far and how effectively are we able to roll it out in India and across the world will make a material difference in our ability to come out of this pandemic, and to go to the new normal post COVID-19. So we remain hopeful here, although the times are tough.

The second piece is on hardening of raw material prices. So, this is a challenge for us. We've navigated this in the past, we will continue to navigate it in this period as well. But during COVID time, this challenge is going to be harder than what it has been in the past. So, for our pass-through customers, there is no problem. But as you would remember there is roughly half of our portfolio where we don't have pass through, for which we will need to find effectiveness and cost effectiveness measures across our portfolio to be able to manage. What it all means in substance is our ability to expand margins as we go forward; in the short term will be hard, our ability to hold margin will be always there because of very effective costs. Cost Management program, we will

continue, but this job is going to be very, very hard as we go forward in the short term. Third key point is around sustainability and I talk to you a lot about this. Sustainability we believe, with all our conversations with our customers, is going to be a key driver. It will help us to change business, to improve the share of wallet but more importantly get competitive gains as well as we go forward with our readiness with PBL conversions, with our readiness to be able to make sustainable tubes. We are very confident and this gives us great hope in our ability to continue to deliver market leading profitable growth.

And lastly, I would like to sign off by saying that in all of this, we stay focused on our mission. As we have demonstrated through this very tough year and our results of the first nine months, we continue to remain focused on delivering on market leading revenue growth and capital efficient, consistent earnings growth. Thank you, ladies and gentlemen. We'll be open to questions as we go forward. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sameer Gupta from IIFL Securities. Please go ahead.

Sameer Gupta: I have basically two questions. I'll point them one by one. So, first of all AMESA, I remember you had already stated in the

previous call that this quarter might be little soft, just wanted to understand more in detail. And obviously after a lot of the FMCG companies have also reported this quarter seems to be an aberration, because most of oral care companies have also reported very good results. Colgate has looked at mid-single digit volume growth, Dabur has been stupendous and around 28%, 29%, HUL has also seen a double digit growth. And even in personal care categories Emami and even HUL and Skin Care with the onset of an early winter they have seen pretty healthy growth in beauty and personal care also, barring some segments like cosmetics. So what exactly is happening here, which are the segments that are dragging down, were there some COVID tailwinds which are helping us in some categories, which are seeing a lot of moderation. So just a little color on this aspect?

Sudhanshu Vats: So a very good question, thank you for asking this question because you see, this could actually well be the elephant in the room, but good you raised this. The reported numbers of some of our customers are very good numbers, as you rightly pointed out, I don't want to repeat them. For us however, there are two things, most of our customers measure their growth in volume and then in value. So basically, it is overall volume, which is largely, if I could use the word, tonnage; so that's the volume, and then they have a pricing and therefore value. Whereas we get a lot of our growth in number of units. So

basically, we are about generating absolute number of tubes. So that is very important for us and therefore broadly, a tube is a tube, not strictly but therefore we do our number of tubes. So one of the challenges which we faced in quarter three, which is peculiar to us, and therefore stands out as a bit of a difference between what you've seen in those results and here, is that even in AMESA and we don't often talk about it, but even in AMESA, the travel tubes, as we call them or the sample tubes or the mini tubes, when we travel, when we stay in hotels, we get those the small tubes, everywhere where we stay - that segment has taken a very, very big hit for all the customers and that does not reflect in their Nielsen measured share and because the size is so small, for many of the customers, it's possible to compensate that volume through growth in high, large size consumer pack, therefore tube. So they have mitigated some of it and that's why you see the numbers there, but we've seen, so the impact on us through not only one big large customer but across customers is as high as 80 to 100 million tubes. So, that's the number in context, which we are talking about, it's a very, very large number. And again, some of these runs are taken periodically, they are not taken constantly so therefore the competitors also become an issue from period-to-period. So, this challenge which we have in oral care across the world is, by the way there in AMESA as well. So you've heard me and our management colleagues talking about travel tubes in America,

travel tubes in Europe, travel tubes in East Asia Pacific , some of the deliveries which we do even for Southeast Asia out of China. The things will normalize here in AMESA as well. Despite the work which we've done with new customers, the work which we've done on pharma, as I told you, the work which we are doing in building newer categories, like beauty and cosmetics, is helping us navigate it better than what it would have been if it was just volume-to-volume. So, we've managed to do that better in terms of beauty and cosmetic per se, I must say barring one or two customers, even for the large customers this segment has been under pressure. If you look at some of the reported numbers, beauty and cosmetics is at best flat, or slightly lower and then how it is translating is that in the year like 2020 which is just gone by and in quarter three of FY21 some of the promotional work which was done in quarter three of FY20 has not been done this year. So, I can tell you, one of my large customers undertook a very big promotion campaign in quarter three of FY20 again, in the region of about 20 to 25 million tubes; there is no promotional campaign in a year like this, basically because they are themselves coming out of a COVID period. So, you are absolutely right, that FMCG companies have delivered good results, which gives us confidence as we go forward. Our challenge on travel tubes remains, but we are finding ways to work around it and we are also more hopeful as we go forward with situation becoming near normal or the new normal more

travel will happen, things will start coming back in some period of time. So, it's a combination of our ability to compensate to other places and grow and growth in even the tough economy areas - hospitality, travel, as that comes back slowly to normal, will further strengthen our position here.

Sameer Gupta: Thanks sir for the detailed answer - just one follow up, I am sorry for harping on this again. But the travel tube aspect I would assume was there in the first quarter also in second quarter also and things have sequentially, I would have assumed supposedly improved in terms of travel. So this 6.5% growth in 2Q going to minus 6 in 3Q may not be alone be explained by the travel tube clarification, there might, is there some other segment like sanitizer or something which has seen a sudden drop or is it just travel tubes, which is the part of the problem?

Sudhanshu Vats: See just to explain a doubt that you're getting into this much detail, let me explain to you two things. Firstly, if you look at AMESA, we all came out of a very tough lockdown, a very tough quarter in quarter one. And this was true for us and true for customers. So, therefore, there was a pent up demand in quarter two, which basically was there to produce that and put it back into the shelves, because if you remember during quarter one shelves had become nearly empty. So, therefore we had a robust growth in quarter two, in consumer pack which partly covered up for travel. Also the run has been

intermittent, as I told you. So that's the reason that you see a pronounced effect here, but also this is the second piece.

Third, you're right we have maintained that hand sanitizers in the quarter one was the strongest because there was pipeline filling, that has come down a bit in quarter two, it's come down a bit in quarter three, but between quarter two to quarter three it's not that pronounced for me to sort of say that it's because of that. So, it's basically the pent up demand of consumer which we were able to satisfy, which again was not there in quarter three because the pipeline filling and all had happened which had dried out in quarter one - so that's why. The other way I would look at all these things, and I keep coming back and good that you asked this question, I emphasize a lot on YTD because sometimes these quarters can be a bit misleading. They will be producing at a particular time when they want to produce their production run comes in, we produce a little bit ahead of that month and then this phenomena basically plays out. Finally, in quarter three one other thing which has happened is that this year, winter products have also got slightly less consumed which is where we could have compensated but because again, as you would see, as people have not stepped out, the use of some of those things have also come under pressure, which you heard from customers as well, in their own analysis of their results in this segment. So, it's a combination of all of this that has led to

this. Our YTD numbers are where they are. But we will continue to build on AMESA. You will see growth in quarter four and from here onwards.

Moderator: Thank you. The next question is from the line of Trilok Agarwal from Aditya Birla Sunlife Insurance. Please go ahead.

Trilok Agarwal: I have two questions, one on the Americas. So, we have seen a reasonably good revenue growth and I believe that was also a follow up because Q2 had impacted particularly with respect to travel tube. Now, if you could just throw some light now on the margin that this quarter has reported on a Y-o-Year basis seems to be a little off. And also with respect to COVID related issues that we just heard with the initial remarks, which of the geographies you believe has seen a higher impact on the second wave of lockdown, or second wave of COVID, that's coming through?

Sudhanshu Vats: Thanks for the question Trilok and that two are related. So first of all, let me first start by assuring you that last time I told you, Americas growth is a one off and it will come back very strongly in quarter three, and we are confident of the growth moving forward. On America's margin which you commented about and on the COVID impact, so let me say the two are related and therefore, let me talk you through those.

So if you look at COVID, impact is very pronounced in America, and thereafter in Europe in wave two as you have been picking that up in news and everywhere. So, you know the number of cases in America is a record high and those number of cases continue to remain very, very high. Hopefully situation will improve as we go forward. And, Europe also, second wave and the new strain of the virus is actually creating a lot of problems. So if you look at America, and also to just give you one statistics, see from one person who falls ill with COVID-19, the impact for us from a supply point of view, is that in terms of secondary contacts of that person, and maybe the broader contacts, what we call people who go into self-isolation, and people who are also very careful and sometimes want to take a few days off, that number can, for every one person, vary from four to five to as high as 10. So the pressure it puts on therefore, absenteeism and to be able to cover that up through over time is extremely high. And that is very pronounced in these two geographies. Very specifically if you look at America, within US, we have one plant in Danville, as you know very well. So because we have one plant, the impact of this is extremely pronounced and what we have managed to do is, despite this, is to service all our customer demand and you can see that in our revenue growth. So we managed to deliver growth, we have given precedence to be able to service and to deliver to basically ensure supply security, because that is our long term

commitment in relationship to the customer, and that has put some pressure on our costs in this period. And that, as you absolutely rightly pointed out, has put an impact on America; you will see this impact temporarily. You've seen it in quarter three, a bit of it may be there in quarter four as well. But at the aggregate level, we will manage and we will come out of it as the situation improves. These are all one offs, that's what is happening.

At the same time in America, in order to grow and in order to continue to build competitive gains, we've also been investing. As I told you, just around COVID time in the beginning of 2020, we opened our office on West Coast, we continue to stay on that journey because that is important, that gives us growth, that gets us new customers.

So, that hopefully answers your question. These two places are more affected. The other two regions whether it is AMESA or EAP, are less affected by the second phase. India particularly as you know, we are all here in India. Two, the other advantages we have both in India and China with multiple plants and therefore our ability to sort of manage this a little better rather than single plant locations. America has a single plant, Europe again has two to three plants, at least two plants, so that gives you a little bit more flexibility and India and China have much of the plants.

Trilok Agarwal: Okay, understood sir. And also last thing if I may squeeze in when you alluded to looking at nine month numbers, when you want to kind of evaluate the performance, how should we think about EPL targets to sort of grow, because we know it's a COVID year, it's tough to give any kind of guidance in absolute numbers. But when you say you're satisfied from a nine month perspective, 10% growth in revenue terms, how should we build in going ahead, in terms of growth rates that you intend to do for the next year or a couple of years?

Sudhanshu Vats: So, as you know, we don't give a guidance and especially in a COVID year. Of course we don't as a philosophy give a guidance, but long term I have always maintained and I continue to maintain that. If you look at our EPL mission 2.0, it is market leading growth and capital efficient cost, that is the second pillar of our growth. It can be earnings growth; so in terms of market leading growth, what we are committed to is to be able to grow our share of wallet and grow competitively; as a marker what we are saying is, we are committed to growing double digit in the long term year-on-year and on that journey. If you look at it, we have basically even in a tough year like COVID, at the end of nine months, or double digit, and we remain quite confident that in the near future, on a year-on-year basis we should be able to deliver this kind of performance.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Investment Management LLP. Please go ahead.

Ashwini Agarwal: It was a challenging quarter obviously. Couple of things, in your adjustments you talk about TSA related expenses, and ESOP related costs. And, one question that I have is that how long are these likely to continue to be exceptional items because ESOPs are going to continue, correct. So, I don't know why you pull them out, are these exceptionally high in the initial few years because of the changes that have been made and when do the TSA related expense expire?

Sudhanshu Vats: So, I will ask Parag to comment on this Ashwini. Thank you for raising this. But let me tell you, this year the reason we are calling it is if you look at our comparison of the previous year, this was not there, so it is an item which is new in this year. And that's why we are calling it exceptional; so you're absolutely right, it's not that we will continue to call it forever. The point is this year, because it was not there in our previous year comparator, it's only fair to give you the number which is with this, and the number which was not there, what would have been the number so that's an intrinsic piece. As we go forward and as we plan, we'll be able to continue to grow on this and deliver on these numbers as well. So, that's how, if I

were to say that, I will also ask Parag to comment more specifically. Parag over to you.

Parag Shah: Thank you, Sudhanshu. So, Sudhanshu put it correctly when it came to ESOP cost. This is the first year and clearly this cost was not existing in the prior year. As far as the TSA is concerned, the TSA is for a five year period and we are in the second year. Also, the current year is the first full year, whereas the last year was a part year; it began in August of 2019. So again, it's not for two full years that we had TSA as in two fiscal years 19-20 and 20-21. And what you would observe is that we are sort of being consistent in adjusting the EBITDA of both the years. It's not just an adjustment of the current year's EBITDA, it's an adjustment on both years. So it's a like to like comparison and at the end of the day the ESOP is not an expense, it's a notional cost due to accounting treatment. It is not something that impacts cash flow and it's an accounting requirement in terms of accounting standards that we need to account for the ESOP cost.

Ashwini Agarwal: No, Parag I agree with it from an accounting angle it's just an accounting cost and not a cash cost but it is a real cost in the sense that, it needs to be accounted for because ultimately, it's a cost borne via dilution right over a period of time, so that's fine. And TSA is of course so five years it's going to be a flat four crores a quarter number pretty much all

through these five years, does it have an escalation or something?

Parag Shah: True, it is Rs.16 Crores per annum, and you're right about the quarterly split.

Ashwini Agarwal: Okay, all right. The second one is that, on the margins front; obviously there are lots of moving parts here, including cost that you've kind of had to absorb, the startup cost of an office in the West Coast, and so on and so forth. And now you have the raw material challenge coming up from what I understand. Purely from forecasting perspective do you think the EBITDA margins that you reported for the nine months even if I don't take it for the quarter, can these be kind of sustainable or we should mark them down as we go ahead for the next couple of years. I know you don't give guidance, but some assessment of how you feel might be helpful?

Sudhanshu Vats: So, no. And Ashwini, again very good question and one thing I want to repeat and then maybe very specifically answer your question, but repeat overall what we think and as we look at the longer term which I can tell you - so the longer term we stay committed to market leading growth which is we are defining as being roughly double digit growth. And we want to continue to deliver a marked EBITDA in higher mid-teens let's say and a marginal EBITDA expansion year-on-year. So that's what is, let's say a longer term picture. Now within that,

if you were to look at very specifically in the year and whether you look at the quarter, or you look at the year, the nine months sorry, into the year you're looking at a number of about 20.8%, which is our nine months into the year, in quarter margin is also about 20.9%. So, we are in that zone and with all our cost effectiveness program, our plans and therefore our desire is to actually stay in this zone. There are headwinds, and you already pointed them out, I also wanted to highlight them, because these are clear headwinds which we are facing. But we are confident that we will navigate this and remain in this zone. That's what I want to say, and as we go forward, we will continue to work on what I said in the longer term. So as you look at it, so therefore being able to grow marginally, continue to grow EBITDA margins and deliver robust revenue growth and commensurate EBITDA growth is something which we are steadfastly looking at.

Moderator: Thank you. The next question is from the line of Varshit Shah from Emkay Global. Please go ahead.

Varshit Shah: My question is more on the growth side. So, given that the pandemic let's say ends in, want to be at least situation improves in the next three to six months across most of the geographies, would we see an accelerated growth profile vis-à-vis what you've seeing in the last nine months, or you believe that there will be some down sync in hand sanitizer and some of the correlated segments. So largely this is the

band of growth which we should expect excluding of course your acquisitions, or any other inorganic opportunities?

Sudhanshu Vats: Yes. So again, a good question. Our sense is that, as I said again, once again our endeavor is to deliver market leading growth so that we have competitive gains, share of wallet gain as we go forward. And you are right, as the COVID situation eases, let's say, in six to nine months we will see acceleration in certain areas. And that should help, but we will also as I was telling you, have some headwinds as well. So once the headwind deemed that everybody is coming out of COVID, everybody has cost management programs, our customers also have cost management programs. So some amount of the pricing pressure will continue to remain and we've got to navigate that; that has a bearing on revenue as well. So you will see, once we come out COVID, you will see a more pronounced volume led growth, slightly subdued on mix and revenue. And these things keep changing as we go forward and you are also right that in the COVID year, we did make very good use of one opportunity, which is hand sanitizer in the short term that will be a bit of a headwind, but we are very confident of building on health and hygiene and are doing things which will continue to grow. So as a principle, we should be able to grow the portfolio at a steady, double digit pace. As, I talk to you I'm very confident because there is a

lot of work which we've done in this COVID year as well on pipeline. So we are very confident of our pipeline.

We have the visibility to that pipeline, but because of COVID, how, in what phases will that pipeline come out, how will the pipeline consuming and therefore when to be convert it into actual, this thing will vary, country to country, COVID situation and customer to customer depending on their own priority. So, we have a strong pipeline that gives us confidence of a strong volume net growth as we go forward.

Varshit Shah: Sure. And my second question is on margin, so if I see your gross margins actually as a percentage actually has improved. So, I'm just trying to understand is the raw material headwind going to come going ahead, or it is already there in 3Q. And my follow up to that is, that your EBITDA margins actually has been slightly under pressure, if I were to give the benefit of the gross per expansion has not slowed down the EBIT because of high employment and other expenses. So what is causing that, because on the customer side you've done well which is integrated the gross margin in terms of pricing?

Sudhanshu Vats: Yes, so I talked about that earlier, as well. So just as I told you a bit of pressure on EBITDA, which you see in this quarter is largely to be able to basically combat the entire COVID piece. And that is the both the COVID expenses, and the investment around that is what we will continue to make, that's why you

are seeing that. And otherwise we are managing cost very, very effectively, as you rightly pointed out.

Parag Shah: So, if I might just add, if you look at our adjusted EBITDA for nine months, and similarly the adjusted EBITDA for nine months last year and then look at the EBITDA margin. So the EBITDA margin would then be 21.7%. The adjusted EBITDA margin would be 21.7%, for the first nine months of this year and you compare it to the adjusted EBITDA margin of the nine months of last year that would be 20.6%. So when you look at it that way, actually there is an EBITDA margin improvement of 1.1% for nine months. So, that would be the better way of looking at it and having said that, even in a year where you have faced with an uncertain global pandemic, to have grown margin over nine months, even the reported margin by 60 bps. I don't know, over nine months and a 10%, growth, oral care growth of 9.2%, and personal care growth of 9.8%. These are fairly secular growth over nine months in terms of given how the year is.

Moderator: Thank you. Next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: First question on gross margin, I know you have tried to answer it but, just a little more clarification, I'm looking at only this quarter, not nine months as a whole. We had a 200 basis point expansion in the gross profit margin. This is

despite all in the deterioration in the mix where personal care contribution is lower on a Y-o-Y basis than the oral care. What explains the expansion, and the gross profit margin is one. Number two, you just spoke about rising prices in the raw material, are there any inventory gain in this quarter, because we had low cost inventory and the prices were fairly material rising, hence we have benefited on the gross profit margin, is that the case?

Sudhanshu Vats: Yes, so let me - I will ask Parag to elaborate on that, but you're absolutely right. See it's two things, which happened is the rising commodity, as you saw so you're absolutely right, our ability in the first half of the year and which sort of spills over a little bit into in the nine month, that you see to be able to get buying savings as we say, or material savings is a little better that will continue to be a bit of a pressure as we go forward, which is what I talked about when I talked about hardening of raw material prices, and its impact. But we have mechanisms to sort of cover that and other savings programs lined up to be able to manage that as we go forward. But, that partly explains what you've said and the other reason which I've been continuously saying is, we will remain steadfastly committed to delivering supply security and high quality supply service to our customers because this is the time, we think, for competitive gains and share of wallet gains. We are already

seeing a lot of that and we will continue to see as a company, the fruits of this as we go forward.

Sanjesh Jain: Thanks Sudhanshu for that answer. Related question again, when we speak about the headwinds led by raw material and the other side we speak that we are one of the most competitively manufacturing company, what stops us from passing the prices apart from pass through? Pass through are more partner like customer, I understand and it's not something who are not partner or are slightly lower than the one who are partnered with us, why should we bear a margin there, and why the pass on is so difficult?

Sudhanshu Vats: Yes, so I will ask Ram to comment on it and to get you a more detailed perspective on this but let me just give you the headline. The headline is that with the half of our customers roughly, we have a pass through with a balance half what happens is these are awards, so you've taken an award at a certain price. So in a short-term award of six months, maybe nine months, sometimes even three months, it is not appropriate to go to the customer and say this has happened and then we need to take it especially if the change is not substantial. If the change is very substantial like the movement of 2008, or some such thing is a very sharp movement, then of course you should talk about it, either take it up or take it down, when it's hardening a little bit. The point which happens is, we need to sort of find ways to tide it over

in that period and then we get the next contract or the new award, that's when we sort of build this in. So that's how pricing broadly works. But let me ask Ram to build on this and to share with you how we do this.

MR Ramasamy: This is Ramasamy, see this is a long term relationship business, you can't in one quarter go and ask something more in one quarter you reduce the price. See as Sudhanshu was explaining, say about 50% to 60% of the business where contractual businesses, price pass through is automatic, it's not difficult, it's automatic; we have contracts and it gets passed through. Whereas, what we do is we add a lot of value added services to get the price improvements, you don't go and ask for a 2% or 3% price increase here and there. But what you do is, you add value, you make the products more premium, then you ask for a price because you're really giving a value to the customer and get the price. There are about 10% to 15% of the customers probably that are buying then and there, we need to be market competitive to supply so you can't go and ask for a price increase here and there. So over a period of time, if you see our gross margins, we are able to maintain our improvement, right? That shows our ability to pass through whereas, commodities are every quarter-on-quarter prices are increasing, then how we are able to maintain our margin? It comes from two efforts, one is that we've

continued to be more efficient in usage, continue to be more efficient and positive. Does that answers your question?

Sanjesh Jain: It answers fairly, but one follow up there again, sorry to stretch on it but just trying to understand a little bit better. So, when we sign a contract, though the prices are spot and fixed, don't we cover the raw material also in that sense. Back to back, don't we make so that, that provision is completely hedged and we don't take the pricing risk?

MR Ramasamy: No, it's not spot prices, it's covered through an indexation mechanism, it is for the average of the last three months or two months or six months, depending upon the customer. So you do an indexation of a commodity or you do like that, then you get a price increase in the next quarter. So you will always have a catch up in an increasing market, in a reducing market, you will have a better pricing in that quarter. So it's catch-up, so it's passed through with a time lag.

Sanjesh Jain: So it's just a lag we are talking about?

MR Ramasamy: Yes.

Sanjesh Jain: Then it's not really the headwind that we are speaking about right?

MR Ramasamy: No, in this business that's what we are trying in this prime business you had to secure your raw material prices doesn't impact you much it will impact you in a shorter term, in a

longer horizon of six months it do not impact you. So you will try and capture that, that's why it's far more secure in terms of the ability to operate in this market.

Sudhanshu Vats: Very well said, that's exactly the point. Good you highlighted it because I also want to assure everybody on the table and everybody who's listening in, that we remain steadfastly there. When we say hardening of raw material prices, this is the short term impact issue because once you start looking at quarter-on-quarter you will see what happened in this quarter. So the point is, that YTD as he rightly explained we are on that peak. We are very confident of being able to deliver for sure and therefore year-on-year as we go forward, but you may see some variations on individual quarters and there is a bit of this headwind now and the timing of this headwind is also coupled with COVID-19. So therefore, there is also tremendous pressure on cost Rs.43 crore kind of cost increase. Now, again, it's equally coming from employee cost and the other expenses, I can still understand employee cost which you try to mention that there is an overtime cost and probably those sorts of things. But what explains the other expenses rise?

Sudhanshu Vats: So, I will ask Parag to comment more specifically, but I can tell you, I have already explained the piece on in quarter, with the investments we made or the expenses we've incurred for COVID-19, that largely explains some of those costs. I will

ask Parag to further talk about it. You see, some of those could also be, in certain places in order to make delivery happen in certain regions, we may in very small instances, outsource certain things that is something which you may be seeing in the number but let me ask Parag to comment on this.

Parag Shah: So, some of these expenses as Sudhanshu earlier mentioned, we're also in the form of investments in R&D, and these investments are not necessarily only at a personal level also. So these are elsewhere as well. Having said that, I'd like to draw your attention to project Phoenix, and our ability to manage our costs and gradually grow over EBITDA margins. So, I don't think that there is any reason to have caused any alarm in terms of increasing any expenses. Our track record with project Phoenix ensures that we keep our cost under control, and it's something that we continue to work on a continuous basis.

Sanjesh Jain: Got it. Thanks for all the answers, just one last bookkeeping question, if you can help with that, the effective tax rate has been quite volatile it seems. Now, how should we see that and how should we pan that in our model?

Parag Shah: We've been asked this question before and we typically say around 27% to 28% should be the ETR over a longer period.

Sanjesh Jain: And the near term volatility is all because of the geographical right?

Parag Shah: Correct. It is a geographical mix, we are having about 10 operating subsidiaries are totally 15 to 18, but the major subsidiaries, so it's about the moment in different geographies.

Moderator: Thank you. The next question is from the line of Mitesh Jain from Birla Mutual Fund. Please go ahead.

Mitesh Jain: So, I have one question on the cost position of the company and particularly on the employee cost and the other expenses. So, I'm just reading out few numbers from your reported numbers not the adjusted number from the presentation but the SEBI press release. So, our top line for the nine months has grown by about 10%. Our employee benefit expenses has gone up by 13.5% and the other expenses has gone up by about 9%. Now, my question in this context is that what is the relevance of this cost saving project that you are running, which is called the project Phoenix because the cost items rather have gone up much more than the revenue growth, this is point number one. Point number two is, when I look at the cost in the context of the general corporate India results for the first three quarters in this year, the one of the biggest surprise has come from the cost and across sectors where the companies were not running the focus cost reduction program, still they had lot of cost savings, because obviously there were no office overheads, there were no traveling, there were no hotel expenses. In your case the advertisement is not

applicable. That was also one of the elements. So where this entire cost reduction program because it's definitely not visible in the numbers. If you can comment on this please?

Sudhanshu Vats: I will ask Parag to comment but let me make a few things clear here, basically so that we are on the same page as you asked the question. So first of all, a lot of our project Phoenix is around manufacturing efficiency, material saving, scrap improvements, and so on so forth which don't come below EBITDA many of them come before EBITDA as well. So, it's a lot before as some of your colleagues were talking about gross margin, and so on, so forth. So these are effective ways to manage our piece as we go forward. The second point is the point which you raise, where some Indian companies and customer companies, basically they have a very large discretionary spend as you spoke about in advertising and A&P tends to be anywhere around 10%, or sometimes even more, and which you can very effectively be utilized in periods like this. Compared to our customer facing companies, even our travel and admin numbers tend to be very small. So we don't have scope for savings there. We have scope for savings in manufacturing efficiencies, material efficiencies, in buying efficiencies, and those are the things which we've been delivering and that's why you see an expansion of margins for us in the nine month period, and overall that's a second thing. Lastly the specific line on

employee which you see, you're absolutely right. In our case, because most of our employees are in the plants and many of them are also as I was explaining to you particularly in quarter three, in the plants in the Western world where the second wave has been ruthless, In order to ensure that we give safety to the employees, at times that overtime expenses, at times some incentives, it's absolutely critical that we have our plants running, we are able to supply to our customers, through in our supply team. So, in our overall management this is what we are doing, I will ask Parag to further add more to this. And our focus is equally ruthless on different lines.

Parag Shah: Right. So to your point about the 13.5% increase in personnel costs, about 2.5% is because of ESOP which was not there in the previous year. And then there are one-off expenses, particularly related to COVID, because you have people absenteeism and things like that. So that is the second reason why you have higher personal expense costs. So these are the main two reasons, the ESOP cost and the one time COVID related costs that are adding up to that 13.5%. If you were to look at the same price and the same publication sheet, I'm sure you would have looked at the total expenses also. And you would have seen that, that has grown only by 8%, which is well below the revenue growth of 10%. So, when you manage cost, you manage cost as Sudhanshu said in various ways and means and the fruit of it all is if you look at the total expense

line, it's well below the revenue growth of 8% growth versus 10% revenue growth. The other thing is, again somebody else had alluded to it, and if you look at even the material cost. And material cost is variable, variable to revenue and when you look at that, you will also find that it is considerably lower if you consider material costs as a variable cost. And, again, a lot of effort goes there, as Sudhanshu was saying through Phoenix, in terms of programs that are run there and so that's also something that drives and controls our cost management and helps improve our EBITDA margins.

Mitesh Jain: Sure. So, essentially, any cost reduction program typically targets the overhead within the organization, not only EPL but any company for that matter, because this gross margin and commodity related adjustment going up and down or beyond any management control typically, you can do it to some extent, but some petroleum related costs can go up and down and inventory adjustment keep on happening. So, I would request that, from say next quarter onwards, if you can provide some more details on this project Phoenix, if it is only focused on the gross margin side only, which is the variable cost raw material and not the fixed overhead, some details on what kind of initiative or what benefits which are permanent in nature, because right now the presentation, a 40 page presentation mentions just one line about projects, some details would be encouraging. Thank you very much.

Parag Shah: Yes, I hear you, but we unfortunately don't share details and we wouldn't get granular. So didn't want to sort of give any false hope. But again, you look at our EBITDA margins and in a difficult year we have been able to grow our EBITDA margin by 60 bps. And I said that if you look at the adjusted EBITDA, and then look at the adjusted EBITDA margin, it's grown by 110 bps. So, effectively we have demonstrated that we can manage our costs, and as Sudhanshu said grow our EBITDA margins and we are confident of growing that over a long period of about three to four years.

Sudhanshu Vats: Thank you for all your comments. One last point I wanted to share with you is that, if you look at our cost management in comparison to some of the Indian companies you've talked about, my request would also be to look at our cost management within AMESA and therefore, you will find that very sharp management in cost there as well, the point is that as we go forward geography, place to place everywhere we have to take care of what we do and what we don't.

Moderator: Thank you. The next question is from the line of Rushabh Doshi from Proinvest Wealth Managers. Please go ahead.

Rushabh Doshi: I just wanted to understand, what are the quarterly numbers for Creative Stylo and also like, they have quite a good numbers, like for instance they have a very strong EBITDA margins. So, what is, is that we can learn from them, do they

have leaner workforce, or do they have more automated clients or are their operations more lean, so like going ahead what can we learn from them to improve our business and also could you tell us like, what will Bhavik and Darshan be taking over in EPL?

Sudhanshu Vats: Thank you for asking a question on Creative. My request would be hold your guns for a little while, we will come back to you with all the answers. It may be premature for me to talk about it at this moment. But, as we basically assimilate the business into our business, we look at everything we have just closed the thing yesterday, we will come back to you with our understanding and you are absolutely right. It is they deliver strong EBITDA margins, they deliver strong growths and basically the rationale for doing the things was on growth and EBITDA exhibitive. We will learn where we need to learn and hopefully they will also learn a little bit from us. As we go forward, that's what will happen. But, we will be able to respond to a specific question like that, maybe in the next call, or a little later.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternative. Please go ahead.

Ashish Kumar: We heard this thing about onetime expenses because of COVID. What would be really helpful is, if you guys have a supplementary thing, you can kind of enlist what's the impact

of the COVID expenses, and put it out as a supplementary presentation so that we know what is normalized EBITDA margins going forward. And the second question which I had was in relation to the capital expenditure program, and the capital intensity of the business going forward. This year we have incurred 100 odd crores of CAPEX. So for your let's say low double digit kind of a top line growth, what kind of an asset capital intensity would you be looking at targeting and I'm talking about maybe on a two, three year perspective - need not be a shorter term?

Sudhanshu Vats: Yes. So let me I will again ask Parag to comment, but let me first tell you as a principle on capital intensity, when we talk about in the longer term, we basically say that for you to model or look at something, it will be fair to look at our depreciation, long term depreciation is a number, that number tends to be about Rs. 240 crore for us as a number- ballpark. So, we would like to manage our capital expenditure in and around that number, actually ideally a little bit lower to that number, that's is to just give you to the second part. On the COVID impact the point is, we are equipped to tackle this, this is a phenomena which is there for some time and we are now almost a year into this phenomena, but we are equally hopeful of coming out of this phenomenon in three to six months. The variables we play with are quite a few and we are so different in different regions. So, try and pull that out and

try and explain that to the community here will not be prudent because it doesn't help anybody. The point is, what we continue to say is that despite all this stuff, we will continue on our journey on EBITDA growth and marginal EBITDA expansion, you are seeing that happening even in this year, up to the nine months which you've seen and that's what is important for you. And therefore, I do think we are well equipped to manage it in the way we go and we manage it very differently in different regions, different plants, different places, requirements are different. Sometimes they are partly regulatory, sometimes there are sanitation standard, hygiene standard, number of people so therefore number of people employed, on roles, contracts, so it's very, very different at different places. So, therefore it can become extremely complex for us to share that.

Ashish Kumar: I fully understand that Sudhanshu. But, we are trying to understand and there have been a lot of questions around that is to try and understand as to, in the 18 odd months since you guys took over as to where is our current normalized level, in the level of margins, if it were not covered, we would have known where we are and where we can be. But what we are trying to all try and guess in some manner is to try and understand what is the normalized level of, let's say the gross margin, was it not for the COVID related additional expenses, that would be there. Would it be 50 basis points, higher, 150

basis points higher, 200 basis points higher, that's what we are trying to understand. So, that kind of becomes a benchmark for going forward to understand as to what margins this business can generate?

Parag Shah: So if you want to look at last year, when there was no COVID, except for perhaps a part of the quarter four, we had an EBITDA margin of 20.3 and we said that in the near future, we will sustain that in a narrow band, and over a three to four year period, we'll certainly grow that margin. So we still stay committed to that part, that we will be growing this EBITDA margin incrementally over the next three to four years. And again, I reiterate, last year my EBITDA margin was 20.3 on a consolidated basis, last year COVID hit perhaps EAP a bit in Q4. But otherwise, if you look at it, there was virtually a largely a COVID free year. So, what you're seeing are sustainable margins which we will be endeavoring to grow.

Ashish Kumar: Parag, the issue which is there that the 20.3 also included a portion where the new management team had just come in and started putting in project Phoenix right. What we are trying to estimate is that how, now that you're done with your phase 1.0, has that 20.3 moved to 21, 22, 23 and from there obviously, so with that point we are trying to understand as a community, that's what we were trying to understand.



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Parag Shah: So to that extent, if you look at the long term piece, which I have been saying consistently is we will be, we will endeavor to deliver double digit revenue growth, translating into mid-teens EBITDA growth, and translating into a marginal expansion of EBITDA year-on-year. And you can see that despite COVID, despite all the tough circumstances, we are very well positioned to do that in next year hopefully, and we will continue to build on this. So, we stay absolutely steadfast in what we are saying to you and what we are delivering. Also we are not front facing consumer business. So for it to continue to keep we have a listed entity, we serve our customers, we will continue to improve this as we go forward, you're seeing an improvement and you will continue to see the improvement.

Ashish Kumar: So, Sudhanshu should we assume that there will not be a step up jump as COVID related expenses kind of we get to move from the system, but it will be the normal grind path which every B2B manufacturer tries to deliver by focusing on each in-line item of the cost is that a more appropriate way of looking at it?

Sudhanshu Vats: You are right in one way but I also want to tell you that I am in a business to grow the business first and foremost. In order to grow the business, I will also continue to invest and as you saw in quarter three, and that's why in quarter three when we talk to you about investment in quarter and COVID expenses.

The reason is that none of us has had fully factored in a severe second wave. So, the point is we started on that journey on investment. So as we see, as you go forward, we've got to continue to build capacity, continue to invest, continue to invest on various lines so that we are future proofed and fully ready for the future. And that's the journey we will stay committed to, so revenue growth leading to EBITDA growth, leading to EBITDA expansion. This is what will happen, when COVID hits we will take care of certain things by managing that, when COVID goes away, we will take care of certain things by preparing for future, for future investment a little bit more. So we are staying committed to what we are saying, and we will deliver that.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Ankit Gor for closing comments.

Ankit Gor: Thank you team. Thank you for answering all questions patiently. I would like to handle over call to Sudhanshu for any closing remarks. Thank you Sudhanshu over to you.

Sudhanshu Vats: Thank you. And thank you Ankit, thank you everyone, and thank you everyone on the call. Thank you for your patience and thank you for raising all the questions, they always keep us on our toes and continue to raise our performance level as well. I just want to sign off by saying that we are firmly committed to our EPL 2.0 mission, which is about market



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leading revenue growth and capital efficient consistent earnings growth; you will continue to see this, you are seeing this in a tough year like COVID as well in the nine months number which you've seen, and we are confident with all the pipeline, the numbers which we have, the work which we have done in this year and in the years earlier, and then what we are continuing to do and all the work which we will do on cost effectiveness through project Phoenix, to be able to deliver this. So from our point of view in the long term, as far as EPL is concerned, you will see a market leading healthy revenue growth, double digit and that leading to an expansion, a marginal expansion in margin and a robust EBITDA growth as well. Thank you very much. Thank you for your time.

Moderator: Thank you. On behalf of Systematix Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.