

February 13, 2024

BSE Limited

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Dalal Street, Mumbai - 400001
Scrip Code: 500135

National Stock Exchange of India Limited

Exchange Plaza, C/1, Block G,
Bandra-Kurla Complex, Bandra (E), Mumbai - 400051
Trading Symbol: EPL

Sub. : Transcript of the Conference Call - EPL Limited (“Company”)

Ref. : 1. **Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) (“SEBI LODR Regulations”)**
2. **ISIN: INE255A01020**

Dear Sir/ Madam,

In furtherance of our intimation(s) dated January 30, 2024 and February 7, 2024, we are enclosing herewith, the Transcript of the conference call for the Analysts/ Investors, which was held on February 7, 2024, to discuss the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2023 (“said transcript”).

The said transcript is also made available on the website of the Company i.e. at www.eplglobal.com/investors/shareholder-information.

This is for your information and records.

Thanking you.

Yours faithfully,
For **EPL Limited**

Onkar Ghangurde
Head - Legal, Company Secretary & Compliance Officer

Encl.: As above

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“EPL Limited Q3 FY24 Investor Concall”

February 7, 2024



MANAGEMENT: **MR. ANAND KRIPALU – MD AND GLOBAL CEO, EPL LIMITED**
MR. M. R. RAMASAMY – COO, EPL LIMITED
MR. DEEPAK GOYAL – CFO, EPL LIMITED
MR. SRIHARI RAO – PRESIDENT, AMESA REGION, EPL LIMITED
MR. ONKAR GHANGURDE – HEAD LEGAL, CS & COMPLIANCE OFFICER, EPL LIMITED

MODERATOR: **MR. PRATIK THOLIYA – SYSTEMATIX GROUP**



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Moderator: Ladies and gentlemen, good day and welcome to EPL Limited Q3 FY24 Investor 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 any need assistance during this 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. Pratik Tholiya from Systematix Institutional Equities. Thank you and over to you, sir.

Pratik Tholiya: Thanks, Sagar. Good evening everyone.

On behalf of Systematix Institutional Equities, I would like to welcome all the participants who have logged into this conference call on EPL to discuss the 3rd Quarter and Nine Months ending FY24 Earnings Conference Call.

At the outset, I would like to thank the Management for giving us the opportunity to host this call. From the management team, we have Mr. Anand Kripalu – MD and Global CEO, Mr. M. R. Ramasamy – COO, Mr. Deepak Goyal – CFO, Mr. Srihari Rao, President - AMESA Region, Mr. Onkar Ghangurde, Head - Legal, CS & Compliance Officer.

I would like to welcome Mr. Anand Kripalu to start with his “Opening Remarks”. Thank you and over to you, sir.

Anand Kripalu: Thank you, Pratik. Hello everybody and thank you for joining the Q3 FY24 Earnings Call.

At the outset, I am pleased to share that our Brazil plant, which became operational last quarter, has successfully stabilized. Our focus is now directed towards harnessing further growth in this promising market. Hence, from this quarter, we are taking the step to present a consolidated view, including Brazil, in all our results. In any case, Greenfield expansion is very much part of our growth strategy.

In Q3, we reported a revenue growth of 3.2% versus the previous year. This was underpinned by strong underlying business performance in most regions impacted by negative pricing due to soft commodities as well as the adverse impact of the Egypt economic challenges. Hence, while the India standalone business grew by 4.2%, AMESA as a region witnessed a negative growth of minus 0.6%. EAP has continued its consistent strong performance of double-digit growth at 11.6%, Europe grew by 8.6% and Americas by 11.9%.



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Our focus on 'Personal Care and Beyond' continues with the category now contributing 48% to total sales in the year-to-date FY24. Along with personal care, we have seen significant gains in the pharma category as well, with India doing the highest ever revenue in pharma in December 2023.

In line with our recent communication, while our revenue growth was impacted by negative pricing pressure, our EBITDA growth and margins continues to progress strongly. In Q3 FY24, we delivered a robust EBITDA margin of 18.8%, which is an increase of 74 basis points quarter-on-quarter. Our year-on-year margins improved by 224 basis points and absolute EBITDA grew by solid 17.1%.

Importantly, while our business is not a sequential business and quarter-on-quarter comparison is not the right way to measure performance, our consistent 6 quarters EBITDA margin improvement journey reflects our commitment to bring margin back to pre-COVID levels. Our margin improvement plan including active price management, mixed improvement and cost optimization gives us confidence that we are well on our way on our margin improvement journey. PAT during the quarter grew by 37.2% and ROCE stood at 14.5%.

Moving on to sustainability - innovations, recognitions and wins, are at a core of our strategy and daily operations is a commitment to sustainability. The global sense of responsibility towards our planet of growing and the growing acceptance of our product mirrors this shift. We are on track to double our recyclable tube sales versus the prior year accounting for 20% of our total volume.

Additionally, as the days of customer's commitments for conversion to sustainable solutions draw closer, we are confident of benefiting from that transition.

Our sustainability endeavors have not only resonated within our organization but have also received external recognition. We were recognized for the "Best Overall Sustainability Performance" at the World Sustainability Congress organized in Mauritius. We were awarded as the winner in the "Excellence in Procurement Sustainability" Category by ISM-India. We also achieved a Green Rating, which signals positive progress on Ellen MacArthur Foundation for the second successive quarter. We remain committed to innovation, garnering recognition at the recent IFCA Awards for our "Pioneering Tube".

Looking ahead, we continue to remain optimistic about our revenue and margin potential, though soft commodity prices will continue to put pressure on revenue growth in the short term.

Let me walk you through the key initiatives for revenue as well as margin:



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First on revenue and I must add here that accelerating revenue is our top priority. We are aggressively targeting the vast potential in the Personal Care and Beyond segment, actively pursuing smaller customers and scaling up our hunting capabilities. We have made significant progress in building flexibility in our system for smaller back size orders that is critical for Personal Care and Beyond category. In East Asia Pacific specifically China, has already put in place this kind of flexibility and we are making rapid progress in both AMESA and Europe. Complementing this is the increasing range of innovative and high-quality products. Importantly, we have commenced commercialization of NEOSeam which nearly eliminates the Side Seam in Lamitube across India, the US and Europe. Our robust portfolio of sustainable solutions continues to provide significant competitive advantage. The increasing emphasis on sustainability coupled with our key customer's commitment to swift adoption of recyclable packaging will continue to play in our favor. We are optimistic about our Brazil operations as it opens up significant avenues for growth.

So, overall, we are confident that these initiatives will accelerate future growth, which when coupled with mix and moderate pricing will help us to get to our longer-term ambition of double digit growth. And secondly on margin, we have delivered consistent margin improvement in the last few quarters. We are continuing our efforts behind active pricing, mix improvement and cost as well as structural interventions in Europe. We have a solid pipeline of these initiatives which will continue playing over the medium term to help us to get to our stated objective of delivering a 20% margin.

With that, we will now open this up for questions.

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 India Infoline. Please go ahead.

Sameer Gupta: Sir, you mentioned that there is negative pricing sitting in the sales growth. And when I see the segmental performance, it's actually only AMESA where there is a lower growth. The rest all geographies have done double digit and there also you called out Egyptian currency impact. So, excluding which India has grown at 4%. So, suffice to say that the negative pricing is right now only affecting India and no other geographies, or this is more like a performance excluding pricing that you are seeing in India as well because last few quarters also, we are tracking around 4%-5% in AMESA region.

Anand Kripalu: Yes, so I specifically called out India standalone, because Egypt is an exceptional situation in terms of economic challenge and devaluation and inflation. So, that you all could understand what is happening in India. The reality is there is some negative pricing in all regions. The scale changes based on how much of our business in each region is contracted because contractual



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flow-through happens automatically with a lag of 3 or 4 months, but negative pricing based on softening of commodities is affecting our overall results.

Sameer Gupta:

Got it, sir. So, just a request. I mean if there is a way, you know, because these pricing pass-throughs will always be there in inflationary or deflationary times. Is there any metric that we can track to see the underlying performance of the business, maybe gross profit as an indicator, does it board well like it's grown up around 10%, is that a fair understanding of how the business is growing going forward? I'm just trying to get a metric to understand, not to pinpoint or anything?

Anand Kripalu:

No, I understand. I think, you see, when you look at our overall P&L, despite a revenue growth of 3.2%, which I said has been negatively impacted by pricing, the absolute EBITDA growth we are delivering reflects how we've done. And I think what is worth just decoding is the fact that negative pricing is in no way impacting our margins at gross margins or EBITDA margin, that journey is intact. So, it is just what's happening on input cost that is getting translated into pricing and that's impacting the optics of our revenue numbers, but the profit of the company both as a percentage and in absolute is robust and is growing robustly back towards the journey from where we started. So, I think that is the ultimate way in which and listen you guys are far better in this game than I am, but for me the absolute profit pool of our company is growing, the company is growing. The rest are pluses and minuses, sometimes inflationary, sometimes deflationary, those things happen. But whatever environment you are in, the question is your profit growing or not and that is one way of looking at it.

Sameer Gupta:

Got it sir. Just a follow up there. So, this negative pricing element, is it something like a carry forward of the previous quarters because I see most of the commodities which are there affecting our basket, they are largely stable. So, what exactly is this negative pricing coming from and is it likely to come in the future quarters as well?

Anand Kripalu:

See the negative pricing first of all plays out typically a quarter or so after the actual negative pricing of commodities happens. And just remember you are comparing the same quarter of the previous year. So, what is happening is that while there has been the stocking of commodities happens quarter-on-quarter, the pricing impact happens a quarter later but you're comparing with a denominator where the pricing was probably higher based on much higher commodities. So, the optics of that negative when you compare Y-o-Y is dark and that's what is affecting the number.

Moderator:

Thank you. The next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.



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Jenish Karia: My question is with regards to the Europe region. So, we see that the revenue growth rate has been healthy around high single digit kind of a number in Europe. However, the EBITDA margins on a sequential basis have been on a declining trend. So, if the polymer prices are declining, it indicates a strong volume growth, but despite that we are not able to ramp up our margin. So, any commentary on that?

Anand Kripalu: So, I agree with you, first of all, that in Europe, interventions are needed to either accelerate growth further or to prune the costs. I can tell you we are putting one foot on the accelerator growth in Europe and the other foot on the break of cost in Europe in this quarter particularly. But the benefits are not playing through yet. But in this quarter under review, we have started making some structural interventions in Europe to optimize and prune the costs and you will see the benefits of that beginning to flow through in Q4 and beyond. So, we are absolutely focused on looking at the cost base in Europe to improve the margins while continuing the journey to accelerate our growth performance.

Deepak Goyal: I would just add one quick point here. If you look at Europe performance versus prior year, the EBITDA has already started improving. So, last year 5.7, this year 9.2. Sequentially when you see, Western geographies typically have a softer Q3 because of Christmas because second half of December is usually shut down and hence it results into lower growth and that is why when we are looking at this business, we should not look at it sequentially, we should look at it versus previous year that's a better comparison.

Jenish Karia: Secondly sir, we have highlighted that we are going to focus on smaller quantities to be delivered in Europe region. Like I just want a broad understanding how much incremental profit do we make on delivering smaller quantities compared to bulk? Any sense on that broad indication also?

Anand Kripalu: So, let me put it this way. Our focus to go after smaller customers is because as we have said earlier, our wallet shares globally in Personal Care and Beyond are about just sub of 10%. So, there is a huge headroom for growth in this segment. So, what I was basically saying is, our effort of going after B&C is because there is a huge headroom for growth. And while we are already reasonably large with some of the big customers in the world, right? We have a big opportunity to go after the relatively smaller customers who are not global but are regional and who have requirements for smaller back sizes with higher paces of innovation which could be innovation success or innovation failure and we are therefore putting in place our hunting capabilities in terms of sales guys to go and bring that business and the backend capabilities to have that flexibility to be able to supply. Now in reality, the cost of manufacture of smaller lot sizes is higher than what we do in terms of the maths run that we have in categories like oral care; however, we make sure we charge more. So, the ASPs are typically higher. Our intent is to make sure that the margins are better, the costs are also higher, but overall, the objective is



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that Personal Care and Beyond should be margin accretive to our business both in terms of positive revenue mix as well as overall margin mix. So, that is our approach. Now, it is very hard for me to give you a number because it is a strategic priority, but you will see this playing through as this strategy gets into action in reality.

Jenish Karia: Understood, sir. How has been our experience with smaller customers? I guess we are doing that in India also and China also. So, how has been the experience with smaller customers in regards to repeat orders from them?

Anand Kripalu: So, you know some amount of small customers we do everywhere, right? But as a big thrust we are doubling up our efforts. China has had very significant success. And you know in China, we use a term called local king because in skin care, the Chinese brand is different from the Korean brand is different from the Japanese brand and our China teams have done really well in terms of capturing those small back size volumes. Sometimes very high pricing per tube and being able to supply them with shorter lead time. So, we have had success though. Within EPL, we know how to do it. But there's a cost of the sales kind of resources, there is a cost of backend capacity and that is what we are doing. Even in India, incidentally, we service a very large number of small customers, but also there are lots of small customers who the other local player supply to. We believe with EPL remains in quality and far more agile serviceability, we can get a part of that volume and that is what we are targeting.

Jenish Karia: Just one last question. Ocean freight has gone up. How much of our margins would have been impacted if there is an estimation at your end because of the increased ocean freight?

M. R. Ramasamy: The price will be incurring in this quarter, but normally it's a pass through in most of the contractual businesses, it will get pass through. So, it impacts trade but it largely gets passed on. So, the impact on EPL margin is likely to be immaterial. In terms of the lead times, the lead times due to Red Sea issues have gone up especially when we send laminates to our Europe and US businesses. For that, our inventory, we have started increasing our inventories or the safety stocks because of this higher GIT, which we will unwind as soon as the issue is over.

Jenish Karia: Okay, but there is no loss of sale during the quarter.

M. R. Ramasamy: No, we are ensuring that our customer service levels don't get impacted because of the high lead times and then we are increasing our safety stocks and GITs as required to manage that.

Anand Kripalu: Which we will unwind the moment the conflict resolves.

Moderator: Thank you. The next question is from the line of Vikram Kotak from Ace Lansdowne Investments. Please go ahead.



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Vikram Kotak: Actually, my one question is answered, but I have two questions. One is, Anand, you talk about the margin path with the cautiously optimistic statement. We moved to almost 18.5 now from 15 or bottom 6 quarters back. Of course, we've seen a glorious path in 2020 and 21 of 20% plus. Do you see this journey with the different drivers, whether it's Brazil or the recycled area or the optimization, you see this journey coming back soon. What's your view, maybe what's your take on this 20% kind of path? You think so this is possible?

Anand Kripalu: It is absolutely possible. I would be very categorical on that. And as a management team, we are very focused. We're actually very clear on a few things that we need to do to get to a 20 plus number. All I cannot tell you is if it is a one quarter or two quarter journey or bit more medium term, but I think you should absolutely count on the fact that management is, I would say, obsessed with hitting two in front of our margin numbers and we are going to leave no stone unturned to get there.

Vikram Kotak: My second question is on the recycle volume and I think you've done a brilliant job in moving from 10% to 19% recycle and you're targeting 60% which is a big task. Any risk to that? Any risk to that you see or you are on track to go to 60% because maybe two years from now you want to go to 60% of the volume in the recycle?

Anand Kripalu: I don't think that the risk is only, when I've seen, when conversions like this happen, I think the only risk is that the conversion may happen faster than we are ready for. I think that is the only risk. This is the absolute journey that is moving in that direction, right. And actually our backend capabilities are we'd like to believe more ready than anyone else is and customers own deadlines draw near, we believe we are more ready to get a higher share of their wallet than otherwise. And that has been our quest both on technology as well as readiness of capacity. So, that is what we are absolutely focused on. So, I think the only risk is that customers will suddenly come and say I want it tomorrow and it is happening in a few cases by the way because suddenly they get pressure from the top to say let us go faster and suddenly that pressure comes on suppliers as well.

Moderator: Thank you. The next question is from the line of Pramod Dangi from Unifi Investment Management LLP. Please go ahead.

Pramod Dangi: There are two questions. One is, I think I missed the point. Where we are on Brazil today in terms of the capacity utilization? And I think you said that by 25 we should be looking at the higher numbers. So, like what kind of a road path we are looking by financial year 25 end?

M. R. Ramasamy: We are on track to deliver what we intend to deliver in the first year because it is a contractual business with a lead customer. We are almost there to deliver what we have, but we have created a little larger capacity in terms of serving other customers, which we are now getting a lot of



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interest to serve them. That will start happening sooner than we expect because of the interest shown by other customers. Utilization will go higher once everything start happening because it's a new country, we created a little larger capacity than our contractual capacity.

Pramod Dangi:

And then secondly, as you said that we are looking to 2/3rd margins very soon and we continue to improve on that. But during this process of the last two years and we have seen a huge cycle in commodity prices. Have you made any changes to our contract with the customers, or have you made any structural change in the contract where this volatility will be kept going forward? And we will not see that 20% again going to 15%, 14% if the commodity prices again shoot up for whatever reason.

Deepak Goyal:

Yes, thanks for asking this question and it's also something which we as management have discussed extensively amongst ourselves. See, I think the reason of delayed pricing or partial pricing that we got in subsequent margin erosion was not the contracts as much as the speed of negotiations with the customers. There are two kinds of customers that we have. One are contractual where the price flow through happens every quarter and then there are non-contractual customers where we go and negotiate the price. In the last cycle when unprecedented commodity inflation got combined with supply chain disruptions, very high freight rates, wage inflation, etc., we as a business were not prepared to go and have those discussions with the customers and taking significant pricing. And this is happening when in the last 40 years, we have never taken more than 1% to 2% annual pricing, right? Now, in the last few quarters, what we have developed as a muscle is our ability to monitor the margins on a real-time basis and have discussions with the customers in case the need arises much faster than what we did last time. So, today we review our customer level gross margins regularly almost on a monthly basis right and then our readiness to go and have those discussions is much faster. So, in case this happens, we will not kind of go back to what happened in the past right. Our readiness is much better now.

Pramod Dangi:

Now that's great to hear because that means our volatility and the lag period will be much lower than what it was in the previous cycle.

Deepak Goyal:

So, see, there is a saying called never waste a good crisis. I think what we have used this crisis is to learn and develop a few very important muscles. One of them is active price management and second is the middle of the P&L productivity. And that is how I think we have come very close to, let's say, the peak margins. We are now close to 19% already, and then we'll keep improving. But these two learnings are there to stay with us for a long time.

Pramod Dangi:

And then lastly, I will just go back to the first question which another participant asked. If you can give some light on the last 1 year, 2 years, 3 years, and the current quarter number also. On our revenue, if we can break into the volume and the price growth or the degrowth, I think that will help everybody understand where we are because ultimately the raw material price is pass-



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through. So, what the real growth is what we are concerned actually? Break that into volume and the price, which will be a great help for everybody.

Deepak Goyal:

Yes, I understand. Also, another complexity that we need to keep in mind is the complexity of our business. We play in large number of geographies and in large number of categories. Now in the volume we kind of tend to equalize a volume that we are selling in Europe, a 50 dia large beauty and cosmetic tube in Europe versus a 16 dia small dental care tube in India. Now the price between the two could be like 20-25x, right, and that once you start equalizing, the numbers don't remain comparable. And then we will get into the moment we start talking volume, then we are talking mix more than the real impact of pricing etc. And that is the reason in this business, revenue, despite its flaws, is still a better metric and we should continue monitoring gross contribution and EBITDA, how the underlying business is doing and that is why Anand in his response also said that our absolute EBITDA growth of 17% reflects that the underlying business performance is solid.

Moderator:

Thank you. The next question is from the line of Mihir Shah from Nomura. Please go ahead.

Mihir Shah:

Hi sir, thank you for taking my question and congrats on a very strong performance on margin improvement despite a low operating leverage from a relatively lower sales growth performance. So, firstly, just sticking on to margins, I did hear Mr. Kripalu highlighting improvement will continue on margins, but wanted to understand the headroom that is there for improvement and apart from understanding the headroom, will this gradual improvement continue? And are there any headwinds that one should keep in mind where this margin improvement probably gets stalled for some time or the other? So, that's my first question.

Anand Kripalu:

Yes, so let me just say this. So, first of all, I think it's really important to understand that there is seasonality in this business. There is always a depressed margin for China business and hence EAP. If we look at Q4 margins, Q4 is a softer margin quarter. So, I think the first guidance is that don't look at it linearly sequentially; however, on a year-on-year basis, right, the attempt is to continue this margin improvement journey and step by step as I said earlier, so take it to 20%. Now, what is the headroom is very hard to answer, right? Do we hit the circuit breaker at 20, will we continue to improve margin thereafter? I think it's really hard to answer. But I tell you there's a strategic drive-in business. If you try and make too much margin, then at some time, you will outprice yourself and you will compromise growth. So, the management judgment really is about what margin will give us the right balance in terms of absolute EBITDA improvement and value creation. Therefore, what will give us the right combination of growth and margin and that's really the judgment. Now our focus for the last 6 quarters has been to try and get our margins back to where they used to be. I think honestly now we need to focus much more on growth and if we grow faster, the margins will continue to improve. But I don't want to fix a circuit breaker or define a headroom other than to say our first goal is to get two as soon as



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we can. And once we have 2 in front of our numbers, to apply management judgment on the right combination between growth and margin.

Mihir Shah: Got it sir. And any headwinds that we should keep in mind that can derail this margin improvement or relatively as of now there is no visibility on any headwinds that can derail this path?

Anand Kripalu: I mean honestly after so much choppiness over the last couple of years, I think we are definitely sailing in calm of water. Now we don't know what we don't know. Yes, this Red Sea thing as long as it doesn't become worse, I think it is manageable through higher inventories but who knows where it's going. Egypt has been a damn spot even though the country itself is an attractive country, our business in local currency is doing well and is profitable. But there's a big issue with the exchange rate and the ability to get dollars out of the country and those kinds of conflicts. These are the things we know. I think Europe is now a known situation. It is not getting any worse and the situation in Europe is what it is and we are very clear that we need to do a few interventions as management in Europe as well. So, honestly, all things considered, yes people talk about softness in China for instance now, how much is it as of now, we're looking okay in China okay. Suddenly turns for the worse, we don't know, and we have an important business in China but I would say world is never perfect and right now, I think things are calmer than topping in overall terms.

Mihir Shah: Perfect. That's heartening to know, sir. Secondly, I wanted to check on the negative pricing. When do you think this can get anniversarized? I mean, are there incremental new price cuts or prices that you have to pass on to your customers or these are the carry forward ones that are continuing? I believe the negative price cut started like 2 quarters back. So, can one assume maybe this can continue for the next 2 quarters, and then everything will be in the base?

Anand Kripalu: Yes, I think roughly speaking probably a couple of quarters more, right of some level of negative pricing, okay? But it's not as if there's fresh negative pricing thing. But contracts are now there, some stuff is there, some customers who are not contractual, we have been negotiating and holding out pricing for as long as possible. Those are all the tactics that obviously you do. But yes, very roughly speaking, and Ram and Deepak, please chip in if you have a slightly different view, but I would say probably a couple of quarters and really no more in terms of any material price reduction thereafter, assuming commodities stay where they are today, right? Currently seems quite stable, I have to say. Commodities have been quite stable now for the last couple of quarters.

Moderator: Thank you. The next question is from the line of Ganesh from Bharat Bet Research. Please go ahead.



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Ganesh:

So, my question is primarily regarding the Salesforce recruitment for the smaller beauty and personal care space. So, three questions there. So, firstly, in terms of our kind of intent over venturing to space, are we kind of seeing, say, increased competitive intensity with the larger players? And is that a motivation to kind of move here or is it primarily a growth intent? Secondly, I think you've checked that this change will be kind of margin neutral going forward in, say, at least the first few years. But say, 2-3 years down the line, do you think this will turn out to be a margin positive segment for us compared to our larger clientele as such? And the third is, would we need to make any material changes on the tech backend side? And would there be any investments that would be required, or can we do it with our existing stack that's there?

Anand Kripalu:

I'll take the first couple and on the tech side I'll request Ram to chip in. So, as far as why we are doing this, we're doing it because there is a growth opportunity here. We're not doing it because somebody else is doing it. We believe there's a growth opportunity. There is an opportunity to steal share from some of the bigger players and there's only one other major global player and we believe there's an option to steal share from some of them, from the large companies, but there's an opportunity to steal share from some of the smaller regional tube makers around the world, right. And we believe we can bring EPL's expertise and combined that with funding and backend service capability to do better than what anyone else can do in this space. So, that's the reason why they're doing it as a source of growth. And quite simply, oral care is never going to give us the double-digit growth we aspire for as a company. So, you start looking at where are your headroom for growth and clearly Personal Care and Beyond which is beauty and cosmetics and to some extent pharma are places where the headroom is high and therefore we are absolutely going to be pursuing it as a growth opportunity. Now as far as margins are concerned, absolutely as you trade up so to speak, then the percentage of packaging cost as a percentage of total COGS of the end consumer price as you go in the beauty and cosmetics and so on tends to be lower than what it is in oral care. So, honestly, I think there's an opportunity for margin improvement once we build a big enough base of business there and by the way, just to be clear, we already have a large enough base, we want to grow faster with it. It needs to be margin-accretive in the fullness of time and we believe it's absolutely possible. As far as technical capability is concerned, I'm just going to hand over to Ram to comment on whether any differences are there in terms of the technical capability we need at the backend for B&C.

M. R. Ramasamy:

Each segment of the business needs different kind of decoration capabilities, dispensing capabilities, the appearance of the cap, size of the cap, it all changes. So, beauty and cosmetics has much more variability. For a period of time that we have developed those kinds of skillsets including producibility, that is there in that business. If we compare between two segments, beauty and cosmetics has too much of variability, but thereby higher pricing, higher margin, all that will come along with that. Am I answering your question correctly?



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Ganesh: Yes. So, I think all three of that is very helpful. Just one last question here. If you could just broadly quantify the mix between, say, the volumes that the large players control and the volume that the medium and small players control, just to see the incremental increase in the market that we're targeting. So, if you could have the broad mix available?

M. R. Ramasamy: Mix will be difficult. But see what happens, you say contractual business versus a non-contractual business which includes all the small players will be in the range of 50, 52, 48, something like that. This keeps happening over a period of time because both segments are the customer growths. We also get larger contracts every time that we look for those contracts. We are also working on small businesses. So, it will be percentage wise that you may not be able to differentiate. Absolute volume we are growing on both fronts. Like Brazil is a large contract, right? Suddenly we got that business. So, the percentage would have equalized. So, it happens on both sides. The effort of every business to grow in every segment we are there, right.

Moderator: Thank you. The next question is from the line of Udit Gupta, who is an individual investor. Please go ahead.

Udit Gupta: So, my question is sir, how are we going to get growth in our companies? Earlier we were talking about some acquisitions in Europe or somewhere else. Is that something we are looking at and is it in an advanced stage or something like that?

Anand Kripalu: So, M&A, Greenfield, Brownfield are all elements of our growth strategy. Now, as you can see, we have done one M&A a couple of years ago. We've done a greenfield expansion into Brazil, and we are continuing to do brownfield expansion as needed in terms of new CAPEX every year. Now, we believe that all these elements are going to contribute to our growth strategy. But I would really request you to not think of just the current revenue growth numbers of modest 3%, 4%, 5% numbers as the norm. You look at this company historically, it has grown 7%, 8%, 9% traditionally in terms of total revenue growth, okay and for long periods of time. This period is a specific period where we are impacted because of negative prices. And if you looked at our historical growth rates between 7% and 9%, all you needed is a few more percent in terms of harnessing growth opportunities to get us querying to the double digit of the scale. And therefore that's something that is eminently, eminently doable and these things that I spoke about will all be contributors to what's us getting to that goal.

Udit Gupta: Yes, sir, but nothing as such on the acquisition front?

Anand Kripalu: No, as far as M&A right now is concerned, we absolutely looked at stuff in Europe. Honestly, the environment in Europe is probably not right for us to make a major investment at this point in time. So, we looked at some targets very close. If it was available at a throwaway price, you could have considered it. But you know, given the overall issues that are there in Europe, it just doesn't seem conducive to making a major investment. Now, we set up a greenfield in Brazil,



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that's a big one. And we are absolutely hungry for M&A by the way. It's not because of financial constraints or anything else at all. We're absolutely hungry. But M&A has to make sense in terms of being growth-accretive, margin-accretive, strategic synergies and has to come in the right price. So, in M&A if you do an acquisition, it is a long-term, so it has to make business and so that's where we are today and therefore the good news is that we've done this due diligence well which is a big fillip and I believe through this, we're just started in terms of the opportunity in Latin America that we connected through the strength we have on ground. So, we are going to continue to look at those other things while continuing to drive organic growth like greenfield, brownfield and so on.

Udit Gupta:

Sir, when will the Brazil business scale up? Do we have any timeline for that?

Anand Kripalu:

No, it has scaled up in the sense that the initial investment, we are very close to 70%-80% of whatever was the originally contracted volume there, right? And the Brazil business record is now stable in terms of scaling up and in terms of its overall contribution to the Americas and the global P&L. Now, beyond our anchor customers, we have now started conversations with many other customers which we are trying very dedicatedly. And we will continue to expand because the civil site that we have created there has space. The civil site and utilities have space for further lines being added within the site which can be done at shorter notice. And we will manage that as new demand and new orders come in, we will manage the further fill up of that site. So, the initial investment, we have pretty much reached where we wanted to reach. We still have capacity there for further volume. And as discontinuous volumes come, we will make that investment because the rest of the stuff on the ground is ready to receive. So, we believe that Brazil can be a big driver of growth and it will continue.

Moderator:

Thank you. The next question is from the line of Douglas Turnbull from Invesco. Please go ahead.

Douglas Turnbull:

Two questions from me. Could you explain what was behind such a large other income number this quarter? And then secondly, perhaps if you could just recap for us where there is likely to be seasonality in a positive or negative sense in the fourth quarter and how you would expect that to play out or net out?

Anand Kripalu:

Other income, I will wait for Deepak to come back and to give you a bit more insight into the other income line. See, on seasonality, basically, what happens is, typically, the Jan to March quarter is the biggest quarter for the Western geographies and the December quarter tends to be softer for the Western geographies because in December, half of December, generally plants are closed, and everyone's gone off on holiday. Also, in the Jan-March quarter, while the Western geographies have stronger quarters because they also pick up what they lost in December, China, because China is pretty much shut as a country for a week, eight days actually, for Chinese New Year. And therefore, our China business has its softest quarter and because China has 20 plus



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margins, it shows a softer quarter in terms of revenue as well as margin. And that affects our global numbers. So, those are the elements that play out in the aggregation. So, I'm just saying looking at the business sequentially is not always right. It's probably right when we have gone sharply down and every quarter you would keep improving. But really this is a year-on-year business and not a quarter-on-quarter business.

Deepak Goyal: So, in other income, we get our export incentives, which are against our import of equipment etc. So, there are export liabilities that when we fulfill, we get the benefits and there are a few other subsidies etc. that we get in our other businesses. So, those are the large components.

Douglas Turnbull: And does that get booked just in one quarter? I think that maybe in the fourth quarter last year. Has that come earlier this year?

Deepak Goyal: You are saying that why was it not their same quarter last year?

Douglas Turnbull: Yes, exactly.

Deepak Goyal: So, this is a change in accounting. Earlier, the export liabilities were part of the contingent liability below the P&L. However, the accounting was changed from Q4 of last financial year. Now, it is included in our other income, then it's also part of the amortizations. At a profit level, net profit level, there is no impact.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Yes, can you talk about the volume growth, can we assume lower double digit volume growth this quarter?

Anand Kripalu: We've explained the tyranny of discussing volumes, and Deepak explained that. And it's not that we don't want to share. The problem is we don't want to mislead you guys on what is happening and we will get into conversations that will be impossible to explain. Suddenly somebody in India orders three sample tubes, millions of tubes and that way the volume numbers going up but it doesn't mean anything because the ASP is so different across that, across geographies, across categories between oral care and beauty and cosmetics. All I can tell you is this, whatever revenue growth you are seeing right now or volume growth, there is negative pricing. So, our volume growth is better because there is negative pricing by deduction. That is really the best that I can share.

Sumant Kumar: And for AMESA, we have seen a subdued margin, subdued dividend growth. Can you explain the key reason for that?



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Deepak Goyal: AMESA as a region is fairly strong. We have delivered an EBITDA margin of 21.4% and if I look at same quarter last year, we were at 20.8%. So, versus previous year, we have improved our EBITDA margin in AMESA. There is obviously an impact of Egypt because of which our revenue growth in AMESA is lower and that is impacting our margins as well. However, despite that the margin profile is improving. As I've said again, at a regional level we should not look at this business sequentially because sequential comparison may not be the right comparison. There are pulls and pushes that happen in each quarter. But fundamentally, the business in AMESA remains resilient and very strong.

Sumant Kumar: So, I am talking about Y-o-Y only. Y-o-Y, we have a subdued growth in AMESA?

Deepak Goyal: Subdued revenue growth, Anand explained India standalone is growing at 4.2%; however, Egypt is going through significant economic challenges and because of that coupled with the currency issues and the currency devaluation, the revenue growth in Egypt is impacting the numbers and hence AMESA overall is at negative 0.6%, but India standalone is 4.2% positive.

Moderator: The last follow-up question is from the line of Mihir Shah from Nomura. Please go ahead.

Mihir Shah: So, firstly, on NEOSeam tubes, can you share what has the progress there been if there are any more customers that we have been able to get asking for the NEOSeam tubes? And just like the recyclable tubes, can you also share the continuous progress for them because I believe that is where the delta can come through with new customer acquisitions?

Anand Kripalu: So, that is absolutely right and that is our effort. Now earlier we were speaking of NEOSeam as an idea, as a technology and as a capability. But in my opening comments today, I said that we have started commercializing NEOSeam and we have started commercializing across India and Europe and the US. So, we have made a start now towards commercial supply. Now the attempt is going to be to get more customers and get more business and go back that technology and that capability. But we have made a start. It's no longer just an idea now. It is in the market.

Mihir Shah: Understood, sir. Got it. So, secondly, on the competitive intensity from recyclable tubes, I know we are completely geared up. 90% of our capacities are geared up to deliver recyclable tubes and it is significantly ahead of any competition. But is there anything that you can share on how competition is shaping up or catching up to deliver these recyclable tubes?

Anand Kripalu: So, everybody is going to offer recyclable tubes of some kind. Otherwise, they will go out of business. Now, the question is, do you have technology to offer the same value of properties with low plastic content? Do you have the ability to supply and service it in terms of backend capability? So, there is a total system offering that is there. So, everyone is going to keep offering. The question is as a total system we believe we are at least one step ahead, if not a few steps ahead. And therefore, as the momentum builds towards conversion now, aggressively, as



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we hit 2025 and beyond, when customers have said they will go to almost 100% recyclable tube, we believe we are one step ahead and probably more ready than anyone else. And that's when they will start taking hopefully more of share than what was our erstwhile share. That is how we are approaching.

Mihir Shah: Got it sir. So, last one, bookkeeping question on Brazil. I believe ideally Brazil was, you know, the drag on margins of Brazil were supposed to conclude in the 3rd Quarter and become margin accretive from fourth quarter. Is that a correct understanding and are we on track for that?

Deepak Goyal: Yes, so, Mihir, absolutely. First of all, Brazil operations have stabilized. And that is why this quarter onwards, we are not discussing excluding Brazil etc. We have confidence in the project that we can now consolidate the numbers and discuss the overall numbers together. Second, the margins as stated in Brazil are very encouraging and they are accretive both to our America's business as well as global business.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Pratik Tholiya for closing comments.

Pratik Tholiya: Yes, thanks, Sagar. On behalf of Systematix Institutional Equity, I would like to once again thank all the participants for logging into the call. I'd also like to thank the management for giving us the opportunity to host this call. Anand sir, would you like to make any closing comments, please?

Anand Kripalu: No, I just want to thank you for organizing this call and thanks to all the participants of the call. And thank you for your interest, and you are your support for EPL. Thank you very much.

Pratik Tholiya: Thank you so much, sir.

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