

June 4, 2024

BSE Limited

Phiroze Jeejeebhoy Towers,
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

Sir/ Madam,

In furtherance of our intimation(s) dated May 21, 2024 and May 28, 2024, we are enclosing herewith, the Transcript of the conference call for the Analysts/ Investors, which was held on May 28, 2024, to discuss the Audited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 2024 (“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

Registered Office

P.O. Vasind, Taluka Shahpur, Dist. Thane 421604, Maharashtra
Tel: +91 9673333971/9882
CIN: L74950MH1982PLC028947
complianceofficer@eplglobal.com

EPL LIMITED

(Formerly known as Essel Propack Limited)
Corporate Office: Top Floor, Times Tower, Kamala City, Senapati Bapat Marg, Lower Parel
Mumbai 400013, India
www.eplglobal.com | T: +91-22-2481 9000/9200 | F: +91-22-2496 3137



“EPL Limited Q4FY24 Earnings Conference Call”

May 28, 2024



MANAGEMENT: **MR. ANAND KRIPALU – MANAGING DIRECTOR & GLOBAL CHIEF EXECUTIVE OFFICER, EPL LIMITED**
MR. M R RAMASAMY – CHIEF OPERATING OFFICER, EPL LIMITED
MR. DEEPAK GOYAL – CHIEF FINANCIAL OFFICER, EPL LIMITED
MR. SHRIHARI K RAO – PRESIDENT (AMESA REGION), EPL LIMITED
MR. ONKAR GHANGURDE – HEAD (LEGAL), CS & COMPLIANCE OFFICER, EPL LIMITED

MODERATOR: **MR. PRATIK THOLIYA – SYSTEMATIX INSTITUTIONAL EQUITIES**



*EPL Limited
May 28, 2024*

Moderator: Ladies and Gentlemen, Good Day and Welcome to EPL Limited Q4 FY'24 Earnings 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone. 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: Good evening, everyone. On behalf of Systematix Institutional Equities, I would like to welcome all the participants who have logged in for this Conference Call of EPL Limited to understand and discuss the 4th Quarter and financial year FY'24 Results.

From the Management side, we have Mr. Anand Kripalu – MD & Global CEO, Mr. M.R. Ramasamy – COO, Mr. Deepak Goyal – CFO, Mr. Shrihari K Rao – President, AMESA Region and Mr. Onkar Ghangurde – Head (Legal), CS and Compliance Officer.

At the outset, I would like to thank the management for giving us the opportunity to host this conference call. I would like to now Invite Mr. Anand Kripalu to give his Opening Remarks. Thank you.

Anand Kripalu: Thank you very much, Pratik and hello, everyone, and welcome to the Q4 & FY'24 earnings call.

We had a strong quarter amidst the challenging global landscape marked by economic uncertainties, supply chain disruptions and geopolitical tensions.

Our revenue for the quarter grew by 6.2%, EBITDA grew by a solid 16.5% and adjusted PAT grew by 22%. I'm happy to report that we are firmly on track to achieve our target of double-digit revenue growth with 20% margin.

Going deeper into the results, our underlying business registered robust growth, which was partially offset by negative pricing specifically, AMESA saw revenue growth of 4.6%, EAP increased by 4.1%, the Americas surged by 15.9%, while Europe was at 2.4%. Our EBITDA margin stood strong at 18.5%, an improvement of 164 basis points versus Q4 last year. Our absolute EBITDA grew by 16.5%, marking the sixth consecutive quarter of robust double-digit EBITDA growth. Despite the impact of seasonality, our efforts ensured that our sequential margins were more or less in line.



*EPL Limited
May 28, 2024*

Adjusted PAT excluding exceptional items and one-off tax refunds grew by 22%; however, reported PAT declined by 73.5% due to one-time exceptional items of INR 605 million in Q4 FY'24 and prior period tax refund of INR 165 million in the previous year Q4. The details of the two exceptional items included in the quarter are one, Egypt currency devaluation. Now, Egypt faced significant challenges in the past couple of years leading to FOREX shortages. The Egyptian government managed to attract U.S. dollar inflows through investments and aid, leading them to make the Egyptian pound a free float currency. This resulted in the Egyptian pound depreciating by approximately 60% against the US dollar, causing, INR 465 million in one-off losses in our books on all US dollar payable. The underlying business in Egypt however, remains strong with good profitability and this one-time hit will not impact our long-term prospects in the country.

And the second exceptional item is Europe restructuring. We're actively addressing the lower margins in Europe, primarily stemming from high fixed costs. Our approach involves optimizing headcount at senior and operator level and initiatives such as manufacturing capacity realignment. This is leading to a one-time impact of 140 million. These efforts are geared towards achieving mid-teens margins in the near future with benefits expected to start accruing from this year itself. Our ROC stood at 14.7%, a year-on-year increase of 148 basis points.

Over the full year, our revenue grew by 6%, EBITDA grew by a solid 19.2% and EBITDA margin expanded by a strong 202 basis points and adjusted PAT grew by 28%.

We saw a positive shift in the category mix. Personal care and beyond grew by 8.1% compared to 5% growth in oral care. Personal care and beyond now contributes to 47% of our total business.

Overall, based on our performance in FY'24, we are pleased to propose an increased final dividend of Rs.2.30 paise per share.

As you know, sustainability at EPL is a fundamental principle guiding every aspect of our business. In the past year, we have more than doubled our sustainable sales contribution to 21%.

During the quarter, we received multiple awards including Innovation Award by SIES SOP Star, Best Employer Award for 2023 by Kincentric and the best CSR Processes Award by the World HRD Congress.

Looking ahead, let me walk you through the key initiatives that we are focused on as a management team for both revenue growth and margin enhancement. First on revenue. Our continued emphasis on the beauty and cosmetics category remains strong with active pursuit of smaller customers supported by increased headcount dedicated to the staff.



*EPL Limited
May 28, 2024*

Our Neoseam tubes have entered the market and is steadily gaining traction across regions.

Second, we will continue to leverage our competitive advantage in sustainable products to gain wallet share.

And third, our Brazil Greenfield project is on track. We have now fulfilled 100% demand of our anchor customer and have received orders from both other MNC as well as local customers. We remain very excited about the opportunities in this market. With all of these drivers moving in the right direction, the path to achieving double-digit growth is on track.

Moving on to margins, our margins are now in a solid position, demonstrated by a consistent progress over the past several quarters. We are firmly on track to deliver 20% margin through initiatives like Europe restructuring, mixed improvement, active price management and cost optimization.

In summary, we are encouraged by the progress we have made and energized by the opportunities ahead. We are marching strongly towards our ambition of double-digit revenue growth with 20% margin.

With that, we will open this up for questions.

Moderator:

We'll now begin the question-and-answer session.

Sanjay:

This is Sanjay from ICICI Securities. I have got a few questions. First on the East Asia Pacific (EAP), sequentially there was 11% dip in the revenue and the 25% dip in the EBITDA for this quarter. Can you help us understand why there is such a sharp dip in the performance of EAP? Second is on the AMESA, particularly in India. Even if I look at the standalone entity, the gross profit which represented probably more closer to the volume growth negating the pricing decline in the raw material is still growing at best at mid-single digit. What's the challenge we are facing in India market, which should be growing faster than the mid-single digit probably. Are we losing market share, is there a shift from soft packaging to hard packaging, what's the story in the India market?

Anand Kripalu:

So the first one, as far as EAP is concerned, Q4 in EAP is always subdued relative to previous quarters, because the Chinese New Year. And as you may know, the country actually shuts not just our factories, but the customers and the country at large. So typically Q4 is a subdued quarter. And therefore comparing it sequentially, it's probably not the right comparator. Now, having said that, the Q4 in FY'23 was actually boosted because the market had just started opening up post-COVID and therefore there was a surge of volume that happened. But I'd like to tell you that the underlying performance in EAP and particularly China access is actually very solid. We are very confident about robust growth. The market is shifting aggressively towards beauty and



*EPL Limited
May 28, 2024*

cosmetics, which is margin-accretive. We are being able to exploit export opportunities from China to other countries in East Asia Pacific, and therefore actually we remain very confident and I would hasten to say, almost bullish about our opportunities in China and East Asia Pacific. So that's the first point. Now, as far as India is concerned and India standalone, because Egypt has some challenges of currency and so on and so forth, actually our business in India is solid. I can tell you, let alone losing market share, we have received orders from some customers, right, from whom we are actually very limited business and who are actually quite stubborn in terms of giving us business and growth opportunities and we have received orders from some large customers, which will actually boost growth. So volume growth remains solid, even though we don't declare volume and don't really measure volume, but it remains solid and actually the outlook with some of the new opportunities coming our way is actually much stronger. So, I absolutely have no concern that we are losing share. I actually believe that growth, as we look ahead is going to be very, very solid as far as India is concerned.

Sanjay: But what happened in Q4, that's what you're talking is more outlook. I am more looking at what happened in Q4 that remains soft, right?

Anand Kripalu: Well, see, like I told you, there has been negative pricing...

Sanjay: No, no. I'm looking at more gross profit, Anand, which negates that negative pricing impact.

Anand Kripalu: You're commenting on India standalone or AMESA?

Sanjay: No, no, I'm commenting on India's standalone gross profit growth.

Anand Kripalu: We'll get back to you and we'll answer it in the call itself and just try and explain that a bit better for you.

Sanjay: On the Brazil, you are very confident now that we have met 100% demand of the anchor customer. How many new customers have we added? You did mention that we have won few MNC and local customers. How much volume can they give vis-à-vis the existing anchor customer, can we double that revenue next year and how fast can we turn around the Brazil so that it adds to the EBITDA margin?

Anand Kripalu: So first of all, I'm not sure we need to turn around Brazil, because Brazil, as I mentioned earlier is both growth and margin-accretive to the mother business, and it is already showing very strong positive EBITDA even though we're not reporting the Brazil results separately.

Sanjay: In Q4, margin-accretive is what you're telling now?



*EPL Limited
May 28, 2024*

Anand Kripalu: In Q4, Brazil is EBITDA margin-accretive to the total business. It is margin-accretive to the total business. So EBITDA is strong. So there's no turnaround to be done as far as EBITDA is concerned. Now in terms of volume opportunities, I can't give you the number of customers, but I can tell you that we have started receiving orders from both multinational and local, large multinationals who we deal with other geographies, right, as well as some exciting local customers as well. And I can tell you it has just started, right. The first orders have started coming in. I think the potential is significant. Now, whether you can double the volume in business, I'm not going to comment on, right, because I don't think it will go that far, but it will be significantly accretive to the base plan. I said Brazil as far as EBITDA is concerned is margin-accretive. So it's already margin-accretive, right. Actually delivering very Solid margins. So that's not our concern at all. I think the opportunity is the volume growth and customer beyond the anchor customer, the first orders have started coming in both from multinationals as well as local customers. I think the potential is huge. Now, I'm not going to comment on whether it will double the base business and so on and so forth, but it will be significantly accretive to our growth. Now, a lot of this is built into our own internal plan, right, and we are monitoring against that. But all I'll tell you is that with every passing month, the opportunities seem more and more I think rather than the other way around. So therefore, we remain very excited about our investment in Brazil and what it will deliver for us as a business.

Anand Kripalu: I will come back to you on the other one.

Moderator: Next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Firstly, my question is taking over from the previous participant, so maybe you can add this to the answer when you're answering his question as well that the EBITDA there has been a decline for two consecutive quarters now. So in an environment where there is a commodity benefit, even if top line is depressed, EBITDA decline shouldn't happen. So just trying to get clarifications on what is going on in the last two quarters here, maybe you can just answer this as well when you're answering the previous participant's question?

Anand Kripalu: No, no, we will absolutely do that. So we'll answer properly and then we will absolutely address that maybe. Do you have any other question right now?

Sameer Gupta: So I have two actually. So Americas, the margins actually here this quarter has seen very steady expansion and right now at 18% EBITDA margin. I haven't seen this kind of a higher level in many quarters. So, just trying to understand if there are any one-offs here or exceptional unsustainable factors or these are pretty much what it is the margins right now?

Anand Kripalu: So just two points I want to make that the Americas really is constituted by four countries. So first is Brazil, which I've already answered, which is margin-accretive to us globally, it is significantly margin-accretive to the Americas numbers as well. So that's the first point. The



*EPL Limited
May 28, 2024*

second is in terms of specific interventions. We have a program to significantly improve our US margins, right, and it's a very detailed program. And we expect to see significant improvement in US margins during the course of this year itself. So what you're seeing is not a flash in the pan, it's part of our plan right, and if anything, you should see it holding, if not further improving from this point.

Sameer Gupta: Secondly, on the CAPEX part, first of all, is there any guidance for the next few years it will be great and in FY'24 itself we have spent around Rs.380 crores on CAPEX. I understand that the Brazil plant was mostly done in the previous year. So this kind of seems a little on the higher side, so more than 10% of sales this year. So just wanted your comments on the CAPEX part.

Deepak Goyal: We have always maintained that our CAPEX will be in line with our overall amortization at about Rs. 374 crores this year. The CAPEX is slightly higher because of the Brazil spends. I think we spent about Rs. 70-75 crores additionally this year on Brazil, because the plant was commercialized this year and then multiple deliveries and payment happened this year. If I take that out, the base CAPEX spend this year were slightly lower than the amortization that we have and that is what we will continue doing in the next few years as well. Without M&A or a Greenfield, our CAPEX will be in line with our amortization and that are sufficient to fund our both growth as well as maintenance CAPEX. So the double digit growth target that we talk about, our internal accruals will be sufficient to fund for those CAPEX.

Sameer Gupta: Just a follow up here. Any Greenfield you are expecting in the next two years?

Deepak Goyal: See, we are looking at the CAPEX is generally in a block of, let's say, two years and hence I think over a period of two years the overall CAPEX will be in line with the overall amortization. Now, because of phasing within the quarters and within the years, there could be little bit of up and down, but otherwise over a block of period, it will be in line with the amortization excluding M&A and Greenfield, right?

Sameer Gupta: Fair enough, I will come back to the Q&A and I look forward to the AMESA question.

Moderator: Next question is from the line of Prateek from Subh Labh Research. Please go ahead.

Prateek: So, I have been closely tracking this recyclable tubes volume, Anand. I just wanted your thoughts on what it is actually bringing to us, I mean probably it has gone from 10% to 21% this year, which is commendable. Margins, you have already iterated that strategically it won't fetch better margins. So I mean if you can help us understand how is it helping us, if you can throw some numbers around it?

Anand Kripalu: So I don't have specific numbers other than the fact that's the number of sustainable tubes that we have supplied. But I'll tell you and you will see this play out. Basically in terms of a trigger



*EPL Limited
May 28, 2024*

for growth through wallet share gain, right, now, I'm not in a position to share specific customers, but there are already customers, right, with whom we have gained traction, gained share, because we are more ready than other people to supply recyclable tubes and sustainable tubes. So, I think as this plays out fully, there has to be sustainable wallet share gain and therefore sustainable volume that will come to us, right? So, that is the fundamental premise on which it is done. Once that happens, we will get benefits of scale, better utilization and therefore better overall margins in the business. That is the way it's going. And so far I think whatever we have said is broadly I would say on track in terms of whatever we have said in terms of what we will achieve on sustainable tubes, right, and the philosophy of conversion without a premium price associated with it. I can tell you that by and large around the world, we are leading the conversion in terms of number of sustainable tubes being supplied, and some of those gains that are coming will be permanent. So, I'm not sure we'll answer your question completely, but that's the philosophy and we are seeing the gains beginning to come. And the one thing I said in my opening comments that negative pricing is subduing our revenue numbers that you all are seeing right now. Negative pricing has begun to unwind and therefore you begun to see a slight positive blip in terms of our revenue numbers and this will now slowly start finishing off the negative price, right. And as that turns into neutral or positive price, you will start seeing the positive trend in terms of our revenue growth numbers as well.

Prateek: So, this anticipation, or rather target of double-digit top line growth, that is a lot dependent upon this transition also, because from 10% to 20% we have gone, top line growth this year is 6%, but you're saying in future, with this wallet share gain, this top line growth will be added via this transition and that's how the incremental growth will come, is that understanding fair enough?

Anand Kripalu: Yes, and this will be one of the drivers. The other driver of course is our focus on beauty and cosmetics, another driver is what Brazil is going to contribute. When you look at all this, add to it some positive price mix, that happens in the normal course both on price and on mix. Right now, that's a negative. When you add these drivers of fundamental business with some positive price mix, all our modeling shows that it will take us clearly into the double-digit zone, and I believe we are closer to that than we were earlier and we should be making progress with each passing quarter.

Prateek: So in last con-call, we had discussion around some volume numbers to be shown to the analysts and the investors community where there were some comments from the management side that it's practically not possible. I was just wondering, if we can share some amount of raw material melted in a particular quarter, be it PET or the most used raw material which is melted and converted into tubes, can there be something worked around that, Anand, if?

Anand Kripalu: Sorry, I'm just trying to understand. You want to understand our consumption cost of some key raw material?



*EPL Limited
May 28, 2024*

Prateek: No, not at all. So, volume growth or rather volume number has never been discussed or disclosed in EPL presentations or calls. And the reason given for that is that there are multiple size of tubes and this segment of tubes, category of tubes. So, we are always devoid of volume understanding of the business. How that is panning? So is it possible to help the investors and analysts with the volume of major raw material which is consumed in a particular quarter?

Anand Kripalu: So I'll take that away and we'll think about it internally, whether we can share the volume of key commodities that we are buying and using. Honestly, I'm not sure. If I don't provide more information that is relevant, I think we will just create confusion about what's happening. I still believe there is a very good reason why we are not sharing the volume numbers because it's not a reflective of the strategy, right? However, the only thing I can tell you is that if I were to look at our simple volume numbers where I'm adding apples and oranges, so I'm adding small tubes with big tubes and beauty and cosmetic tubes with oral tubes and pharma tubes, it is materially ahead of our revenue numbers. If I were to do unsophisticated addition of different kinds of tubes and call that volume for a moment, it will be ahead of our revenue numbers. And that's why I'm saying, there is negative price mix and the word mix is also operative. So one is price and other is mix as well, right? With the whole thing combined is negative and therefore reducing our so-called volume numbers by the negative price mix, resulting in the revenue that we're reporting. So, that much I can tell you.

Deepak Goyal: So, to an earlier question, AMESA, first of all, all the things that Anand said in the previous question that the volume or underlying business performance is robust, that is true for AMESA as well. So the underlying business performance for AMESA is robust. In the revenue, there is a negative pricing impact as well as mix. In the gross contribution, there's a negative mix impact, which is coming in. AMESA is also producer of laminates and our laminate when we sell it to the intercompany units, it is sold at a lower gross contribution compared to our tubes. Now, when we look at the standalone financials, this laminate sale gets factored in. When we look at our consolidated numbers, this gets eliminated. However, for the purpose of the standalone financials, the gross contribution kind of has an impact of increased laminate sales. The EBITDA, which is negative this quarter, there were multiple one off items which are, let's say, operating in nature and hence we are not calling them out at a consolidated level but within AMESA, there were a multiple one-off benefits which were factored in. This quarter, it's a more operating performance which is resulting in a negative EBITDA performance. So, if I were to, let's say, simplify it to a one sentence, robust business performance, revenue GC impacted by negative pricing and mix, EBITDA impacted by last year one-off items. The performance wise, I think both Anand and I feel very confident about our performance in AMESA as well as in India.

Anand Kripalu: Just adding to that, we really do believe that some of the new businesses that have started coming to us will actually be a fillip in our numbers looking ahead.



*EPL Limited
May 28, 2024*

- Moderator:** Next question is from the line of Akshat from Flute Aura Enterprises. Please go ahead.
- Akshat:** So if we look at the consolidated debt for FY'24 compared to FY'23, it has just increased by Rs. 35 crores, but if we look at the interest, so it has increased by Rs. 30 crores. So any color on this why the interest cost has increased so much compared to debt? And are we planning any debt reduction going further, because we don't have any Greenfield CAPEX plan? So any color on this, sir?
- Deepak Goyal:** So first of all, the reason for higher interest is primarily because of Brazil. Last year same quarter, while we had debt for our Brazil Greenfield, the interest was getting capitalized. The plant was commercialized in Q1 of FY'24. This quarter the entire interest is kind of coming in and that's why the disparity between the debt and the interest cost number. On the debt reduction, again, we are generating healthy cash flow. However, we are also a healthy dividend paying company. If you will look at this quarter, we have increased our dividend from past let's say many quarters of Rs.2.15 to Rs.2.30 already. We believe that rewarding our shareholders with healthy dividend is a critical part of our strategy. We will continue evaluating whether how to deploy cash, but fundamentally the business will continue generating good amount of cash.
- Akshat:** So just a follow up. So going further for FY'25, what can we expect as the interest cost in percentage terms?
- Deepak Goyal:** In percentage terms, I would say that our overall debt, unless we are kind of going for a M&A or for a Greenfield, our interest cost would largely remain at a similar level. And then obviously there can be a little bit of up and down, but our interest cost will not be materially different.
- Akshat:** So, in the presentation we have mentioned that the Red Sea issue has increased our freight cost, so can you just give some color on this like how does it affect us materially or it's just a small impact?
- Deepak Goyal:** So Red Sea has two impact on our business. One is let's say in terms of inventory. The lead time and we produce our laminates in India and China and then ship it across the world, the lead times have gone up, which means that our GIT on laminates have gone up. That is marginal impact on our inventory. Second is on the cost. While our freight costs have gone up, accordingly, our pricing also kind of factors in this kind of rate and those pricing have also gone up. So, from a P&L point of view, there is negligible impact, on the inventory, there is some impact which is there.
- Moderator:** Next question is from the line of A C Alagappan, individual investor. Please go ahead.



*EPL Limited
May 28, 2024*

A C Alagappan: In fact, I wanted to ask regarding this net debt. You answered the previous question. Thank you very much for that. Then one more question is, what is the capacity we will be taking of Indian plants compared to the other plants?

Anand Kripalu: What is the capacity utilization of the Indian plants compared to other plants?

A C Alagappan: Yes. Can we produce more here and export instead of going for a Greenfield plant? You are answering that unless we go a plant because see if you have got a capacity, can you do it from India itself?

Anand Kripalu: So I'll just hand it to Mr. Ramasamy. He'll answer your question.

M R Ramasamy: Capacity utilization in India will always be higher because there's a large setup vision centers have large number of plants we have. So it's really comparatively higher compared to our other plants. That's one question. Exporting out of India, we do exports out of India, but tube in general for a long distance is actually you are shipping air, that's one constraint. The second constraint is most of the supply chain lead time because everything is printed to order, right? So most customers prefer a very short lead time of 15 days, 20 days. So it will also be an another bottleneck. Having said that, there are customers who also wait for a longer lead time of 45 - 50 days, because the export business will take about anywhere between 30 to 45 days. Wherever possible, we do export, it's not that we are not exporting, we do export, but that will be a very small percentage of the volume that we do in India.

A C Alagappan: In absolute numbers?

Anand Kripalu: The export volume?

A C Alagappan: Not export volume. The fact is capacity utilization say, Assam plant or any plant in India, what capacity it runs here?

Anand Kripalu: See, capacity utilization, that's what Ramasamy has said is high, right? So you got to believe it will be in the I would say early 80s or something like that if I were to give you a number and this is an aggregate number across everybody. So there is still headroom for more production. Having said that, I think it's important to just understand the business model in this business is, laminates are freight-friendly, therefore they are produced centrally in India and in China and shipped all over the world. Tubes are freight-unfriendly and as Mr. Ramasamy said, you need agility by being close to the customer to be able to supply with shorter lead time. So, tubing and printing is actually done in the last mile closest to the customer. So, we ship globally where it is freight-friendly and we produce locally where it is not freight-friendly and needs to be close to the customer. So, that's how this business model actually has been built. So the capacity utilization in India of tubing is less relevant. We of course import from India to Middle East. I



*EPL Limited
May 28, 2024*

think we even export to Middle East, we even export to places far away like Australia and New Zealand, right. In some cases, customers want to buy that and we do that. But it is not core to the strategy to do significant export, let's say from India. Externally, because we have a large domestic market that we're servicing, but we have opportunities to export from other countries as well, right, as the case arises, so from Brazil tomorrow, we may export tubes to adjacent countries like Argentina and so on and so forth. But that's how the business model works.

Moderator: Next question is from the line of Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

Sumant Kumar: My question is related to Europe. So there is a huge difference between EBIT and EBITDA of Europe as per the PPT. So what is the higher depreciation charges and if it is there, what is the reason for that?

Deepak Goyal: So there were two large capitalization that happened in our Poland plant in the beginning of this financial year for which the depreciation has come in which was not there last year same quarter and hence there seems to be a difference between EBIT and EBITDA.

Sumant Kumar: How is this new capitalization going to favor Europe growth?

Deepak Goyal: I think as we said, Europe right now, the focus is on fixing the margin. We have created solid restructuring plan to improve Europe margins to mid-teens. We have also then taken a restructuring cost because the plan involves headcount optimization as well as manufacturing realignment. We are working on that. The new capitalization that we have done, those were, let's say specific to the orders that we had received, etc., and hence the utilization of those machine is on track. But the primary focus on Europe is on margin improvement and we should see that happening over the next few quarters.

Moderator: Next question is from the line of Pooja from Ace Lansdowne Investments. Please go ahead.

Pooja: My question is with regards to non-oral care segment. And since we increase our focus in B&C particularly I wanted to understand pharma has lagged in sales, from pharma has moving around 330 - 340 crores around at an annual range. So is there any specific reason this category is not scaling up? And since we are also increasing our headcount in BPC segment, any guidance on the growth?

Anand Kripalu: So I'm just trying to understand your question fully. One question is to say, why is pharma not growing? And the second question, you could repeat?

Pooja: Second question is with respect to B&C growth as we increased the sources and the headcount over there. Any particular number you could provide on that front, sir?



*EPL Limited
May 28, 2024*

Anand Kripalu: Both these remain priority sectors for us and with even more focus on personal care, right, beauty and cosmetics. As far as pharma is concerned, I can tell you there have been some significant unlocks. Pharma is a much longer process of conversion because of FDA and all kinds of other regulations, right, and products tend to be more invasive and therefore require a lot more protocols before they convert. As far as beauty and cosmetics is concerned, we have just started a couple of quarters ago to put extra resources in and I can tell you that you will begin to see the blip because of the headcount and therefore hunting down new customers as well as our Neoseam technology which I mentioned in my opening comment, because as part of our strategy, we have fully funded whatever is needed to be done to accelerate our beauty and cosmetics growth. And the mixed improvement that will come as a result of that as well as the volume growth opportunity, will start playing out in the next few quarters, because that's our strategy.

Pooja: As I understand our customer base is pretty sticky, so in case of pharma, what would be the conversion time for any particular client?

Anand Kripalu: Most pharma customers by the way are in the real source of business are customers who are in aluminum tube. Now, we have a large share of people who are converting, but the conversion required testing and at the customers end significant change of packing and sealing machinery, right? So significant CAPEX at that point. I don't have a thumb rule, but the conversion once we start the conversation with the pharma customer, at least a year, right, if not longer.

Moderator: Next question is from the line of Jenish Karia for Antique Stock Broking. Please go ahead.

Jenish Karia: My question was with regards to the Europe restructuring. So if you could just throw some more light on what exact restructuring have we done, what measures have we taken to boost the growth and how soon do we plan to achieve the guided margin of mid-teen in the region?

Anand Kripalu: So as we said, our objective is to get Europe to mid-teens margin. And as we said, you will start seeing the benefits of our restructuring start accruing this year itself. As you've seen built in certain exceptional items into our cost base, these exceptional items will go to support three key initiatives that will help us to transform our margins in Europe. The first is people optimization both at the management level and the operation level, and many of these have already been done or are well underway. The second is manufacturing realignment by moving some lines from higher cost German site to a more optimal Poland site. Some of this has already happened and some of this is underway. And the third is to create a center of excellence with respect to two areas. So moving all printing of laminates from Germany and Poland and creating a center of excellence in Poland for printing and creating shared services wherever possible. So whether it's to do with finance or planning and other activities, creating a shared service center in Poland which will give us economies of scale and it will be housed in a lower cost country like Poland rather than a higher cost country like Germany. So, all these things put together are well under



*EPL Limited
May 28, 2024*

way and you will start seeing the benefit flowing this year itself, but as I've said, our objective is to clearly deliver mid-teens margins in Europe and that will happen in the foreseeable future.

Jenish Karia: Second is on the Americas region. As you see, Brazil has now been operational for four to five quarters and the anchor customer commitment is also nearly fully completed. So, what would be the rough utilization level at the Brazil level? And secondly, do we see a growth moderation happening in Americas region going forward as the base impact of Brazil is already factored in?

M R Ramasamy: In utilization level, there are two aspects to this. One is that we have a contractual customer, that lead customer. We install capacity as per their demand that is now being fully utilized. What we also have done is we have also put in certain seed capacity for seeking other customers. That is now getting till then. But, see, this entire business is about the moment you see a growth that you see a certain level of utilization you put a next capacity, you automatically add up, capacity will never be a constraint, demand decides the capacity so we'll keep increasing. But we have now enough capacity to service the second set of customers.

Jenish Karia: So can we expect Americas as a region on a consol basis growing at a high double digit or mid-teens kind of a number in FY'25?

M R Ramasamy: Double-digit is a growth target and we are very certain that Americas will also grow double-digit.

Anand Kripalu: So Americas as a region definitely. And as I've said earlier, we have a program to improve our margins specifically in the Americas and specifically within that the United States. So as Brazil ramps up, as some of the interventions in the US pick up, Americas should deliver solid growth as well as solid margin improvement.

Jenish Karia: You mentioned the interest cost should maintain at the similar level. So you meant that 32 crores of interest cost that we have in 4th Quarter that will continue on a quarterly basis?

Deepak Goyal: So the current cost which is in this quarter is the steady state cost and that's the cost that is likely to continue. There would be some up and down depending upon the phasing of cash and hence that's loan debt levels but the cost is representative of the steady state business cost that we have right now.

Moderator: Next question is from the line of Shubham Sehgal from Securities Investment Management. Please go ahead.

Shubham Sehgal: Want to ask one basic question for my understanding. So we're seeing that companies are moving towards this sustainable packaging and even our volumes are at 20% right now as we targeted.



*EPL Limited
May 28, 2024*

So to understand the margin for a sustainable packaging for example ecovadis compared to normal tube, are those like in the similar range or how it is working?

Anand Kripalu: So the margins are greater than or equal to what they are for the regular packaging. So sustainable tubes, margin will be greater than or equal to what it is for the non-sustainable tubes. Now, this is a strategic choice, right, because the reality is if you try and charge a premium, chances are that you will slow down the process of conversion or you will lose wallet share in the conversion because somebody else will give it at a lower price. However, if you give it where you do not present an obstacle to conversion, then the chances are, you will convert faster and gain wallet share during that conversion, and that has been our strategy.

Shubham Sehgal: Just for clarification again, so do we actually actively try to price our sustainability with higher wherever it is possible for us or we do not do that?

Anand Kripalu: Sorry, the question is do we try and price it higher wherever possible?

Shubham Sehgal: Yes, like do we do that or we don't do that?

Anand Kripalu: We absolutely try and convert aggressively. The thing is that many companies have their own program for conversion. So our job is to be ready, but there are very smaller companies where we are able to go and offer our solutions, right, and motivate them to start converting. So, I suppose it's a combination of both.

Shubham Sehgal: But so like, as you already mentioned that we have the capacity to offer it, so going forward, do you think that we could build on this like we could have a pricing power where we could offer our tubes at a better margin so we could get better margins out of our sustainable tubes like going forward, do you think that kind of thing is possible or it won't happen?

Anand Kripalu: It could happen, but I would say it is more by default rather than by design. Strategically, we want to accelerate the process of conversion and gain wallet share during that conversion. In many cases you might be able to get better pricing as well since you have first-mover advantage in terms of your ability to supply, right? But that like I said is by default rather than by design.

Moderator: We'll take the last question from the line of Megh Shah from Prospero Tree Financial Service. Please go ahead.

Megh Shah: I just have one simple question. Sorry if I'm being repetitive. It's regarding Americas. So the margins have suddenly spiked up from around two and half percentage to 9 percentage. So are there any one-offs in that? And is the margin sustainable?

Deepak Goyal: You're talking about the EBIT margin, right, 9%?



*EPL Limited
May 28, 2024*

Megh Shah: Yes.

Deepak Goyal: Americas has had an organic quarter. So the margins are representative of the steady state business. We have improved our performance in Americas. Brazil, as you mentioned, also is accretive to Americas region and that also gets consolidated now, so the benefit flows in. As we discussed, we are also putting in more efforts to kind of improve US margins in particular and hence this margin we should maintain and improve as we go forward.

Moderator: I now hand the conference over to Mr. Pratik Tholiya for closing comments.

Pratik Tholiya: On behalf of Systematix Institutional Equities, I'd like to thank the participants for logging into this conference call, and once again, thanks to the management for giving us the opportunity. Sir, would you like to make any closing comments please?

Anand Kripalu: No, that's it. Just want to thank everybody for logging in and continuing their support to EPL.

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