26 May 2023

Corporate Service Department **BSE Limited** 25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	The Listing Department **National Stock Exchange of India Ltd** Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai 400051
Scrip: Equity 500135. NCDs 960311	**Trading Symbol:** EPL

Ref.: EPL Limited (EPL)
Sub.: Transcript of investors' call held on 20 May 2023.

Dear Sirs,

Please find attached Transcript for Investors call held on 20 May 2023.

The above-mentioned Transcript is available on the Company's website www.eplglobal.com under section Investors > Shareholders Information > Investor call transcripts, the link of which is furnished below:

https://www.eplglobal.com/investors/shareholder-information/#investor-call-transcripts

The above is pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, for your information and record.

Thanking You,

Yours faithfully,
For **EPL Limited**

KEYUR NAYAN DOSHI
Digitally signed by KEYUR NAYAN DOSHI
Date: 2023.05.26 12:41:08 +05'30'

EPL LIMITED MUMBAI

Keyur Doshi
Company Secretary

Encl: As above

Filed online

"EPL Limited
Q4 FY '23 Earnings Conference Call"
May 20, 2023

MANAGEMENT: **MR. ANAND KRIPALU – MANAGING DIRECTOR AND GLOBAL CHIEF EXECUTIVE OFFICER – EPL LIMITED**
MR. M.R. RAMASAMY – CHIEF OPERATING OFFICER – EPL LIMITED
MR. AMIT JAIN – CHIEF FINANCIAL OFFICER – EPL LIMITED
MR. SHRIHARI RAO – PRESIDENT, AMESA REGION – EPL LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to EPL Limited Q4 FY '23 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pratik Tholiya from Systematix. Thank you. And over to you, sir.

Pratik Tholiya: Good morning, everyone. On behalf of Systematix Institutional Equities, I would like to welcome all the participants on this earnings conference call of EPL to discuss fourth quarter and full-year numbers. Today, we have us from the management team, Mr. Anand Kripalu, MD and Global CEO; Mr. M. R. Ramasamy, COO; Mr. Amit Jain, CFO; and Mr. Shrihari Rao, President, AMESA Region.

I would like to now invite Mr. Anand Kripalu to give his opening remarks. Thank you. And over to you, sir.

Anand Kripalu: Thank you, Pratik, and hello, everybody. And a very warm welcome to this earnings call. Before discussing the results, you will be pleased to know that EPL has now completed 40 years since its inception in December 1982. We have come a long way from a single plant in Vasind to 21 plants today across five continents. During these years, EPL has continued to lead the pack in every aspect, be it innovation, cost leadership or sustainability.

In the year gone by, the external environment continued to be challenging and volatile. However, the silver lining is that things started to settle and become more predictable with each passing quarter. Consequently, I'm pleased to share robust results for Q4. We achieved double-digit revenue growth of 10.1%, which was broad-based across all regions. AMESA grew by 7.6%, and these numbers were significantly impacted by the devaluation of the Egyptian pound. At constant currency, AMESA grew at 15.5%.

Americas grew by 17.1% and Europe by 19.9%. With the lifting of COVID restrictions, EAP bounced back to deliver growth of 8.6%. Excluding the impact of setup costs in Brazil, we delivered strong EBITDA margin at 17.2%, which is an improvement of 186 basis points versus Q4 last year. Absolute EBITDA was the highest ever and grew by 23.4%. Including setup costs in Brazil, EBITDA margin stood at 16.9%.

Net profit grew by 80.7%, partly enabled by tax credit pertaining to earlier years. Strong cash flow generation led to lower net debt to EBITDA, which stood at 0.60. Importantly, as the year progressed, our business recovered. Our margins started at 15.1% in Q1, then moved to 16.3%, then 16.6% and ended at 17.2%. Absolute EBITDA moved from declines in Q1 and Q2 to strong double-digit growths in Q3 and Q4.

Over the full year, the category mix also progressed in the right direction, with personal care and beyond growing at 11.6%, faster than oral at 9.5%. Personal Care and beyond now contributes to 47% of our total business. Overall, we believe we delivered a solid quarter with clear signs of improvement through the year.

With respect to our Brazil greenfield project, I'm very happy to share that production has commenced in the plant and will be ramped up in the first quarter of FY '24. This is a testament to our project management skills and our rising global footprint. As far as innovations and business wins are concerned, our focus on innovations across laminates, tubes, caps and printing ensures that we continue to offer our customers the best solutions in the industry.

Recently, two of our tubes won the National Award for Excellence in Packaging at the prestigious Indiastar and Pacmachine 2022 Awards for food and pharma categories. Our deck carries examples of some of the other business wins we had this quarter. We also continue to make Neo Seam a success in Europe and Americas, a technology that will eliminate the seam and provide 360 degree printing.

Moving on to sustainability. We steadfastly continue to pursue our ambition to be the most sustainable packaging company in the world. Consequently, we are delighted to share a major milestone in this pursuit. EPL has received a Gold Medal in the EcoVadis 2023 Sustainability Assessment, placing us in the top 5% of 90,000 companies worldwide. We are now in the top 3% of businesses involved in the manufacture of plastic products.

Importantly, in FY 23, we increased volumes of sustainable tubes by nearly 2.5 times. These now account for almost 10% of the total. We aim to double this again next year. We have recently been awarded with 5 ISO certifications for sustainable global practice. We also released the third edition of our Sustainability Report.

Finally, our efforts to create a positive employee experience have been recognized with the Best Employer Brand Award in the National Best Employer Brands 2022. Looking ahead, while many of the known challenges of FY '23 have eased, everything isn't completely normal. Inflation and recessionary fears, especially in the western economies makes demand less predictable. Interest rates remain high and forex remains unstable. Increase in minimum wage across the globe has resulted in cost increases.

In this context, our priorities for FY '24 include; to continue to deliver double-digit revenue growth, drive recovery in East Asia-Pacific based on expected revival of the China economy post COVID, ramp up volumes in Brazil and expand the customer base and fourth, continue focus on selective price increases wherever we are suffering cost increases, margin improvement through mix and cost management, manufacturing location optimization and efficient capital allocation. So net-net, we believe we have delivered a robust quarter in Q4 and we remain cautiously optimistic about the future to deliver on our ambition of double-digit growth with margin improvement.

Thank you very much. With that, we will now open this up for questions. And I'll be joined by my colleagues in responding to your questions.

Moderator: The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: I have few. First, on the revenue mix for this quarter at least, it looks like personal care has significantly slowed. I can understand why the oral care has grown faster, thanks to the Brazil. Can you help us explain why the personal care has seen a sudden deceleration in the growth? We have now fallen less than double-digit in the personal care for this quarter.

Anand Kripalu: Do you have other questions as well that you want to just readout and then we can just share the questions between me and my team?

Sanjesh Jain: Okay. Got it. My second question is on the Brazil side. Now that we have commenced, any thoughts, how much can it contribute in FY '24? Have we succeeded in signing more contracts beyond the one long-term contract, which we have started this plant? That's the second one.

The third one is on the gross profit margin, which has sequentially declined by 80 basis points. While the assumption was that last quarter we were carrying a high cost inventory and that should ease out and should help us then positively benefiting on the gross profit margin. Well, it's completely otherwise. Can you help us explain the per region side, the decline in the gross profit margin?

And last question on the other expenses. Freight cost and the power cost at least significantly, normalized. If we look at our numbers, they aren't showing that. There is a little bit of it, but not to the magnitude probably one would have anticipated. Yes, these are all my questions.

Anand Kripalu: Okay. Perfect. So, I'll just kick off with the first couple and then hand it over to Amit and Ram. So first of all, as far as the revenue mix are concerned, I would really request you to look at category mix, right, at least on a full-year basis rather than a quarter-to-quarter basis, right? I have to say that there is absolutely no issue and no concern, right? And on a full-year basis, I read it out in my opening comments, right, personal care and beyond, which includes beauty and cosmetics and pharmaceuticals and little of other stuff as well that we do has grown faster than oral care, okay. And you should absolutely expect that personal care and beyond will grow faster, right, on a sustained basis and its contribution to our business, which is now at 47% will continue to grow.

Now quarter-to-quarter, you may have some pluses and minuses, but it is absolutely not reflective of the underlying trend in the business. So, I want to just reassure you that there is absolutely no issue in our ability to grow personal care and beyond faster than oral. And I think the silver lining is that a lot of people feel that oral itself increased -- how much can it grow by? And on a full-year basis, we have grown oral by 9.5%. So the fact is oral continues to grow. And I can reassure you that personal care and beyond will continue to grow faster. You might have pluses or minus in the quarter. And as you know, we can't run this business and we don't run it on a quarter-to-quarter basis, okay. So customers also are more long-term in this industry rather than short term. So that's the first point about personal care.

The second point about Brazil. So Brazil, the full commercial production has just started and the ramping-up is happening as we speak, right? I said that the ramp-up will commence in FY in Q1 FY '24, which is this quarter, right? And that is happening as we speak. I think on the positive side, we believe that in one of the most complex countries in the world in terms of operating environment and a new country like this, right, I think -- I mean, we have setup this plant and this operation in record time, okay.

Now as far as other customers are concerned, I can tell you that there is significant interest being evinced by both multinational and local customers in Brazil. But as we have said earlier, we have gone into Brazil on the back of an anchor customer and our first priority is to ramp-up and deliver the commitments that we have made to the anchor customer. But in parallel with that, we are absolutely exploring possibilities for customer base expansion.

Now this will take time for the full ramp-up to happen of the project as in any project of this kind you would imagine. All I can tell you that it is going to be growth and margin accretive to EPL, right? That you can be sure of, right? The setup quarter, etcetera, etcetera, you don't have the scale yet of the operation, but you can be assured that it will be growth, obviously growth because it's a greenfield project in a virgin market, but also margin accretive, which I'm sure is of interest to everybody over here.

So let me just hand over to Amit on the GP margin issue and the other expenses area? Amit, will you take that, please.

Amit Jain: Yes. So, Sanjesh, as far as gross profit margin is concerned, it is actually a mix of your business category, geography, everything. Correct? As far as softening of raw material is concerned, yes, we have seen from Q2 to Q3 and Q3 to Q4, and now we're seeing it as more or less stable, so that has happened. But because of the mix of the business, the percentage can be here or there. Second is, there is a component of translation impact also in the GP. So that is on the gross profit.

As far as other expenses are concerned, overall, if you see this quarter, the other expenses excluding the employee costs remained flat compared to last year. And freight costs, you are right that there is a softening, and we are seeing that softening in the freight costs. But as far as power cost is concerned and you are aware that last quarter also we talked about the Europe power cost which has increased year-on-year if you see, it has started from April last year.

So power cost is an impact of Europe increase and other geographies also. If you see India, there are power cost tariff increases in some of the factories, as well as the FAC charges on the power. So that has increased. And you know that we are constantly negotiating with the customers on the inflationary side agreements. So that's on the costs.

Sanjesh Jain: Two follow-ups. One, this year can we achieve the 18% kind of a margin, which we have historically below on the EBITDA front? That's number one. Number two, I wanted to congratulate on the Gold Medal for EcoVadis. Are there any other company in India, which has got medal or you are the only one in India to get this?

Anand Kripalu: So -- and your first question was whether we are going to deliver what number?

Sanjesh Jain: 18% EBITDA margin. That's it.

Anand Kripalu: 18% EBITDA margin? All right. So as far as EcoVadis is concerned, I don't know if there's any other country -- company in India. I think it's also one of the few companies in the world that has got gold as a global company, right. See, different for one plant to get a certification, but for the global operations to get it, it means it's a massive company-wide effort to get to it. And so I don't think there is, but we will check this out again whether anybody has got EcoVadis Gold in India.

But you will imagine that in today's ESG journeys that companies are embarking on, this will be a huge fillip as a source of competitive advantage for the company. So, these things will deliver, hopefully, with interests, right, in the future. Having said that, our journey has started, not finished. We have a long way to go and a lot more to do as far as sustainability is concerned.

As far as margins are concerned, I mean, you'll appreciate that I cannot give you a number, okay? But you have to absolutely believe the fact that what we have been saying consistently, we are committed to continuous margin improvement, right? And I don't mean quarter-to-quarter. But certainly, on a full-year basis, because quarters, they have seasonality and so on and so forth. We are absolutely committed. And even in a choppier like last year, our internal comprehensive cost effectiveness program has really, really helped us, right? And you would also imagine that pricing has been very aggressive, right? And we have been pushing very, very hard on pricing as well, right?

Now obviously, with commodities beginning to wane, right, the effort on price increases have come down, but it's still prevalent in certain geographies, particularly like Europe, right, for the reasons that Amit also mentioned. So, I think you have to absolutely believe that we are committed to continuous margin improvement, right? What that number is, I would hesitate to say because I don't think it's helpful to give that kind of sharp guidance, right?

But you have seen how we have moved margins in the last 4 quarters of last year and I said that in my opening comments as well, and you obviously track that. But you have to believe that this company and this management team is absolutely committed to doing this. That's something we have been saying. So hopefully, we've built some credibility with you that this journey will continue.

Sanjesh Jain: Fair enough. That answers all my questions.

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

Sameer Gupta: First of all, congrats on a good set of numbers this quarter. A few questions from my side. If I look at Americas, the EBITDA margin, even the absolute EBITDA has been more of a flattish over the past 4 quarters. My understanding was that this is an oral care heavy geography. So, we have contractual pass-throughs and should have got price hikes relatively easier in these geographies and Brazil component is there. But on an EBITDA line, I don't think it would have affected that much in this quarter. So just wanted to understand broadly what is going on in Americas?

Anand Kripalu: So I'll chip in and then I'll hand it over to Ram as well. Now as far as Americas is concerned, you're right, the large part are contracted with customers and therefore, the pricing does come, right? However, there has also been inflation-related costs beyond the contract, which has required us to negotiate separately with those customers, which we have done and we have achieved as well, okay? So everything is not covered in contract, right? There are a few things outside, but we have got specific inflation-related price increases from those key customers for that also.

I think the Americas margin for last year, right, has been impacted by some one-off items related to inventory build-up during COVID, right, which has hit the P&L this quarter, okay. So please recognize that there are some one-off hits that have hit the Americas numbers, and they are one-off, okay? They will not recur. So, that's really the point about the Americas margin. It has less to do with pricing or pricing ability or contract customers or anything else, but more to do with that -- more to do with that one-off.

As far as Brazil is concerned, I mean the numbers -- we have shown the numbers, excluding Brazil, actually. I've spoken about that, including Brazil largely and even in the investor deck it is excluding Brazil. So please recognize that the impact of Brazil is not there in those numbers as far as this quarter is concerned, right, the Q4 is concerned, right? Brazil will now start coming on stream as the volumes starts ramping up.

Is there anything else that Ram you wanted to add on Americas specifically on the margin?

M. R. Ramasamy: No, no. You have covered well. Is there anything else, Sameer, that you'd like to know?

Sameer Gupta: Yes, yes. So on the Brazil, just any revenue targets you have for this geography in FY '23, '24? This is just for modelling purposes, I'm asking.

Anand Kripalu: I mean, I don't think we're in a position to give you because recognize that it's one lead anchor customer, and there is some level of confidentiality in the contract about what we can share publicly, what we can't. But what I said earlier to the previous questions, it will be growth and margin accretive to this business and it will ramp up through the course of this year. And you will start seeing the materiality of those in subsequent quarters. I think, honestly, that's the best we can give you. But the reassurance I want to give you is that whatever we plan, whatever we have been talking about for the last 3, 4 quarters in Brazil is now a reality and will happen. And there are no surprises, no misses, no change in our position on Brazil. So the confidence on what Brazil will achieve remains.

Sameer Gupta: That's very helpful, sir. Just one follow-up here. So INR130 crores of investment is, I believe, has gone here. What is the revenue that you envisage on a full capacity level? Now, I understand that you can't give the timeline, but at least that you would have in mind, right, as in how much at peak capacity this plant can deliver? Obviously, there can be more plants if there is growth in that geography, but just this aspect.

Anand Kripalu: Amit, do you want to take that there? I'm not sure we're in a position to give you what revenue we have built into the model right now, but you can give an update on the investment in the project. Amit?

Amit Jain: Yes. So Sameer, as we informed earlier that the total investment in this project will be approx $20 million. So, that is what is the investment in the project. As far as the specific numbers are concerned, as Anand told you that because currently, it is only a single customer contract, so we are not able to give that volume and revenue number.

But as we go along quarter-on-quarter based on actual performance, we'll keep you informed about the various developments. But one thing is there that it will definitely be a revenue accretive and margin effective. And second is that one thing I want to tell you that in this short time, which is, if we say when we started the project, which is almost in the month of June, July and 9 months building this kind of big project is a phenomenal job, which we have done. So, that's how -- that much I can share with you on the Brazil as of now.

Sameer Gupta: Margin accretive from the first year itself?

Amit Jain: Margin accretive will be from the first year itself, but don't see it on a quarter-on-quarter basis because normally in this business, ramp-up needs some time because normally, the customer, they stop the other supplier, bring the volumes to us. So on a yearly basis, yes, it will be margin accretive this year. Quarter-on-quarter, there will be some pluses or minuses.

Sameer Gupta: That's great. Last question from my side, capex guidance and tax rate guidance for FY '24, if you can give?

Amit Jain: So capex, I think the guidance remains the same more or less. Depreciation or maybe a little lower than that because our depreciation is also increasing now. Second is that if you see this year, we have focused on the capital allocation on the capex also and the NWC also. I mean, if you see Q4, it's a strong operating cash flow, which we have generated. So that is on the capex. And on the tax rate, again, the guidance remains same that it will be between, say, 26% to 28%.

Sameer Gupta: Just a follow-up on the capex number. You envisage a double-digit growth. In a growing business, I would assume capex to be slightly higher than depreciation, right?

Amit Jain: Capex, I think, guidance, more or less within the depreciation amount, we are able to deliver that double-digit growth because these are all modular additions to the plant. We need not to have the full and everything. And strategic capex are out of that thing like Brazil is out of that guidance.

Moderator: Next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Sir, coming back to the sustainability, is that fair understanding, the 10%, which is that, that is recyclable, correct?

Anand Kripalu: Yes.

Bharat Sheth: So, sir, what I understand that all, I mean, FMCG global large players would have played that they want to achieve 100% recyclable in the packaging side. So are we not too much lagging behind? Because next year, even if it becomes 10% to 20% by doubling, so if you can give little more colour on that.

Anand Kripalu: So first of all, you're right. When we say sustainable tubes, we mean fully recyclable tubes. I can tell you that globally, across regions, we are leading amongst tube suppliers in sustainable tube supply, okay. So, we are leading the pack on sustainability. Now, you will see significant ramp-up starting with some customers, right? So FY '24, there will be significant ramp-up with some customers. Some customers there will be FY '25.

But over the next few years, you will see this 10% number go up significantly, right? All I can tell you is that we are re-equipping all our plants to be fully capable to produce sustainable tubes, right? And there are some small modifications we need to make, right? And we are doing it as we are seeing customer demand picking up, okay? So, there's a bit of a journey. But I just want to tell you, we are not lagging. We are leading any other company in the world, right, as far as supply of recyclable tubes is concerned. And you will see an acceleration in momentum. So, I can tell you in FY '23 also the momentum in H2 was much more than H1. okay.

So as FY '25-'26 approaches and people's deadlines approach of many of the commitments people have made, you will see an acceleration in adoption of recyclable tubes, okay? And you have to be absolutely reassured that we are not lagging. We are leading as far as this is concerned, and we will continue to lead. That's our commitment and that's why EcoVadis Gold and all the stuff we are doing on sustainability, not just tubes, but in terms of making EPL the company sustainable in terms of sustainable practices, okay, to make sure that people see us as the most sustainable supplier in tubes. That is important. So, we are absolutely on that journey here.

Bharat Sheth: And second question on that lines. So how that will, in a global market, will be able to make a differentiation where other tube players may not be? And will that help us in gaining a market share?

Anand Kripalu: It will absolutely help us in gaining market share, right? Now, how will we differentiate, okay? So, I'll try and explain to you in simple terms, right? Other companies are also making sustainable tubes, right? Everybody has to make sustainable tubes.

Bharat Sheth: Correct.

Anand Kripalu: So what is the differentiation? I could make a sustainable tube using less plastic. I could make a sustainable tube that has better barrier properties for less plastic and less thickness compared to some other suppliers. So the customers' product may be unstable in somebody else's tube, but the product will be stable in our tube. So, our constant effort is to reduce thickness and therefore, the amount of plastic going into the tube and keep increasing the barrier properties so that the customer's product is stable. That is where research is going now.

And that is where, again, and on multiple customer tests, competitors' products have failed, whereas our products have succeeded the stability test. And no customer will put their product inside the tube if it is not stable, right, if the product is not stable, right? Now, I'm just explaining to you in simple terms, that is how we are aiming to lead the pack and stay one step ahead on the sustainability agenda.

Bharat Sheth: Okay. And last question on that. Also, sir, that can help us, I mean, whether gaining market share or intersect, but some kind of a price better than the costs, I mean.

Anand Kripalu: I mean market share, definitely. Now price is a choice. That's a management choice. Now, I can charge a premium and make it difficult for people to convert, or I can say almost parity pricing, but you give me more volume, more market share and let me grow my business disproportionately during this period. No, that is a choice on strategy. That's how we are thinking about it. All right.

Moderator: Yes, sir. Next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: Yes. Congratulations for a very strong performance. Sir, my first question is based on your initial remark about these challenges in the global market currently, including currency-related issues. So out of all these markets, which market do you see more challenge or slightly more longer time to come back? And which geography you think are rebounding strongly or is expected to rebound strongly.

Anand Kripalu: So, I'll give you a broad view on this. I expect AMESA and India particularly to remain strong. right? However, AMESA has Egypt. And by the way, Egypt's performance is strong, but there's a currency challenge and inflation challenge, therefore, that is there in Egypt, right? And I've already talked about the fact that those have impacted the AMESA growth numbers because of the translation impact of Egyptian pound devaluation.

I expect China to come back, partly because it has a low base and partly because after the opening up of the COVID policy, the Chinese government also is putting in a lot of effort to get the economy to bounce back, right? So the Chinese government also needs to do that. So, I expect China to bounce back. I expect the Western world to be a little more uncertain. Europe, right, the environment in Europe. So the Western world has inflation, while it has softened a little bit, but still has inflation much higher than what it has had over the last few decades. The Western world is not used to having 7%, 8%, 9% inflation. They are used to 1%, 2% inflation.

The challenges in Europe are partly inflation, partly the Ukraine war and going on affecting it. And therefore, there is every possibility that some demand impact could be there in Europe, okay. There is every possibility. When price increases are high, when inflation is so high, then there could be some demand-related impact, okay? And therefore, Americas as well, but less in Europe, right? There's no -- I don't think there's a currency issue, except that the dollar is actually quite strong, but there's no currency issue really in the US, right?

However, inflation has remained quite high, right? And you all know that interest rates and so on have been increasing. So inflation remained high. So, I'm just saying that it's a bit of a mixed bag around the world. And that's why in my opening comment, I said everything isn't completely normal. Inflation and recessionary fears, especially in the Western economy makes demand less predictable, okay.

So this is -- I mean, everybody is talking about some kind of a recession in the Western world, right? People in Asia are not talking about recession that much. So, I'm just trying to make sure that we understand the context in which we are doing our business. And in that context, I've already told you what we aim to deliver next year and beyond.

Mitul Shah: Okay, sir. Sir, within all these geographies due to local currency depreciation, in any of these geographies, do we require to rationalize pricing or reduce prices in order to compensate for currency devaluation?

Anand Kripalu: Compensate for pricing, reduced pricing? Well, it should be the reverse. See, if the currency devalues, fundamentally, it means there's high inflation. And fundamentally, it means you have to take more pricing. So if I take the case of Egypt, right, where there the currency has halved in 9 months, the value of the currency has gone from EGP15 to the $1 to EGP30 to the $1, Egyptian pound to the dollar, right? We've had to take huge increase, and that is what has ensured that we have protected our margins in the Egyptian P&L in Egyptian currency. What you are seeing in our global consolidated results is the translation loss of the Egyptian pound into our global results.

So, I think, quite to the contrary, when the inflation is high, the pricing -- I mean, you have to be very, very hardnosed about pricing, like we have been in Europe, by the way. In Europe, cost increases have been high. Inflation has been high. We have taken unprecedented pricing in Europe, right? That's how we have somehow delivered, I would say, a reasonable P&L for Europe on the back of very aggressive pricing decisions.

Mitul Shah: Pricing is not, on a USD basis, where we decide USD pricing and then -- even if the currency of their current country depreciates, we realize that.

Anand Kripalu: No, we have to take input costs as experienced in a country, right? Now recognize, we do a lot of our polymer making and laminate making in India and China, right, and ship it out there. But we take whatever input costs we suffer, plus there are all local labour costs, energy costs. All that stuff is local. And then you look at that and decide what pricing do you need to go and take to the customers.

Mitul Shah: Okay, sir. Sir, second question on sustainability. In case of this sustainable, we are saying 10% of the products now based on this recycled. So it's all PP, polypropylene?

Anand Kripalu: Ram, do you want to take that question?

M. R. Ramasamy: It's a combination of many polymers, but recycled. What we eliminate is, we eliminate non-polymer product used to be in the tube form, which we have now eliminated. Similar, family applications. It's not one mono material. It's a still combination of material in a similar timeframe. Got that?

Mitul Shah: Yes, sir. So on this, again, what I understand is it is primarily with the polymer only or a material in terms of recycling rather than equipment like molds or dyes or even machines like blow molding or injection molding. So once the material you are finalizing or you're getting success with that, it should be relatively very easy to implement across. So why it should take more time going from 10% to 20%, 30%? Because it's entirely -- probably 90% would be related to material, 10%, 15% just related to equipment, right?

M. R. Ramasamy: See, there are three different ways that we should see. Each customer globally has a goal to get into full recyclability by a certain number of years. Some of them are 2030, some are 2025, some are a little greater. Now this drives their ability to transport products, display it, sell it, all that in their consideration to decide that timeline. Now as a subset, we need to be ready. Well, as and when every segment like oral care, beauty and cosmetics, medicine and everything gets converted into recyclable format, as a company, are we ready to offer products?

We are ready now for 80%, 85% of the products today can convert into recyclable tube with the other supplier. We have strong innovation capabilities because I just wanted to repeat, in the global scenario, EPL is one company, starts from polymers to tube making. Many tube-making companies try intermediatory products. So, we will always be first to innovate and we will always have a leading edge conversion, right? So, we are in that sphere and the second question is we are ready today.

Now the third question is bringing equipments. All equipment in the current status is not fully capable of doing recyclable effective level. Every machine can do a recyclable product, but not at a full efficiency. That means small modifications, which we keep doing year-on-year. Today, 85% of our equipment can do recycle products. 50% of our machines can do with full efficiency.

The remaining as it converts, that we will start updating year-on-year. So, this is 3 types. So it's customer driven. From our side, we should have a full capability to offer recyclable products in every segment. We are ready. We should have the capability to produce when customers asks. That we are ready up to 50%. And we will be ready over a period of time to do up to 85% full effective. But the current rate of conversion is only 10%. So, we are well adept in term of meeting the market demand, offering products for wide range of products.

Mitul Shah: Yes, sir. Good to hear this. Sir, are we using any reprocessed plastic in our combination or it's all virgin natural at present?

M. R. Ramasamy: Every country has regulations. We have products which have post industrial recycling inclusive, up to certain percentage. It depends upon the customer. One thing that what we have done is we do not have, at this point of time, 2 major clients that we make films and polymers. We don't have any industrial waste going out of the country. Everything gets recycled into some or other form. So that's how the EcoVadis Gold comes from our ability to ensure we don't discharge wastages into the industry.

Mitul Shah: Okay, sir. Sir, lastly, on the Brazil, sir. Whatever we got initial commitment orders from our anchor customer, we are saying we are ramping up. So are we in a position to meet that requirement in Q3 or Q4? Or it will take slightly more time to get the initial commitment order getting delivered?

M. R. Ramasamy: In terms of capacity, capability planning, that is how the project has gone up. We are ready, fully ready. Customers will now start converting one by one because he has to ship the volumes on my existing supplier to us. So, he will see our performance, see commitment to direct customers. Slowly, it will start building up. The short answer is yes, we are pretty ready to deliver as agreed with the customer.

Moderator: Thank you. Next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay: Yes. I hope I'm audible.

Anand Kripalu: Yes.

Nikhil Upadhyay: Yes. One question on the oral care side. If you look at like since 2013, '14 and today, the oral care business for us has grown at 9% to 10% CAGR, probably more than that as well. Would this -- but if you look at the overall oral care market across the world has been growing in single digits in volume terms or even in value terms. From where -- and now we've also entered Brazil, which was -- which we were not present earlier. So from a, say, a 35%, 36% global market share, post Brazil, where do you think our market share would reach? And where do you see that post this much market share, growing oral care will become a challenge?

M. R. Ramasamy: There are 2 parts. One that is you mentioned about oral care as a category growing broadly, probably that whatever number you said is a correct number. But our growth is not purely organic growth. We also gained wallet share-- like, for example, we have got into Brazil, that we see a wallet share addition to whatever we are having currently in oral care. That's our growth of 9% as you mentioned comes from wallet share sharing in addition to the organic growth in the existing markets. So, we are confident that we will continue to grow anywhere between 8% to 10% of the Oral Care sustained effort. We continue to scout around customers for whom we are not supplying.

We continue to look for products, which could be made into premium so that our revenue goes higher. Every customer is also trying, and we are also helping them to put products in the premium packaging items. So the revenue actually grows. So those efforts are on. We continue to believe -- in volumes terms, probably we will be in the same range because -- let's say between 30%, 35%. In values, we should grow slightly faster than that.

Nikhil Upadhyay: Okay. So volume terms, we would be growing at a similar range as the overall market is growing? It's only a mix change or better pricing, which is helping us to grow at this rate, which can sustain?

M. R. Ramasamy: Yes. Organic plus wallet share gaining will be the volume gain. Value gain will be, as we start making, more premium segment supplies.

Nikhil Upadhyay: Okay. And on the inorganic side, you said gaining more wallet share or gaining more customers. Would you say that like at 40%, 45% market share once we reach, there won't be much more opportunities because we would become -- so most of the players would be highly dependent upon us? Or would you say -- because at the end, it's a supplier kind of a business. So would there be so much -- nice to be so much dependent on one company?

M. R. Ramasamy: No. See, there are -- many things are happening in the marketplace. Most regional players are coming up. In India, maybe about 10 years or 15 years back, we've had stronger MNC's. But now there are stronger regional players, right? In every market, those things continue to happen. As we earlier explained, the sustainability initiatives gives us leading advantage to us to be able to offer more products to more number of customers. I'm not sure about the percentage that you are talking about, 40%, 44%. But certainly, our growth at this rate of 8% to 9% in oral care is what we target to achieve here as well.

Nikhil Upadhyay: Okay. And last question on Brazil. Now till the time the scale-up comes to the required volumes and all, would there be a -- so would there be an underutilization or under achievement of costs? So would it still be contributing negatively to the EBITDA? Or would it be breaking even as of now?

M. R. Ramasamy: The project plan is done using this staggered ramp-up, that's how the project time is put in. We are on time. But we -- there is not an industry -- we went with the lead customer. There are many customers who are interested as we all know. We don't want to overcommit and jeopardize quality, establishment, new countries, unknown environments. So, we will use this period to ensure other customers qualify our products and we are ready to supply at some point of time to them. So that's our plan. That is as per the original project plan.

Nikhil Upadhyay: Okay. And last question. The kind of opportunity, say, we got in Brazil and we put up a new greenfield plant, I think after almost 4 years or 5 years, do you sense there are more greenfield opportunities, which may come up our way? Or would it be like with this plant set up across all the 4 or 5 major continents, would you say that more of the capex would remain on a brownfield kind of a level?

M. R. Ramasamy: Anand?

Anand Kripalu: Yes. I'll take that. So let me put it this way that, listen, we are open to investing for growth, okay. Now if opportunities are in M&A, we are actively looking at M&A opportunities, right? And if anything works out, which is in the right strategic area in terms of location, in terms of technology and obviously, at the right price, then we are open to that. Brownfield, obviously, you will continue to do, right?

And I don't think you need greenfield plants every couple of years. But whenever it is needed, if there is a virgin geography, right, or an anchor customer tells us to come and do something in another geography, then we are happy to do it. But you're right, broadly speaking, I think we are in a position to supply most markets and geographies in the world with the manufacturing footprint we already have, okay? So, I don't think we really need to add more greenfield unless it is a demand or a request from a specific anchor customer.

So, your deduction that it will be more tilted towards brownfield rather than greenfield is right. But please add the M&A part, right? And we've done only one in recent times, which is accretive, right? And they are open to others, right? And we are hungry and looking all the time for opportunities. We have examined some, but they've just not been either right or at the right price.

Moderator: The next question is from the line of Jenish from Antique Stock Broking. Please go ahead.

Jenish: Yes. And congratulations on a great set of numbers. I have 2 questions. Firstly, if you can share what is Egypt's contribution to AMESA revenue for the quarter and full year? And secondly, there was a higher gain...

Anand Kripalu: Again, I'm sorry, sorry. Who's contribution?

Jenish: Egypt's region contribution to AMESA revenue for the quarter and full year?

Anand Kripalu: Okay. And what's the other question?

Jenish: The second question is that there was a higher share of government grants and other income for the quarter. So if you could just highlight the nature of those grants and what can be a sustainable number if any? That would be all.

Anand Kripalu: Yes. I'll hand this over to Amit. On Egypt specifically or any country within a region, I don't think we are sharing specific data on any country. Amit, is that correct?

Amit Jain: Yes.

Anand Kripalu: Okay. So, all I can tell you is that Egypt is an important country. We have some great customers there. And the business is doing really well in terms of top line and bottom line, right? So that's what I can tell you. So Egypt is a good performing business, obviously, impacted in consolidation because of the Egyptian pound, right, and the currency challenge that we have there. Amit, do you want to take the question on tax incentives?

Amit Jain: Can you again, Jenish, tell me what was the question?

Jenish: Sir, in other income, there was a huge proportion of government grants around INR239 million for the quarter. So for what purpose we have received these grants? And is there any sustainable number to that?

Amit Jain: Yes. So this grant is basically a duty benefit in terms of import of machines, and this will continue to reoccur based on our capital expenditures.

Jenish: Sure, sir. No problem. And just one last question. When we have entered Brazil market, we had said that this is one of the first phases of entries to the market. So are we planning any second phase of expansion in Brazil region in the next 2 years?

Anand Kripalu: I mean, expansion in the sense, I think our first thing is we've put a project in place and our first priority is to build that plant. So honestly, we have not thought of further expansion, but we are covered on capacity, certainly, for the next couple of years in terms of the basic project plan itself.

Jenish: Sure, sir. That helps.

Anand Kripalu: And if we can take one last question now, please.

Moderator: Yes, sir. The next question is from the line of Umang Parekh from Ashika India. Please go ahead.

Umang Parekh: Sir, my question was mainly on the input prices. So while it has stabilized, I just wanted to understand the current pricing of the payment, how do you see this going forward?

Anand Kripalu: So I'm not sure -- so the input prices have definitely softened and more than softened, the volatility has gone away. So it's more range bound, which is helpful, right? Otherwise, it's very, very -- when it's volatile, it becomes unpredictable and then it's very difficult to manage pricing with customers. Now it's range bound. So it's softened to an extent, and it's range bound, which is good moves. There are a couple of input costs and commodities that are still high and are inflating, all right? But that's a smaller part of our total input cost base, okay? Now your question is about how is it impacting pricing?

Umang Parekh: Yes.

Anand Kripalu: Well, I'm saying pricing is a dynamic thing. As you know, half our business is contracted and that follows the formula based on input cost movement. The other half is negotiated specifically, and that happened. So the contracted part happens with a lag and the other part happens based on negotiation. And I mean, we are trying to make sure that we don't give any discounts on pricing, right, which is lower than what the starting position was in terms of customer profitability. All right.

So, this is a dynamic situation. It keeps moving, and these are constant conversations. So all I'll say is that we are still looking for price increases in some places. There is some pricing pressure for softening in some parts of the world with softening input costs and contracted customers that gets reflected automatically. But our objective is to make sure that our overall P&L and margin profile, right, remains better than what it used to be, right? And that's our objective when we get into these pricing discussion.

Umang Parekh: Understood. And sir, lastly, on the debt numbers. So our net debt has come down because of the significant cash flow generation, where do we see our gross debt number heading to?

Amit Jain: Yes. So, I think the debt number normally we see based on our different ratios kind of servicing debt and debt service coverage ratio. And if you see net debt to EBITDA is also 0.6. So in all those parameters, we are good on the borrowing level. And I would say that we can leverage further for the growth of the business.

Umang Parekh: Okay. Got it. That was it from my side.

Moderator: Thank you very much. I now hand the conference over to Pratik Tholiya for closing comments.

Pratik Tholiya: Yes. Thanks, Nirav. On behalf of Systematix Institutional Equities, I would like to thank all the participants for logging in to this call. I'd like to thank the management for giving us the opportunity to host this conference call. Anand sir, would you like to make any closing comments, please?

Anand Kripalu: No. I just want to thank, everybody, for their patience and their confidence in this business. We've obviously had choppy times in previous couple of years for all the reasons that we know, right? But I just hope that you are seeing the confidence that we are seeing. With more predictability in the operating environment, you are seeing a rebound of our business as well. And I hope that we have managed to meet that confidence with you during this call.

Pratik Tholiya: Sure, sir.

Anand Kripalu: Thank you.

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

Anand Kripalu: Thank you very much. Bye.