11 August 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	**Trading Symbol:** EPL

Ref.: EPL Limited (EPL)
Sub.: Transcript of investors' call held on 8 August 2023.

Dear Sirs,

Please find attached Transcript for Investors call held on 8 August 2023.

The above-mentioned Transcript is available on the Company's website www.eplglobal.com in Investors, Shareholders Information, Investor call transcripts.

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.

Yours faithfully,
For **EPL Limited**

KEYUR NAYAN DOSHI
Digitally signed by KEYUR NAYAN DOSHI
Date: 2023.08.11 16:20:40 +05'30'

EPL LIMITED
MUMBAI

Keyur Doshi
Company Secretary
Encl: A/a

Filed online

"EPL Limited Q1 FY24 Earnings Conference Call"

August 08, 2023

MANAGEMENT:	MR. ANAND KRIPALU - MD AND GLOBAL CEO, EPL LIMITED MR. M. R. RAMASAMY - COO, EPL LIMITED MR. AMIT JAIN - CFO, EPL LIMITED MR. SRIHARI RAO - PRESIDENT, AMESA REGION, EPL LIMITED
MODERATOR:	MR. PRATIK THOLIYA - SYSTEMATIX INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of EPL Limited hosted by Systematix Institutional Equities.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Pratik Tholiya from Systematix Institutional Equities. Thank you and over to you, Mr. Tholiya.

Pratik Tholiya: Thanks, Michelle. Good evening, everyone. On behalf of Systematix Institutional Equities, I would like to welcome all the participants who logged into the 1st Quarter FY24 Earnings Conference Call of EPL.

From the management team, we have Mr. Anand Kripalu – MD and Global CEO, Mr. M. R. Ramasamy – COO, Mr. Amit Jain – CFO, Mr. Srihari Rao - President, AMESA Region.

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 begin the proceedings by taking us through the quarters that has gone back. Thank you and over to you, sir.

Anand Kripalu: Thank you very much, Pratik and hello everyone. Very good evening to you and welcome to the Q1 FY24 Earnings Call.

Before we get into the discussion on Q1 Results, I am pleased to introduce EPL's new CFO – Deepak Goyal, who is here with us today on the call. We are very excited to have Deepak on board and I have no doubt that he will be a great addition to the team. He brings a wealth of rich experience of over 22 years across diverse industries like FMCG, financial services and hospitality tech. He has a proven track record in Indian and global roles in established companies like PepsiCo, GE and OYO. Most recently, Deepak was the CFO for OYO Vacation Homes, one of the largest vacation rental businesses in Europe and was based in Switzerland, so he has now relocated with his family to Mumbai. I would also like to take this opportunity to thank our outgoing CFO, Amit Jain, for his eleven years at EPL, particularly through the COVID crisis and the promoter stake sale. And Amit, of course is also with us here today and will be helping me to respond to some of your questions.

So, moving on to our performance for Q1 FY24:

The operating environment continued to steadily move in the right direction in the last quarter with input costs stabilizing. EPL's Brazil operations have been steadily ramping up. But for better comparison, all financial numbers are excluding Brazil unless otherwise mentioned. In Q1, EPL posted a solid revenue growth of 9.2%, broad based across all regions. AMESA grew at 5%, partly impacted by the devaluation of the Egyptian pound. EAP continues to bounce back with double digit growth of 11.5%. Europe grew by 7.8% and Americas grew by 9.5%. Our continued focus on personal care and beyond has seen success with the category now contributing 49% to total sales in Q1.

Importantly, the journey on EBITDA margin recovery has persisted. We delivered a solid EBITDA margin of 17.9%, an improvement of 282 basis points with an absolute EBITDA growth of 29.6% year-on-year. This is a result of softening costs coupled with active price management, mix improvement and productivity. Significantly, this is the fourth straight quarter of EBITDA margin increase, signaling the recovery in the business. Net profit for the company grew by 82.3%. ROCE also improved to 16.2%. Including Brazil, the EBITDA margin stood at 17.5% and absolute EBITDA and PAT growth rates were 26.6% and 57.4% respectively.

We have an update on Brazil:

Our Brazil plant is now fully operational. It is a state-of-the-art manufacturing facility integrated with SAP. Commercial production and delivery is underway. Several potential customers have evinced keen interest and we are confident of winning new business and expanding our market share in the near future.

As far as sustainability, innovations, recognition and wins are concerned, we steadfastly continue to pursue our ambition to be the most sustainable packaging company in the world. Getting assessed as Gold by EcoVadis was a major step towards that objective. Our efforts are now being recognized across forums with EPL winning two prestigious awards at the 4th Edition of the India EAC Summit and Awards 2023 by Transformance**.** EPL was presented with the ESG Best Performer of the year, while EPL's Global lead on sustainability was recognized as a top 20 ESG champion. We continue to remain signatories to the Ellen MacArthur Foundation, the United Nations Global Compact and the India Plastics Pact, while continuously working towards improvement on external validations and recognitions. With this backdrop, we have launched a company wide effort towards EcoVadis Platinum. EPL's continuous efforts on innovations, with the company receiving three awards at the recent ResPack, which is responsible packaging awards for its innovative and sustainable packaging. Some of our business wins include entry into new categories and laminate tube and platina conversions. Examples of these have been shown in the investor pack that have been circulated.

So, looking ahead, clearly the environment is looking more stable and more predictable, but some challenges remain. Our priorities as we look ahead include continued growth momentum in India and China, though recognized that there is some demand softening in Western geographies, accelerate beauty and cosmetics by winning small customers, ramp up volume and expand our customer base in Brazil, continued focus on margin improvement through mix and cost efficiency, efficient capital allocation and manufacturing location optimization and finally drive customer conversion to sustainable solutions. So, in continuation of past quarters, we remain focused on driving growth with continuing margin recovery. Net-net, we are cautiously optimistic about the future to deliver double digit growth with margin improvement. Thank you. We will now open the call up for questions.

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

Sameer Gupta: Firstly, just trying to get more color on the overall topline growth performance. What I notice is that there has been a slowdown in the revenue growth trajectory across all geographies except China. China also, the base was very low, so 11.5% growth looks good, but I would believe on a low base, it's still on the lower side. So, just wanted to understand this performance geography wise, is it just a phasing issue? Any major issues that you would want to highlight?

Anand Kripalu: So, I would say that as far as the demand outlook is concerned, our assessment is that India remains solid. China, you're right, we are lapping a relatively low base. What has happened in China is that there has been some shift away from China for exports by large multinationals, but that's already in the base, okay. Exports out of China that we do right, beyond that to places like Thailand and so on remain robust. I would say that given the overall environment in China, I think we are just being watchful of how China plays out, okay. We have seen some demand softness in US, but particularly in Europe, okay, and we are continuing to see a bit of that softness play out as far as these two geographies are concerned. I think we remain more, what should I say, realistic about what's going to happen in the US, but probably a little more pessimistic given the overall environment in Europe. So, that's really a round up. So, the numbers are the numbers which you've seen, but that's really a flavor of how we are seeing it. As far as we are concerned, I can tell you that over the last year and a. half or so, a lot of the management intensity went behind margin improvement and cost reduction, we are keeping a tight leash on costs and keeping the belts tight. But we are renewing our efforts to push growth harder, particularly behind B&C, Beauty and Cosmetics where you know we have lower global share and we have a big headroom for improvement. So, we are doubling up efforts to push growth in B&C, so that's a broadly I would say some of the top line.

Sameer Gupta: Second question is on the margins, Europe and Americas, I mean they continue to be subpar. So, are we still getting, facing issues getting price hikes here or are we done with the price hikes and this is the new normal? Is it just a function of negative leverage? Any color here would be helpful.

Anand Kripalu: I'm not sure if, well, your judgment on them being subpar, but let me put it this way that both have delivered double digit margin. I think there's opportunity for margin improvement, particularly in the Americas there have been some one-off to do with health insurance and so on, which will not happen again, because of which the margins are a little subdued. But overall, I think that as we drive growth momentum and as growth comes back to Europe, we have significant opportunities to improve margin. What I can tell you is that the belts have been tight on cost and by and large, we met whatever OPEX forecast we had. So, it's really a bit of growth leverage that we need to continue to drive.

Sameer Gupta: Just to follow up, sir, here the price hikes that were due here in Americas and Europe are we still in that process or that is done now and going forward it is about getting more customers here and growth?

Anand Kripalu: Yes, I would say that price hike in general, not just for Europe and Americas, in general now are few and far between. By and large whatever have to come have come. However, I have to say that there are some, particularly with our contracted customers, there's a pass through of input cost reductions that have started flowing into pricing as well. So, I think one has to recognize that there will be a tempering of pricing, not so much in terms of positive pricing, but there will be some negative pricing as well, that were flowing through and some of it has started flowing through particularly for contracted customers already.

Moderator: Thank you. The next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: So, if you could just share with us the EBITDA per ton by product and by geography, it would be helpful to help us evaluate the trajectory of this business.

Anand Kripalu: By product, we don’t share. By geography it is there in the deck, by geography and we give geography by regions, 4 regions, that data is in the deck already and that should be available to you if you access the investor deck.

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

Sanjesh Jain: Sorry, I'm sticking on this revenue growth again. You said that AMESA you are satisfied, but if you look at the number of 5% growth, Y-o-Y, really doesn't picture the kind of robustness we are seeing. And if you look at for last four quarters, progressively the revenue has only decelerated well, last year it was a double-digit growth. Now we are at a mid-single digit growth. Is it to do more with the price pass through? If that is the question, then why margins have again fallen sequentially with price pass through our EBITDA per KG or gross profit per KG is protected which should have implied that we our margins ideally should have gone up? While AMESA, if you see sequentially margins have also dipped by 200 basis point and revenue growth has also fallen to 5% Y-o-Y growth. How should we reconcile this on the AMESA side?

Anand Kripalu: So, I'll request Amit to chip in on the margin part. See on the growth part I just want to say this that, so there is some tempering of the revenue growth numbers because we've had a specific short-term challenge in Egypt There is a translation loss of the Egyptian pound, which I mentioned earlier, and the reality is that now fresh pricing is few and far between. So, when you combine all of that, the optics of the revenue growth are going to be a little softer in the immediate term. And that's what is there. Now this does not mean by the way, that we are not doing lots of things to push growth harder and I said that in response to the earlier question. We are absolutely doing stuff to push growth harder, but that is a reflection also of the softening input costs. And therefore what is happening to the optical revenue numbers. Now as far as the margin is concerned…

Amit Jain: Sanjesh, margin for you can't see it on sequential basis because there are seasonality also in this business. And if you see for the last quarter the revenue was also higher, if you see the June numbers, correct. So, that will depend on the product mix.

Sanjesh Jain: It was only two crore more, Amit. It was only two crore more in the AMESA. We were at 338 crore. We are at 336 crore. I don't see too much of a difference in revenue there.

Amit Jain: That's right. But there are seasonality and there are product mix also, correct? Because from the seasonal your product mix also changes between Beauty, Pharma and Oral.

Sanjesh Jain: Continuing on this revenue growth again, Amit, I thought we have a dollar billing. So, how should the currency depreciation or devaluation really hit us on the revenue? You're telling that itself has collapsed there and that's the reason and how much is Egypt hitting if you can also number, assuming Egypt was normalized, what would have been a revenue growth?

Amit Jain: See, in each country, there are some of the export sales also which is dollar billing also. But the local sales are in the local currencies, correct? So, that is one, but if you see India is standalone, and the numbers are there in the public, India's standalone growth is almost around 7%, 6.9%.

Sanjesh Jain: But again, 6.9% is really not that encouraging. We were talking of a double-digit growth to sustain and in that context, is that a slowdown? Are we losing market share? What is really, how should one see this?

Anand Kripalu: So, I just want to say that, our medium to long term ambition absolutely is double digit. Now we are going through cycles of commodity of acceleration and inflation and softening of commodities and obviously that affects pricing and revenue. So, I just want to say categorically that as far as India is concerned, we have actually build market share. There is absolutely no question of market share loss. Now the revenue numbers are combination obviously of margin, of mix and of pricing and it's a combination of that. So, I think we're just going through this cycle when you had hyperinflation of input now for having softening to an extent. And part of that is playing out in the revenue numbers. So, are we alarmed about performance in India? No. There is absolutely nothing that has to do with market share loss or any challenge other than the fact that the numbers is the combination of these three factors, right. And I think these things will normalize themselves as we look ahead.

Sanjesh Jain: Fair enough. My next question is on Americas. In America, if you go back to FY20, we had a quarterly revenue of close to Rs. 150 crore - Rs. 170 crore and we used to do and EBITDA margin of 20 plus percent. The revenue has scaled up to above 200 crores kind of a run rate while margins have fallen to a 11% kind of a thing. How should we see the margins in America again going back to 20%, is it really possible or you think the new normal level of margins in America will be significantly lower than the historical trend?

Anand Kripalu: Americas is a combination of a mix of the countries as well which is Mexico and Colombia. So, there has been some margin erosion particularly in the US during this period. During this period of hyper input cost inflation there has been some loss of margin. We have a very clear plan for margin recovery, I'm not going to say whether it's 20% or some other number but we have a very, very clear plan for margin recovery, which includes growing the business as well as some structural cost changes. And we are absolutely working on that. So, that's the best visibility I think I can give you as far as the US is concerned. There has been no big margin erosion and I'm not looking at one quarter alone, no big margin erosion in the other smaller countries. There has been something in the US and there is a clear plan to recover that.

Sanjesh Jain: Last question from my side, on the Brazil can you give more color on the financial in terms of what is the revenue run rate annualized for say exit month, what kind of utilization level have we reached and are you achieving the profitability what we anticipated at the time of starting the project? That will be helpful.

Anand Kripalu: It's too early to give you any steady state kind of indication as far as Brazil is concerned, I will say that there was a slight delay in the volume ramping up and that is absolutely normal in the project of this kind when customers are also down stocking volumes, et cetera. I think we have started reaching the kind of ramp up that we would like in July. That we have seen the step up happen, Q1 was relatively soft on volume, but a lot of trial was happening, some commercial sales started happening. But July I think the ramp up has started. We are nowhere near the ramp up numbers that we want and it will still ramp up from July onwards. But July, we have had a sizable volume as far as Brazil is concerned. I think we'll have to wait at least for another quarter for us to give you a better guidance on where the stable volumes are, what really contribute and how the profitability will look for the project. But by and large apart from a month here or there, for most factors I would say we are broadly on track.

Sanjesh Jain: Just one follow up, are we still in active discussion with the potential client and how is that pipeline looking in Brazil?

Amit Jain: So, we are in active conversation with several customers. And I think we are very close to having got order from one new customer, as we speak. So, this journey of expanding the customer base has started always with one customer right now, but the teams on the ground are at it. We have ourselves connected with many global MNCs who are present on the ground in Brazil and all I can say is that there's huge interest and I think you will see momentum building in terms of widening the customer base.

Moderator: Thank you. We'll take the next question from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Can you talk about, you were talking about health insurance cost in America, so ex of health insurance, what is EBIT margin for America?

Amit Jain: I can share the number specifically, Sumant, but this is kind of a timing difference only which will over a period of time during the course of the year will nullify.

Sumant Kumar: So, net-net, if we incorporate health insurance cost, there is no margin decline.

Amit Jain: No, I'm not saying that. I'm saying that there is a one-off in this quarter because of the health insurance. And I'm saying that it is just a timing difference over a period of time in this year, this cost will nullify over a period of time.

Sumant Kumar: And tax side we have a lower tax this quarter. What is the effective tax rate for FY24?

Amit Jain: FY24, you can take effective tax rate as a normal around say 26%-27%.

Sumant Kumar: So, you are talking about, in three quarter the tax rate will be higher.

Amit Jain: And it will also depend on certain dividends which comes from the subsidiary which we have seen last two-three quarters. So, there will be some benefit also, maybe just wait for one more quarter and then we will have visibility on those things also.

Sumant Kumar: So, we can maintain the previous guidance what we have given in the Q4, the tax rate?

Amit Jain: Yes.

Moderator: Thank you. We'll take the next question from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: I just had a relook through with the presentation. I'm not able to locate the EBITDA per unit ton anywhere actually, if you could point me out where it is.

Amit Jain: Ritesh, normally we do not share EBITDA per ton or per thousand or product wise, our normal reporting is the segment results and you will see region wise EBITDA on Slide #25.

Ritesh Gandhi: I see that. Sir in actually a business where our revenue increases when raw material prices increase, which leads to then the lower EBITDA margin in an environment where obviously raw material reduces, our revenue may go down and our EBITDA percentage may go up. So, all through our introductory comment, we are talking about EBITDA percentage increasing. But that in actuality is irrelevant from an investor angle, right sir? Because unless we know what is the volume growth which is happening, what is the historical EBITDA per ton, where are we now, how are we able to make a like a decision on how to look at the business? Because the actual percentage is totally irrelevant, right?

Anand Kripalu: So, forget the percentage. In my opening comment, I talked of absolute EBITDA growth.

Ritesh Gandhi: But I am saying that would also be a factor of actually the capacity utilization can also lead to higher absolute EBITDA, right? So, how do we get a break up to know how much of absolute EBITDA growth is driven by actual increase in volume versus by increase in pricing. So, we can get a hands on where the trends are heading in this business?

Anand Kripalu: See, we are not giving granularity on pricing separately. Our revenue growth is a combination of volume, price and mix. And I've explained many times before that strategically this business is driving growth through B&C overall. Therefore doing mix improvement and of course there has been some pricing as well, but there's also volume as well. So, we are not giving that granularity because strategically we are trying to drive revenue growth through all these three.

Ritesh Gandhi: I understand that, sir. But I'm saying for us to evaluate, are we driving the revenue growth at the cost of the margins or are we not? I'm sure you've got a Blackstone as an investor, you can ask them also this would be a key data point anyone who would have looked at to invest in any business which is actually a convertible business.?

Anand Kripalu: So, Ritesh, I think we normally do not share this kind of granular data and …

Ritesh Gandhi: I just then leave this as a request with you. If you could consider in the future to actually bring in high quality public investors, this is a very important data point in my view for us to get a real view on what is the quality of the business going ahead and how good the job existing team has been able to do.

Anand Kripalu: Ritesh, we can take it offline.

Moderator: Thank you. We'll take the next question from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Now, earlier when we were going through the inflationary period and there were subsequent price increases lined up, we had said that the typical margin equivalent of the previous years will be 18.5 because of the optical impact on price increases and cost going up. Now in line with the deflationary time when we are passing on the decrease in commodity cost, at least where we are contracted, would it be fair to assume that this 18.5 will probably settle at a higher rate, maybe it will take some from the revenue growth, but margins should settle at a higher number. Would that be a fair assumption?

Anand Kripalu: See, we're not going to give you a number of our margin ambition, but what I have said in the opening comments is that we are committed to continuous margin improvement and we'll get the margin to what we. believe will keep us competitive in the marketplace as well. So, we cannot keep increasing the margins indefinitely. But please also look at absolute EBITDA growth because that's a reflection of real profits that the business is making and one more comment that I would like to make is, from a revenue standpoint this is business with some seasonality. So, sequential comparisons, we don't really believe reflect the performance of the company. It is Y-o-Y. You have to look at the same quarter the previous year to get a proper assessment of how we are performing. So, I just want to leave that as well, not just for you, but for everyone else on the call.

Moderator: Thank you. We'll take the next question from the line of Udit Gupta and individual investor. Please go ahead.

Udit Gupta: Sir, my question is regarding the debt level. By the end of the financial year, do we see it moving higher or lower? So, what is the trajectory?

Amit Jain: See Udit, debts are normally we track our debts based on different ratios. It's not question of absolute values where the debts are. Based on the growth we definitely leverage our balance sheet, but our leverage ratios are very strong, be it DSCR, ICR and debt equity. So, if there are growth opportunities, yes, the balance sheet can take more leverage, but that's how we monitor our debt.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Pratik Tholiya for closing comments. Over to you, Mr. Tholiya.

Pratik Tholiya: Thanks, Michelle. On behalf of Systematix Institutional Equities, I would like to thank all the participants. I would like to also take this opportunity to thank Mr. Amit Jain, our outgoing CFO for his support over the last many years to all of us as well as Investors. And I would like to also welcome our incoming CFO, Mr. Deepak Goyal. So, once again thanks to management for giving us the opportunity to host this conference call. Mr. Kripalu, would like to make any closing comments?

Anand Kripalu: No, I just want to thank everyone who attended this call for the interest that you've shown. That's it. Thank you.

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