



“EPL Limited Q2 FY-21 Earnings Conference Call”

November 12, 2020



MANAGEMENT: **MR. SUDHANSHU VATS – CEO.**
 MR. MR RAMASAMY, COO.
 MR. PARAG SHAH, CFO.
 MR. AMIT JAIN – HEAD - CORPORATE FINANCE.
 MR. SURESH SAVALIYA – HEAD LEGAL & COMPANY SECRETARY.
 MR. DEEPAK GANJOO – REGIONAL VICE PRESIDENT, AMESA
 REGION.

MODERATOR: **MR. ANKIT GOR – SYSTEMATIX INSTITUTIONAL EQUITIES.**



EPL Limited
November 12, 2020

Moderator: Ladies and gentlemen, good day and welcome to EPL Limited, formerly known as Essel Propack Limited, Q2 FY21 Results Conference Call hosted by Systematix Institutional Equities. As a reminder, all participants' lines will be in 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 this conference is being recorded. I now hand the conference over to Mr. Ankit Gor from Systematix Institutional Equities. Thank you, and over to you, sir.

Ankit Gor: Thank you, Bikram. Good evening, everyone. On behalf of Systematix, I would like to welcome all to Q2 FY21 and H1 FY21 earnings call of EPL Limited. From the management side, we are joined by Mr. Sudhanshu Vats, the CEO; Mr. MR Ramasamy, who is the COO; and Mr. Parag Shah; who is the CFO. Along with them, we are also joined by Mr. Amit Jain, who is the Head of Corporate Finance; Mr. Suresh Savaliya, Head Legal and Company Secretary; and Mr. Deepak Ganjoo, who is the Regional Vice President, AMESA region. Without taking much time, I would like to hand over the call to Mr. Sudhanshu for opening remarks, following which we can have Q&A session. Thank you, and over to you, Sudhanshu.

Sudhanshu Vats: Thank you, Ankit. Good evening everyone on behalf of my colleagues at EPL Limited. First of all, a very Happy Dhanteras to all of you. It's a special day; it's an auspicious day for all of us in India and it is also a very special day for us at EPL. It is, as I was saying, a very special investor call because today, I have the privilege on behalf of my colleagues to



EPL Limited
November 12, 2020

share with you three important pieces of news. So, let me without further delay start with what we have to share with you.

The first and foremost is, as you already know, but I thought I would spend a couple of minutes on this, is that we are now EPL. The new name EPL, is a simple, crisp and global name that is an effortless shorthand for what we always stood for - for our customers, for our clients, for all our stakeholders, EPL. It is also our vehicle for a new purpose-driven journey ahead and you will continue to hear from us from time-to-time. It reflects a transition from high to higher. It's a company, which is nearly four decades old, which has done very well but has a desire to do even better. And this is a desire to shift gears on new way of growth, a growth that is suited for today, but more importantly, suited for tomorrow.

Built in EPL, as you will see with our new tag line, and with our logo which is identical but our colors now are deep blue and green, is our commitment to sustainability, is our commitment to the future, is our commitment to the world that we would like all of us to live in and we would like to play a small role in building that world. It is about shaping the future of packaging as we celebrate everything that has made us what we are today. And in that we've summarized our tagline now which is "Leading the Pack" - our humble effort to understand packaging, lead packaging and hopefully do well as we grow with that. So that, ladies and gentlemen, is the first announcement, and I'm delighted to share it with you today. So we are now EPL.

The second, and arguably an equally important announcement on the auspicious day today is our acquisition of Creative Stylo Packs. Creative, as you know, is a young organization- about a decade old, but has made



EPL Limited
November 12, 2020

a mark for itself in India. They have rapidly grown. They were founded by two young entrepreneurs, Bhavik Shah and Darshan Shah, very dynamic young individuals full of energy and enthusiasm. And we have decided to acquire Creative. Let me first give you a quick overview of Creative for some of you and then talk to you about how we are structuring this deal.

So, this company was founded in 2012 by these 2 young entrepreneurs I talked about. In FY20, they delivered a revenue of Rs.1031 million, giving them an EBITDA margin of 29.6%. They have a manufacturing facility in Himachal Pradesh, with an annual production of close to about 200 million tubes. They do a lot of tubes in plastic. So, their specialty is more plastic and decoration, and to that extent, is a very complementary fit to what we do.

The second interesting thing about this acquisition is that almost, actually most, of their business comes from beauty and cosmetics, and the remaining part comes from pharma. So it would not be incorrect for me to say that their entire business comprises of beauty and cosmetics, about 85% to 90%, and the balance, 10% to 15% of pharma. So from our point of view, it is a perfect fit in our journey towards personal care and therefore further strengthening our portfolio. They also have a marquee clientele of customers: L'Oreal, Marico, Zydus, Himalaya, just to name a few. And it's a list which goes on; many of them common to us, but quite a few complementary. So with that listing, we are confident of taking our offering to these customers in a way that will delight the customers even more as we go forward.

Now onto the transaction. The transaction, we've acquired them at an enterprise value of Rs.2539 million, so Rs.2.539 billion. So that's the



EPL Limited
November 12, 2020

transaction value at the enterprise value for Creative. And the deal structure is, we will be purchasing approximately 72.5% of their stake through cash and the balance 27.5% will be a share merger. So therefore, 72.5% stake through cash and 27.5% stake through EPL shares to Creative founders pursuant to the merger of Creative into EPL. We have signed the SPA today. We've informed the markets and the authorities and it is indeed my pleasure to share with all of you that EPL 2.0 is now gearing to grow faster, both organically, but also through strategic and right acquisitions and Creative, in that context, is the first step in that direction. I'm also happy to share with you that Creative founders, viz. Bhavik Shah and Darshan Shah, will become part of EPL senior management team after transition and will play a very important role in the expansion of EPL's global business.

Closing of the transaction, as you know, is conditional upon satisfaction of customary conditions, and we expect the transaction to close early calendar year 21, but the merger to go through in about a year from now. So with that, that is about our transaction. And lastly, let me once again sign off with the strategic rationale for the transaction. So five key pieces. Revenue growth; if you were to look at revenue growth for Creative, in the last three years it has been 8.3%; revenue growth for EPL in the same period has been 6.2%. So it is revenue growth accretive. EBITDA margin for Creative is, as I shared with you, about 29.6%. Our margin in FY20 was 20.3%. So it is EBITDA margin accretive. We are confident of operational improvements as we go forward. We can already see synergies to the extent of Rs.35 million, but I am confident, along with my colleague, we should be able to do even better than that. It will continue to drive our Personal Care business and therefore continue to balance our portfolio, something that I've spoken to many

of you in my one-on-one conversations and also on this investor call. Already with these numbers, if I was to assimilate and aggregate these numbers and share with you, our contribution of Personal Care category from 45% in FY20, will shift to about 47%.

We also add plastic tube capacity in North India, and as many of you who follow our company and this sector would know, a lot of our customers are located in North India. So therefore, for us, it is also a strategically important geographic location. So, very strong strategic rationale fit with our beauty and cosmetics and personal care ambitions. Revenue and EBITDA growth accretive, operational improvement which we can immediately see, and finally it will allow us to drive India with a strategy where we continue with laser-sharp focus on lamitubes, but we also have better and futuristic capacity for plastics as we build our double-engine growth driver for our customers and are able to accelerate our growth in beauty and cosmetics.

So that indeed, ladies and gentlemen, was our second announcement. And finally to the one which we talk about every time, but indeed it is great news. As we've closed first half, let me share with you our numbers for the first half and then thereafter for the quarter. So, for first half FY21, we've delivered 11.1% growth from revenue from operations delivering Rs.15118 million in revenue, which is 11.1% growth on a similar period last year. This, in our judgment, in the times we are living in, in COVID pandemic, is a performance we are all very proud of.

In the same period, we've also delivered EBITDA growth of 20.1%. So we've delivered EBITDA of Rs.3136 million in H1 of FY21 which is a 20.1% growth, but equally and more importantly, is that our EBITDA



EPL Limited
November 12, 2020

margin has also expanded to 20.7% from 19.2% in the previous period. So this is about 155 bps margin improvement in EBITDA. All of this translates to our PAT growth of 18.2%. We've delivered a PAT in first half, profit after tax at consolidated EPL level, at Rs.1275 billion, which is a growth of 18.2% and more importantly, our earnings per share now is at Rs.4.04. We've crossed the Rs.4 mark on our earnings per share. While doing all of this with our ability to create, to basically generate cash, our net debt continues to come down. Our net debt in H1 FY21 is Rs.2332 million, so Rs.2.3 billion, which is almost half of where we were in H1 FY20. All this is leading to our return on capital employed at above 20% - well above 20%, actually 21.4% in H1 of FY 21, and this is a 506 bps improvement over the same period last year. So we are very proud and happy to share these numbers with you today.

If I was to continue with our mission, and we've said, we want to deliver market-leading revenue growth while we deliver capital efficient consistent earnings growth. So if you were to look at revenue growth, which I told you already, 11.1% clearly tells that we are leading the market in this space. But more importantly, our adjusted EBITDA has grown even better, which is at 23% growth and Rs.3245 million and our adjusted EPS is better than what I just shared with you at 4.24. So that, ladies and gentlemen, is our performance for first half of the year. This performance basically has come with our robust and continued good performance in Q2. So if you were to look at our Q2 numbers, despite all the issues, both on the growing pandemic, which, as you know, it is now going deeper into India and has just started affecting people in our plant. Also across the world, there is also talk of second wave. So there is a lot of headwind which we are battling as we go forward. We've delivered revenue growth in Q2 of 5.4%, with the number of Rs.7.7



EPL Limited
November 12, 2020

billion, so Rs.7703 million, which is a 5.4% growth in the quarter which has just concluded. This has translated into an EBITDA growth of 9.5% with an EBITDA delivery of Rs.1.67 billion and an EBITDA margin of 21.7%. Now, once again, our EBITDA margin has expanded by about 80 bps points over the same period last year. So it was a healthy 20.9% last year, but our number is better this year at about 21.7%. So this is the performance of this quarter and as I shared with you, our return on capital employed at the end of this quarter is at about 21.4%. Our PAT number, on the face of it, looks a little down over last year, but that is because of certain one off items like tax refunds and tax impacts across the globe which were there last year. So, suffice to say that our period-to-period growth impact, apple-to-apple, if we were to take out all of these would again be in double digits. It would be in mid-teens, so that is our performance on this piece.

Moving forward, if you were to look at how we are being able to deliver it, it is basically our approach, which I have always emphasized, and we continue to remain. We are a disciplined, determined bunch of people, so basically it is our discipline, determination and creativity which is helping us deliver this. When I say discipline and determination, all 20 plants are operational. Despite all the hiccups, our plants are working to near capacity and being able to service customers and delight customers, if I may say, day in day out. At the same time, we continue to look at demand generation and look at newer avenues. You would remember I had talked about hand sanitizers last time. What we are really convinced of is that health and hygiene is a sticky phenomenon during COVID and post-COVID. So health and hygiene, as a consumer habit, and dialed up health and hygiene is sticky and it's here to stay. And therefore, we are also now building additional categories of hand



EPL Limited
November 12, 2020

wash; hand wash available in tubes, moving forward hand creams, so hand sanitizers, hand creams and hand wash, in some way go hand-in-hand, if I could say. So we are quite confident of continuing to grow this. So this is new category. While we do this, we continue to service our customers, gain share of wallet wherever possible and also make new pipeline wins and competitive gains, which is what we have been working for over the past 12 to 18 months. So it's a culmination of our effort of 12 to 18 months; in some ways, it is our ability to service the customers today and therefore be able to gain competitive share, and finally indeed our ability to build and launch new categories which comes into force and that has been responsible.

At the same time, we are committed to basically employee wellness, and this is one area which we continuously look at; a very senior team from our company constantly monitors this. We are committed to people's health, their safety and we will continue to remain steadfast in the journey, because we believe with our employees' wellness and with their safety and their growth, comes the growth of the Company. And lastly, but equally and more importantly is that we continue to have war on costs, if I could use the word. We are basically managing costs and looking at every cost item. So, we are and we want to manage it across each cost item, across functions, across regions, so that we basically progress on this journey and our Project Phoenix, this is Phase II of that, but in general, our war on cost is something which will continue to happen, and that is one area, one of the reasons why you continue to see margin expansion in these tough times. And this is something which we remain committed to because we need this fuel, we need this fuel for stakeholders, for return to stakeholders, but

equally, and more importantly, we need this fuel for our growth and we are committed to growth as we go forward.

Very quickly, as I spoke to you already, health and hygiene is a trend which we think will stick. And we are continuing to do work in this space, both on hand sanitizers, but more importantly now on hand soaps and hand creams moving forward. Our focus on capital efficiency will remain. So, we will be prudent on CAPEX spends. This is a year in which, in any case, it's very difficult to deploy CAPEX at the pace that we would like to, but all I want to assure you is that we will put adequate capital where it is needed and for growth and that is something which we will continue to drive towards.

Basically, our growth expansion in EBITDA and growth impact leads to cash generation and leads to reduction in net debt. I talked about that, it has already come to almost half of the same period last year, at this point in time and it now stands at Rs.2332 million. So, that is something which we will continue to do. Our return on capital employed, which continue to grow as you can see over a period of last four odd years, we've expanded the return on capital employed by over 400 bps. So, on an average at about 100 bps and this is a journey, which has got accelerated in the last 12 months, 18 months. We are confident of being able to steadily build on them as we go forward.

And finally, I want to talk about our ability; because all this is to be able to deliver higher dividends to our shareholders. So if you look the last year, we had delivered a full-year dividend of Rs.3.3 per share, which was part of our interim and final dividend. In the last year in the second half or at the end of FY20 we had declared Rs.2.05 per share as our final dividend last year. We think that this is a rhythm we can sustain with



EPL Limited
November 12, 2020

the profit we are generating and therefore, I'm happy to announce that even for first half of FY21, we are declaring an interim dividend. The Board has approved a dividend of Rs.2.05 per share and this is to let you know, that this is the kind of rhythm you can expect as we go forward. So, in last second half of FY20 which is the final dividend of FY20 was Rs.2.05, interim dividend of FY21 is Rs.2.05 and this is a number for you to keep at the back of your mind as a steady number which we shall drive and work on.

On our fundamental levers, in these couple of slides, let me quickly glance through that, it is there in the investor presentation, which has been circulated. So let me very, very quickly glance through that. We continue to progress on personal care. That progress we made and you can see that. And that is so FY21 is now at 47% versus 45% of FY20, there is continued growth across our region. So, that is good progress. At the same time, we remain focused on continuing to build on leadership in oral care and there we continue to deliver growth, H1 FY21 we've already delivered a growth of 8.4% on our oral care business and this is something which we will continue to do.

I'm really happy to announce to you that our focus on Europe is yielding results. Our performance in Europe is indeed very heartening both on top line growth, but equally and more importantly, on our margins. So what we've basically been indicating is our ability to now take these margins to mid-teens is something which we are demonstrating in first half of FY21 already. We are at about 14.8% and we are confident of being able to deliver that through the year and therefore continue to build on it as we go forward. This, let me remind you is a very, very



EPL Limited
November 12, 2020

sharp progress from where we were almost about two years back. So, from about a 10% share, we already into mid-teens.

Lastly, I just wanted to touch upon our industry leadership in eco-friendly solutions. Sustainability, as I started out, is indeed at the heart of what we will do as we go into the future. We've been developing a whole range of laminates and commensurate tubes. And we are basically focusing on, as you would know, what we basically called our original laminate Platina; but we now have a portfolio being developed around it. As, I speak to you, we've already developed Platina PRO, which has also got qualified and is in testing and in some places, commercialized it as well. Platina is already happening. We are also going to look at Platina Clear. So as we go forward, we will continue to build a portfolio of sustainable solutions.

And no surprise, we are getting a lot of traction and acceptance of our sustainable offerings by leading global customers and even leading local players. So, overall, the acceptance of this offering is very encouraging. Our customers are as committed to sustainability as we are. So, it is in one way a marriage of like-minded organizations and that is really good news for us. And we will continue to build on this. We will continue to deliver on all three pillars of Recycle, Reduce, Reuse. There is work happening on the circular economy and PCR tubes as well. So, we will continue to do that, there is work happening on biomaterial. So, there is a lot of work happening in this space and we will continue to drive that.

Let me finally sign off with our focus on corporate social responsibility. We are basically defining our vision for corporate social responsibility. We are calling it Greening Lives. Our focus area will be, as I said, our



EPL Limited
November 12, 2020

EPL's strategy will focus on sustainability and sustainable development. It will be built around four pillars of facilitating collaboration, meaningful impact in a microcosm and you will see this around some of our plants, forging strong stakeholder relations in order to be able to get better multiplier effect of all the work which we do and capitalizing impact, especially from the point of scaling and job creation. I'm happy to share with you that we are partnering with Samhita, a known social impact firm. They are basically working with us and they work with marquee companies in India. So we should be able to join them and then with their help, be able to join hands with others to build our corporate social responsibility agenda. It will be governed by the CSR Board Committee. But more importantly, it will also be managed by the CSR Governing Council with five Apex members, senior members of our company.

In operation of Greening Lives, we look at green community. Working on waste management program in order to build and encourage communities to manage waste better and in moving forward, facilitate secular economy. We are equally committed to self-sustaining communities and we therefore will work on skill development and entrepreneurship programs with local communities and financing them with a rather innovative returnable grant scheme. And finally, in times of COVID, we are also committed to all our health workers or people who've been helping us, all our COVID warriors so to say, and we have already committed ourselves to donate about Rs.1 crore or Rs.10 million towards PPE equipment through India Protectors Alliance, again dedicated to the cause of healthcare and sanitation workers. India Protectors Alliance is an alliance of like-minded organizations who are committed to this cause, who come together and we are very much



EPL Limited
November 12, 2020

part of India Protectors Alliance. So with that commitment to Greening Lives, but at the same time continuing to deliver sustained capital efficient, consistent growth and market-leading revenue growth, I would like to sign off. Thank you very much and I would also like to take this opportunity, before we take the questions, to wish all of you a very happy Diwali and a big festive season ahead. Stay safe, stay healthy. Thank you very much.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Just had a few questions. The first question was on the acquisition, so congratulations for the same. Just wanted to get your sense on what attracted you to this asset the most, is it the fact that you acquire new customers, is it the people who've led this organization or it's the capacity that you inherit on the plastic tubing side?

Sudhanshu Vats: So, if I could answer this question, it's a combination of all. But as I was telling you, first and foremost, it fits into our strategic direction of building beauty and cosmetics and maybe wider personal care category, continuing to drive that faster. And as I told you, this is a company that has entire business in beauty & cosmetics and pharma. So therefore, from that point of view, it is a great and a strategic fit. The second thing is, you are right, it has an important strategic location in North India with capability in plastics. Best in class, modern, decoration and tube building capability in especially and with the customers based in North, it gives us that strategic advantage also and will allow us in future to reorganize and basically strengthen our play in plastic tubes even more with our own operations in the West and this



EPL Limited
November 12, 2020

operation now in the North. We will hopefully be able to build a stronger portfolio in plastics as well. So, that is indeed the case. And as you rightly pointed out, we've got two young entrepreneurs, educated, capable, hungry, and they will bring their energy in enterprise and will work with us closely td they are going to be part of the EPL team now and will be able to drive our EPL 2.0 agenda as we go forward.

Harit Kapoor: Understood, Sudhanshu. Just to understand on the margin side for creative, I'm just wondering how our plastic tubing business actually achieved such high margin. Is it the product category, because my assumption was that laminates would be higher margin business than plastic, so you can just help me understand that?

Sudhanshu Vats: So, it depends a lot on the category. So therefore, you are right - the category also depends on the capability which you derived, basically the kind of tubes that you make. First of all, as I told you, and we've spoken about that, beauty & cosmetics as a category has a higher ASP – the average selling price per thousand tubes. We've talked about that several times to the investors, so it plays out in this as well. The average selling price per thousand tubes is dependent of the type of tube in that category. We've talked about a 2.5-3 times higher ASP than oral care - that translates into better margins. Also the value, which you add. So this is what has attracted us. Ram was doing due diligence on their capability which we are also acquiring, it is best in class, very modern facility and therefore it's a combination of what you deliver to the customer, the quality of decoration, the quality of printing, the quality of tubes and also the category which they operate in, which has helped them achieve this margin.



EPL Limited
November 12, 2020

Harit Kapoor: Got it. My last question is on the Americas business. Would you just take us through what's really happened in this quarter leading to the decline, is it more led by some level of down-stocking et cetera?

Sudhanshu Vats: So America business decline is, first of all, a temporary phenomenon; I want to tell you, yes the number you are seeing this quarter in Americas as our business got very hard hit by what we call travel tubes or sampler tubes and to just to put in perspective, roughly 25% of our business in that geography comes from travel tubes or sampler tubes and with the COVID phenomena, this is a category which got very adversely affected as you would understand. And therefore, that is an area, while the drop has been substantial, we've been able to cover it up through improvement in share of wallet with some customers through more premium tubes, which we've done and we will continue to do with some of our leading global customers and through pipeline wins in some beauty customers and pharma customers. So the net impact is still adverse in this quarter. We are confident moving ahead in Americas, we will be able to deliver growth and you will see that from Q3 onwards; we are confident of that. So this is a very strong COVID headwind, if I could say, especially because of the over dependence in that geography on travel and sample tubes.

Harit Kapoor: Sudhanshu, a follow up is that, would oral care also have been impacted on account of the same reasons in Americas. The sampler tubes.

Sudhanshu Vats: Yes, of course. Most of the travel tubes are oral care tubes. But all I wanted to assure you is, that it is a blip, it's a one-time thing. We are very confident, we are already seeing it. We are very confident of a good Americas performance in Q3 and thereafter.



EPL Limited
November 12, 2020

Moderator: Thank you sir. We have next question from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Just a kind of a follow-up only from the previous questions. So, regarding the acquisition sir, just wanted to understand. So, we already have manufacturing capabilities in plastic tubes. Is it the geography we are getting and we weren't there and can you also elaborate on the synergies as to how we are going to derive Rs. 35 million of synergies through this acquisition or was it a case of it was available at 8x EV EBITDA and the valuation seemed pretty reasonable to acquire rather than go on an organic build in this category.

Sudhanshu Vats: So, I will answer a little bit of this and I will ask Ram to also talk you through this and maybe give you a bit of historic context and for the future. But let me first again reiterate a few points because it's an important thing. See, first of all, for us it is a strategic fit from the point of view of the category they operate in, the customers they bring, the capability; so therefore these are best in class modern plants both from tube making, but more importantly from decoration capability point of view and it is also that a strategic location in North which is important. So, that is very, very clear. And also, as we continue to drive our beauty and cosmetic agenda, what we are beginning to debate and also work on, is that in order to accelerate our beauty and cosmetics growth, it may be a good idea to drive it through twin-engines, which is our laminates, which of course we are continuing to do great work on, 360-degree printing all the work which we will do, but also and equally through plastics because customers and certain brands have requirements, which are very independent and unique, and it is our ability to be able to offer solutions on both of them which will help us



EPL Limited
November 12, 2020

do that. And in that context, this helps us and finally, it also augments our capacities, while the capacity is there, but it will further augment our capacity and also in a strategically important location in North. I'll hand over to Ram to talk you through this a little bit more.

MR Ramasamy:

Sameer, good evening. You know we operate plastic tubes out of West. The North plant really helps us to meet North demand. We currently send it from West; this is one. As we are heavily concentrated towards laminate tubes in India as well as globally, the capabilities over a period of time we've built in laminate tubes to meet personal care markets and pharma markets is substantial. Many times, we've explained to you our capability in terms of decoration, our capabilities in terms of preprocess, zero-defect programs, there are lots of capabilities we've built in India and globally on lamitubes. So over a period of time, because our efforts were trying to convert from bottles, from plastic tubes into lamitubes, that we did correctly. But there will always be a market, which will continue to remain in plastics. So we thought, this is an opportunity that we could have a re-look at our strategy, so that we could also concentrate on plastics in India. Even though we have plastic operations in India this fits really well, that is one of the reason that we acquired. This, as Sudhanshu has explained, they have a good asset base which complements our asset bases. They have a good people and they have very good capabilities in terms of decoration on plastic tubes, which will actually help us to further add. It's a good fit and we also have to take entrepreneurs with us as employees going forward. Our ability to optimize resources, bring in better productivity and things like that will help the business to improve further margin, that Rs.3.5 crores what you are saying as the synergy benefits probably will flow through quickly.



EPL Limited
November 12, 2020

Sameer Gupta: Got it, sir. Just two follow-ups on that, sir. So, one is that the capacity that you are acquiring, what kind of sales can it do on a full capacity level and what is our current plastic tube sales in India, excluding the acquisition?

MR Ramasamy: We don't actually segregate plastics and lamitubes perhaps it's a personal care business, that's what you probably will be seeing. What you have seen is our personal care business also has grown in this year, that we are already almost about 200 basis points higher than the last year. We will, in the H2 of this year, continue to grow that and this business. Creative is purely on beauty and cosmetics and pharma that will add up further.

Sameer Gupta: And, so the capacity question, full capacity what kind of revenues can this plant generate, the North India that you've just acquired?

MR Ramasamy: Currently, they are doing, as the reports say which you might have seen, they are doing about Rs.103 crore - Rs.105 crore business currently, but they have a good plan to grow and our objective is to always grow in double digit. I'm sure that we will able to do that.

Sameer Gupta: Let me rephrase the question, sir. Then, what is the current capacity utilization of this plant, which is touching a Rs.100 crore revenue.

Sudhanshu Vats: Thank you for asking this question in three, four different ways. Suffice to say there is enough headroom. Unfortunately, we don't want to share the exact number at the moment with you. There is enough headroom. There is a lot of headroom, to just build on Ram's point, they currently do about Rs.103 crores as he said, Rs.103, Rs.105 million but there is a lot of headroom.



EPL Limited
November 12, 2020

Moderator: Thank you. We have next question from the line of Chirag Surekha from DSP Mutual Fund. Please go ahead.

Chirag Sureka: I just wanted to ask your debt trajectory, I just have one question. Your CAPEX sir, a lot of data around that, your CAPEX is about Rs.130 crores a year. Is that the kind of CAPEX you will expect for the next two years. Given this acquisition, your net debt has come down from, let's say, Rs.430 crores to Rs.233 crores. How will it move over the next one, two years and as a company we look at net debt to EBITDA, any net debt number what is the ratio that you look at. Thank you.

Sudhanshu Vats: So very quickly, I will hand it over to Parag to talk to you in some detail. But first of all, I do want to tell you, I don't know where you've got this Rs.130 crore number, so there was only one year in which the number was that much. And it's incorrect to make one year as a trend. We've always maintained that our CAPEX will be more in the vicinity of, if I could use that number is close to about Rs.200 crore or maybe a little bit more than that. We've said that our depreciation value gives a clear indication of how much we may be deploying year-on-year. So, that is the number to sort of look at, but with that let me hand it over to Parag to more specifically address.

Parag Shah: First let me just reiterate what Sudhanshu said in his opening comments. And he said, CAPEX for growth is never going to be a barrier or a reason not to invest. And so, your reference to Rs.129 crores or Rs.130 crores with respect to last year, perhaps you are further sort of influenced by the fact that the CAPEX so far is Rs.64 crores and therefore you are arriving at a conclusion that the CAPEX level is Rs.130 crores. We have said this several times before to various investors and investor calls, that our CAPEX can be and would be up to our annual

depreciation, which is there in our consolidated financials of around Rs.230 crores. So, again, to reiterate, there is absolutely no reason to believe or think that CAPEX is being controlled. CAPEX would be provided amply for our growth and therefore, I would suggest not to assume that number of Rs.130 crores and as Sudhanshu already said, the number is more towards Rs.200 crores or thereabouts. Can you repeat your second question, please?

Chirag Sureka: Sir, the second question is, so the net debt has come down from about Rs. 430 crores to about Rs.233 crores. With this acquisition and CAPEX, as a financial policy how do you look at net debt. What is the number that you strive for because you are improving the numbers sequentially. How do you look at net debt to EBITDA or is there a certain ratio that you are yet to guide us with?

Parag Shah: Look, at the end of the day, we need to use our cash. The number one reason for cash is to plough back and grow the business and that will never ever change and it's keeping that in mind, which will actually determine what level of net debt we need to maintain. That's the best guidance that we can give you.

Sudhanshu Vats: And without sharing a number, I do want to let you know, just to build on what Parag said, as the Board and as management we clearly have markers on net debt to EBITDA ratio. You are aware of it actually, what are healthy financial ratios. The good news is, we are very well under it and therefore there is enough room for us to be able to grow and if need be, borrow to grow, that's where we are.

Moderator: Thank you sir. We have next question from the line of Trilok Agarwal from Birla Sun Life Insurance. Please go ahead.



EPL Limited
November 12, 2020

Trilok Agarwal: I have two questions. One on the, I'm not sure whether you have covered this, but the reason for a subdued America performance. And second, with regards to the acquisition, obviously I heard on the previous participant when he was alluding to, you said it's a combination of growth, margins as well as market clientele that they bring to. But, I just was wondering given that you guys have enough sort of presence and bandwidth, so I was wondering couldn't you yourself have built this business, I'm not saying it's overnight 100 crore business, but just very curious to know what kind of thought process led to this acquisition?

Sudhanshu Vats: Yes. It's a good question and let me address both of them. So, Americas we've talked about, but let me first quickly talk about Americas once more. See, the point is that you are seeing a subdued performance in Americas in Q2 over last year same period 7.4% decline in this quarter period to period, but I must tell you, this is a one-off; it's a blip and also it's a blip because our Americas portfolio has a very large component of travel and sample tubes for one or two marquee customers in U.S and as you know that has got very badly hit by COVID. So, I want to share that their contribution of that component is close to about almost 20%, +20%. So, therefore that has got really badly hit and despite that, because of our nimbleness and agility, our ability to have share gains, wallet share gains with some of our beauty customers, our ability to do pipeline work and build the pipeline, we've delivered these numbers and we are confident that in Q3, we should be able to deliver growth and then hopefully build it from there. So, that is the question. So, it's a very peculiar thing there, they have a very large component of travel tubes and as you know, travel has got really badly affected at least in the last couple of quarters during COVID.



EPL Limited
November 12, 2020

The second thing, which is basically on the rationale for Creative. The Creative rationale, I've explained this in quite some detail, but I want to just again bring it, it's a good question. The very simple question to ask is build versus buy and the question you're asking is why can't you build it yourself. The point here is that in terms of the portfolio and strategic fit of this portfolio, it's extremely high, it is exactly in the area of beauty and cosmetics. And therefore dials up our personal care and personal care ambition which you've heard us talk about subsequently. So therefore it's kept up with that. Second thing is also in terms of capability in plastic and therefore within plastic, decoration and tube making and the strategic location in North; very powerful drivers for us to look at that and in our due diligence, basically all we've done, that has really helped us; and then finally because the kind of customers they have and the kind of capabilities that they have built, they are able to get much more from a revenue per tube and revenue growth perspective and also margin per tube and EBITDA margin. So for our business, it is EBITDA margin accretive, it is revenue growth accretive. It's got strategic fit to our beauty and cosmetics. It got a very well located, strategically located plant in the North with best in class modern facility, it's a good sweet deal for both the players and the entrepreneurs are keen to work and drive with EPL and that's why it's a cash plus share merger. So therefore, basically they will be owners of EPL in that sense, through the shares they will own and then they are keen to participate in our journey as we grow this forward. So the fit we thought was very good. Conceptually speaking, I've always said this. See, when you look at any new acquisition, what is it that you look at, you look at new customer, new category, new geography and new technology. So technology is a little rare in our business, but if you look at the other three so this clearly brings new category and it strengthens

the beauty and cosmetic category, it brings in a few new customers or strengthen our position in many other area. So, it clearly ticks two boxes and it is in the existing geography, it further strengthens our position in India.

Trilok Agarwal: Understood, thank you. And lastly, are you, obviously this could be in the future, but are you guys still open, so are you open to any inorganic acquisitions going ahead as well, because I believe most of the portfolio fit you already have it. So that's what I was trying to understand, even in the past you've added. So, I just thought I'll during this month?

Sudhanshu Vats: This is an ongoing process, we never give any guidance, but we continuously explore opportunities. We are doing well by God's grace, so therefore with a strong balance sheet and a good commitment. So whenever there is a good strategic fit and at the right price, we will be absolutely open to acquisitions. So our growth, we are committed to growth, organic growth and if need be, from time-to-time it could be inorganic growth as well.

Moderator: Thank you sir. We have next question from the line of Varshit Shah from Emkay Global. Please go ahead.

Varshit Shah: My question is slightly on the Creative again. I am sorry for the repetition what I understand from the conversation so how far is that, EPL is more pioneered in terms of a suite of offerings in laminated, but maybe probably we had some offering gap in the plastic tubes, and especially on the decorative side, which can give you a higher margin portfolio and specific inroads into your customer and which is something, basically you are acquiring from this acquisition, all other obviously are plus points but probably it seems to me that this is a key



EPL Limited
November 12, 2020

pillar in the acquisition and just probably then you can since EPL is a global company, you will be able to replicate it across the globe. Is that understanding correct, that's point number one.

Sudhanshu Vats: Yes. Your understanding is correct. You're absolutely right, we get best in class modern plastic facility. It allows us to play this segment even more powerfully as we go forward and you're absolutely right, they bring that to table. And moving forward, you are absolutely right. It may also become a launch pad for us to do things globally.

Varshit Shah: Sure. And two things, as refer to this question two questions in one. If you see, if you exclude the hand sanitizer or the hygiene segment, which are probably not seen in the base quarter. That means the like-to-like, the business side would have maybe declined because of the headwinds related to COVID which you are facing and probably does this come back maybe in Q3 or Q4 onwards is that correct and secondly on margins. So whatever Y-o-Y margin improvement we have seen, is that largely because of Phoenix I and Phoenix II is yet to flow into it?

Sudhanshu Vats: So, let me answer both the questions, first of all, it's wrong to assume. See, let me tell you, hand sanitizers tube last time also I told you that our growth independent of hand sanitizer tubes in Q1 was a double digit growth. Our growth this time also which you are seeing 5.4% growth, our growth net of hand sanitizer, there is still a growth. So it is incorrect for you to say because there was a lot of pipeline filling in Q1 on hand sanitizers. So therefore, the sales on hand sanitizers in Q2 is very different from the sales of hand sanitizers in Q1. That's point number one. Point number two is that, having said that are we going to build the entire health and hygiene. Yes, we talked about that, we will look at hand soaps. There is work happening on that and we will

start seeing that. So, first answer to your question, despite COVID headwinds have we delivered on growth on our business as usual without this hand sanitizers, the answer is yes. We have delivered that because hand sanitizer numbers are much lower in quarter two compared to quarter one because of the pipeline filling which had happened there. So that is the first question, the second question which you had if you can just sort of rejig my memory. This is a first one was this and the second one was on?

Varshit Shah: On margin improvement. So whatever improvement you're seeing.

Sudhanshu Vats: Margin improvement, see, basically I've said this many times. Cost consciousness is an intrinsic part of EPL team DNA. A strategic well-planned program Phoenix, which as Phase I, Phase II is continuously on and that gives fuel for growth. But at the same time, we continue to look at every line and we continue to look at multiple programs. Phoenix is one of the big program which we talk about and it's good to sort of bring you around that, but we look at multiple programs, all line items, I want to say that, across regions to be able to work on costs and that is why I was saying our war on cost will continue in times like this and in general, because we need that ammunition to grow. Basically, we need that; that becomes an arsenal for our growth intrinsically in the business and also to give better returns to stakeholders and shareholders.

Varshit Shah: Sir no, actually my question was very different. So, my question was more like the improvement has largely been on account of Phoenix I and Phoenix II is yet to flow in, that's my only concern in the margin.



EPL Limited
November 12, 2020

Sudhanshu Vats: Phoenix I, Phoenix II, I will also ask Ram to explain on that. My request to all of you is not to get too carried away by this. What we are committed to is actually a continuous steady improvement in our EBITA. That is what we are committed to. Now, how that comes through are different things. Phoenix I, Phoenix II, in future some other program, there will be programs, which will help that. Some programs are not named, but they also help. So, the point is that journey will continue. To very specifically answer your question on Phoenix II, the programs on Phoenix II have already started. I will also ask Ram to elaborate a little bit more. So some of them maybe built in, some more will come. So from a point of view, what we are committed to is to continuously look at the EBITDA margins we have and how do we deliver good EBITDA margins and inch up our EBITDA margins as we go forward. Ram, over to you.

MR Ramasamy: Since we are a global company, there are some natural opportunities that come in, right. There are some things we do better in one region. We could benchmark, we could adopt. So the Phoenix is all about best practices in terms of production efficiencies, in terms of material usages, in terms of materials itself, all that we continue to look for and benchmark against our own unit, against some market competitiveness also. So all these programs are ongoing programs, there will be enough opportunities. The COVID also has helped us in another term right, that in the first quarter, you all know that we never got enough number of people. So naturally, with existing staff since we were running all our plants, we have efficiently run and delivered the first quarter results. That has given us different kind of a learning, that we could do further optimization of our processes which will better the outputs. So now, that we are seeing it in Q2 and we will see it going forward. See, all-in-

all manufacturing is about look for every opportunity where you could improve, improve in terms of cost, improve in terms of customer delivery, improve in terms of product quality, all the three we are continuing to look into. Product quality will give product recognition in the market higher growth, cost will give us better benefits in terms of improvement in margins. We are well set and it is partly becoming a culture of the normalization. Is it answers your questions, right.

Moderator: Thank you sir. We have next question from the line of Ashwini Agarwal from Ashmore Investment Management.

Ashwini Agarwal: Couple of questions relating to the acquisition. How much debt are you acquiring and could you share the Performa number of shares that will be issued as a result of this transaction?

Sudhanshu Vats: So, the acquisition would largely be funded through internal accruals. So, that's all I can share with you at this point in time and on the number of shares, basically we will be to give you an indicative number, it will be about Rs.23 million, this is not an exact number but that will be the number of shares approximately.

Ashwini Agarwal: No Sudhanshu, my question was that how much debt is Creative carrying which needs to be taken on?

Sudhanshu Vats: Yes. So, first of all number of shares let me correct on the call. It is Rs.2.3 million, not Rs.23 million. I'm sorry, 2.3 million, but your question was on how much debt is Creative carrying. So what is the net debt in this, it may not be appropriate for me to share that at this moment. It is still, so therefore but we will be able to share it with you at an appropriate time.



EPL Limited
November 12, 2020

- Ashwini Agarwal:** And you expect to close this by the end of fourth quarter?
- Sudhanshu Vats:** Yes. In the best case scenario, we want to close it by fourth quarter, early fourth quarter. So, basically if not sort of, so we are signing today and we should hopefully be closing in about 45 days to 60 days.
- Ashwini Agarwal:** The other question I had was the broader business outlook. We've seen a steady improvement in India over the last three months with September being quite strong based on other parameters that we are looking at. But your business tends to be a little bit more defensive because it's essential with oral care and so on. But are you also seeing an acceleration on a month-on-month basis, and how should we think about the quarters ahead in the four regions that you broadly break your business out into from a revenue perspective?
- Sudhanshu Vats:** So, in this year. It's again, a very good question, but in a year like this, a COVID year my request to all of you and good you asked this question is actually, it is not business as usual. So therefore, to look at quarter-on-quarter, both for our business and for the region but, of course we look because we report quarterly, you will look at it like that. But, as we keep growing the year, as the year goes by, you have to look at both cumulative and quarter-on-quarter. And if you look at, that's the reason that I talked of our numbers this time, I first told you where we are on H1, because there's a lot of dynamics happening in different regions, quarter one, quarter two, in quarter three, quarter four. So first the headline, we remain committed to delivering good growth even in these times, in this year. So that is given at a global level, and that is a headline I would want to first leave you with. Now, how does this vary from geography-to-geography, quarter-to-quarter. Let me just give you an example of India, and you talked a bit about India as

well. You talked about India when you talked about September. So India, in quarter one, we had a very harsh lockdown in April, and so therefore April almost everything was shut. And then May, it started opening up, June it came to normal. So, India was depressed, AMESA was depressed in quarter one. India has delivered very good quarter two. With about a +7% growth in revenue and a 28% growth in EBITDA. That has happened in quarter two. Yes, and sequential growth of 20% as well. So, in AMESA which is largely India, has delivered a very good performance.

Now, the thing which we are seeing is and with few customers, but I'm taking the liberty of sharing with you, that the demand for tubes peaked in last two, three months. You're absolutely right, in September. But we are now seeing, and we suffered in India, from a supply side in quarter one. We are seeing headwind from demand side in quarter three, basically in India. So, when I say I'm seeing headwinds, what I mean is, that some of our key customers the demand is not there now. So therefore, basically there is a reverse pressure at least on oral category. Now, is that because the demand is not there in the market, is that because there is a bit of overstocking, under stocking, that phenomena needs to be seen. So, we delivered and actually indeed some of those customers delivered a fantastic July, August, September. So did they peak there? There is also change which is happening in India in pack sizes, especially in oral category. So what is happening is because of the stocking up tendency, everybody is stocking up, partly because of the supply constraints in quarter one, a lot of our customers tended to go for higher size, bigger size tubes, if I could say, in the respective categories. And therefore their volumes may be better and



EPL Limited
November 12, 2020

our large pack sizes have done slightly better but for our small pack sizes may be different.

So suffice it to say that this dynamics is playing out differently in different regions at different times. COVID is also playing out very differently in different regions at different times. So Europe second wave is very strong as we speak. America numbers are still going up. India seems to be in a reasonably good position until let's see Diwali and the festival, so our reading is, that some demand headwinds will remain at least from what we've seen in India. But our confidence is that we'll be able to navigate it through wallet share gains, through new pipeline wins and also with the existing customers as much as possible, but we are seeing a mix of everything is what I could share with you.

Moderator: Thank you, sir. We have next question from the line of Vicky Punjabi from JM Financial. Please go ahead.

Vicky Punjabi: Just quickly on the acquisition again, and again on the plastic tubes. My understanding was that globally, we were pursuing a growth opportunity, which is conversion of plastic tubes to laminated tubes. And now we are possibly looking at building a business which has also stronger capabilities in the plastic tubes as well. Is there a change in that thought process earlier, or is there something that I was missing in terms of my understanding?

Sudhanshu Vats: So let me tell you one thing. We will continue to remain laser focused on our laminated tube agenda. That is what we know very well that we will continue to drive. But if you look at our growth opportunities as we go forward, we've also said that our ambition in the next five years is to deliver double digit growth. We've also said that a lot of our growths



EPL Limited
November 12, 2020

have to come in beauty and cosmetics because that is where we need to do share expansion. And in the light of all this, if we then look at the market, and Vicky, maybe you are aware but maybe I'll take a minute, if you look at the global market on tubes, it's about \$40 billion or maybe \$42 billion. Of that, laminated tubes is half of the market, there is half of the market which is between plastic tubes and some aluminum tubes. So, even if we run very, very fast, we cannot convert that 50% of that market in a hurry. So our conversion agenda will continue, but if you look at, especially again if you look at beauty and cosmetics as a category which is about 14 billion tubes globally, a majority of that is in plastic, globally at least. And that is a phenomenon which we have to recognize. So there is laminate and plastic there and there is of course aluminum conversion opportunity in pharma a lot more and a bit in beauty in cosmetics. So, our conversion opportunity will continue, specifically aluminum to laminates and moving forward, from aluminum to plastics as well. But in order to play beauty and cosmetics comprehensively, in order to win this market rapidly, we believe that we've got to play with the twin engines. We'll basically be able to do both which is laminated tubes and laminated tube conversion, but at the same time for certain brand and certain customers on their very specific requirements we should be able to deliver on plastic tubes as well. So, that's our thinking. India is a good market where we have a very strong share in laminates. We have a share in plastics, but could be better. So it is a good opportunity for us to test this hypothesis and to double down on this one.

Vicky Punjabi:

Sure. So, would this also mean that we would look at international opportunities in plastic tubes and would that require different set of



EPL Limited
November 12, 2020

capabilities because internationally, we will be competing with different players who could be well entrenched?

Sudhanshu Vats: You know that in this industry and this business, scale is very important. So wherever we play, we need to play with scale. So, in India we are confident that we'll be able to get scale with what we've done. Between us and Creative, we have sufficient scale and hence will be able to play plastics really well in India. We'll have to review this and weigh this as we go forward and evolve. So absolutely cannot comment on that.

Vicky Punjabi: Just last thing and this is just a minor clarification. You said that there will be 2.3 million shares, is that 2.3 million shares are we acquiring 2.3 million shares or are we issuing 2.3 million shares for the balance stake?

Sudhanshu Vats: We are issuing 2.3 million shares for the balance stake. Approximately 2.3 million shares, not exactly 2.3 million, but the number will be sort of.

Moderator: Thank you, sir. We have next question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: A couple of questions from my side. First on the acquisition, I was just doing a simple math. If I take the full capacity and divide it by the revenue, so it stays Rs.5 / tube kind of realization we have Rs.3 /tube kind of a realization, ballpark. And we also said that we have a significant headroom in terms of expanding capacity. Are we talking of existing capacity or we are talking about optimizing and debottlenecking. How should we see the capacity for this 200 million tube company which you are acquiring -that is first. Second question



EPL Limited
November 12, 2020

again on the acquisition, what is the customer overlap we have for the two companies that is EPL and the Creative, which we are buying, is this adding significantly in terms of new customer to us and how are we looking at it in terms of expanding the plastic. We will push, we will try to convince some of the customer to get into laminate or how should we see you leveraging this new customer base to expand your laminate business as well and the third question, over next few year, where do you see your personal care contribution as an overall company. Earlier we were talking of 50-50. We are already at 47%, that guidance doesn't remain any valid now. But just some thought there. Thank you.

Sudhanshu Vats:

Yes. So let me talk a bit to it and then I'll ask Ram to build on it also. So first of all to your first question, without giving you numbers, is that there is enough headroom in the capacity available with them. But having said that, and maybe Ram will talk a bit more on it as well, there is room for us to rationalize and reorganize in the way as we go in the fullness of time, and therefore be able to extract a little bit more out of it. So, it's both, it is available headroom as is and there is of course further room for reorganizing and therefore being able to do that. So that's on the first part.

On the third question, if I remember right and the second question was between plastics and laminates. See, my point is that there are certain customers who require certain type of tubes. Now, there are, we will continue to convince them where we want to convince them and we think it's a win-win for us and the customer and hopefully consumer, we will convince them on what is right, and if that right is laminate, it will be laminate. But if there are places where they need, especially on decoration, sometimes on shape, imagery and maybe slightly more



EPL Limited
November 12, 2020

premium or smaller quantities, may be it will allow us to play that better through our play in plastics as well.

And third question, if you were to just give me a recheck, what was the third part you said to this one?

Sanjesh Jain: What's your target for your personal care?

Sudhanshu Vats: Yes, good question. So, I want to also say this, see the business we are in and see I've said this to many of whom I have had a chance to interact one-on-one. The business we are in is to continue to diversify our portfolio and make it richer. And by diversification of portfolio, it is diversification of our category portfolio, which is what we call here slightly more simply Personal Care and Oral Care and it's also diversification of our geographic portfolio. Why are we winning in this year? We are winning because of our portfolio, geographic portfolio and category portfolio. So our journey is to continue to diversify this portfolio, to grow it further in which we will continue to drive leadership in oral care; we will continue to strengthen beauty and cosmetics, we will continue to drive pharma and we will build food and home as we go forward. We have to build a very diversified portfolio. That's what we are committed to. Now, how the numbers stack up, will, in the way you are looking at it, cross 50%, but the point I'm making is, we will continue to drive this portfolio, continue to diversify it and we will strengthen some of these other categories, and that is the purpose. Simply put, that was said as 50-50 in the past. And as we drive this portfolio, if that number changes, it changes. But what we are committed to is to drive that portfolio, diversify it, make it more premium, make more ASP and margin accretive, that is the journey we



EPL Limited
November 12, 2020

are in. And I'll ask Ram to add on a bit more on these, especially your first point and other points as well.

MR Ramasamy:

Sanjesh. This is a very interesting way of saying revenue divided by capacity to get an average sales price. See, there are two fundamental differences, Creative, that's only beauty and cosmetics and as we were always explaining to you, beauty and cosmetics are slightly higher priced, it's more higher priced in terms of an average sale price. In plastics, it's still right, there are two fundamental differences. Whereas we, as EPL do as you rightly know 47% of personal care and 53% of oral care. So we have a large portfolio oral care. So that makes a difference in terms of an average sales price. This is the first question.

In terms of headroom, we will always actually say that we will, see we are a leader we have enough capacity, they have enough capacities. We will see and optimize, we will bring in our efficiencies to that plant and whatever we could do to improve their utilization, so we will continue to work on it. In terms of new customers, there are some customers which we have overlapped; there will be some customers who will be new. Both will add value to our businesses because almost we being a market leader in India, we deal with most customers. Some of the customers are buying from them too. So there will be an overlap to that extent. There are some of them are exclusive to them, which will add new customers to us.

Then in terms of personnel care, see it's a very dynamic measurement. We continue to grow in oral care, and if we get into a geographical area like we already have a very high amount of personal care, we are putting a lot of effort to grow in oral care in that region. Likewise, this also will change the dynamics. See, in net what we need to see is, as we

continue to grow in personal care, it improves our margin. That's our stated objective. So we stated 50%, it could go to 52%, it could go to 53%, but it is not by keeping stagnant oral care. We will continue to grow oral care; there are some markets with higher amount of focus, some markets is only an organic growth. So we will see all that how it goes, so therefore, it's a moving average - 50% is not static. Oral is not going to be static also. That also you have to keep in mind, our focus is on both areas here.

Sudhanshu Vats: Well said, Ram, well said. Especially the Europe example is a great example. So it's about diversifying our portfolio. So therefore basically being able to diversify because each segment brings something to table and when I've had one-on-one conversations with you in the interest of time, I won't get into that, but the point is, there is a role to be played by segment, and we believe it is a diverse portfolio, which is important.

Moderator: Thank you. We have the last question from the line of Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

Suman Kumar: So we have seen Europe business has shown double-digit growth since 10 quarters. So can you talk about, double-digit growth I'm talking about. So can you talk about the, how things are going to happen, what is the growth outlook for the Europe business?

Sudhanshu Vats: Just repeat the question once more, please. I missed out.

Suman Kumar: Sir, it's regarding Europe business continue to show a double-digit growth over 10 quarters. Can you discuss more about the Europe business going forward, is it going to maintain the momentum of double-digit growth?



EPL Limited
November 12, 2020

Sudhanshu Vats: Yes. So Europe business, we are very excited about as I just shared with you when I was talking about that. You are right, in the last three quarters it delivered double-digit growth. Even in the immediate two quarters, we've delivered strong double-digit growth in Europe. See, as to what Ram just mentioned. See, the point is, we see Europe opportunity slightly differently. We see the Europe opportunity from two points of view. One, we can and should be able to get more steady oral business in Europe. There is potential and those conversations are on. So that is one opportunity, so that gives us a big leg up in Europe and that will bring in more growth as well. Some of it is already in pipeline as I speak to you. So, that gives us confidence that we will continue to grow in double digits.

At the same time, we believe that there is continued share gain opportunity in Europe. So therefore, we are also excited by that share gain opportunity in beauty and cosmetics and pharma, to some extent and that is the second area which is interesting. Third area, which is very interesting and I tell you where share gain we are very excited with is on our sustainability journey viz. the ability to give robust sustainable solutions, because Europe will be at the forefront of that journey. And hopefully, we will partner with customers and be able to deliver that. And third thing we are excited about Europe is basically there is also a conversion opportunity. So conversion from rigid to plastic tubes, a very classic example being on shampoos, on hair care, hair shampoo and hair conditioners, that is also an opportunity and West is a little bit ahead on that and Europe to that extent, is a little bit ahead on that. So therefore that is another opportunity. So there are clear opportunities in Europe, which we have, a very well detailed and

planned out pipeline, which gives us confidence that our Europe growth journey will continue.

Suman Kumar: You said for the acquisition you will use your internal accruals. But we are raising Rs.150 crore of non-convertible debenture. What is the purpose of that?

Sudhanshu Vats: So, I'll ask Parag to respond on that. The point is that this is yes, so Parag will take that up.

Parag Shah: Yes. So we already have an NCD of Rs.50 crores on our books; therefore that's something that we may think of refinancing. At any point in time, we always seek approval from board looking at the overall requirement of cash, which is global requirement with respect to many purposes, and linking that to the acquisition I don't think would be appropriate at all.

Sudhanshu Vats: Yes, absolutely. There are several things happening in different geographies and we are looking at different things. So, it's part of our ongoing business.

Suman Kumar: Last question, can you discuss about the key drivers of EAP?

Sudhanshu Vats: Key drivers of EAP. So China, EAP, East Asia Pacific. So key drivers of EAP is, what we are really proud of our EAP business is their innovation, their agility and their ability to look at, particularly, caps and closures and so basically to look at innovative designs in that space. What the team has done in this year especially, is they have also adapted brilliantly to what they call in their own terminology "new emerging brands." So what is happening in China is a twin phenomenon. One phenomena is a shift between what is physical retail to e-commerce for



EPL Limited
November 12, 2020

digital retail and because of COVID, digital retail has actually grown there like it has grown in many parts of the world, including India. Therefore that has sprung new brands as well with it, and therefore they use the term new emerging brands.

The second thing, which is there for new emerging brands is, like in many parts of the world, particularly in beauty and cosmetics, there are now more specialized niche, new emerging brands that are coming up and that is true in China, it's partly true in US, Europe including India. So, that is another place where they are happening well. So, basically it's our agility and our ability to do this, which gives us confidence in China. As we build our portfolio with multinational customers, which was our original stronghold, we will also continue to drive with local customers and local kings as my Chinese colleagues call them. And now, basically in these new emerging brands, many of them going through a new channel of e-commerce. So we are confident of being able to drive EAP and more specifically China through some of these innovations.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Ankit Gor from Systematix Institutional Equities for closing comments. Over to you, sir.

Ankit Gor: Thank you, Sudhanshu and colleagues for taking out time. I would like to wish a Happy Diwali to everyone at EPL. Sudhanshu, I would like to hand over call to you for any closing remarks. Thank you.

Sudhanshu Vats: Thank you very much for your interest. It's actually been a long call already. I know we are in the festive season. Thank you for your support and as you heard from us, we continue to remain committed to delivering superior results. Delighted to have shared all the news and



EPL Limited
November 12, 2020

the results with you. Thank you and once again, Happy Diwali and a Happy Festive Season to all of you. Stay safe and stay healthy.

Moderator:

Thank you very much, sir. Ladies and gentlemen, on behalf of Systematix Institutional Equities, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.