

24 August 2022

Corporate Service Department <b>BSE Limited</b> 25 <sup>th</sup> Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	The Listing Department <b>National Stock Exchange of India Ltd</b> Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E) Mumbai 400051
<b>Scrip:</b> Equity 500135. NCDs 960310, 960311	<b>Trading Symbol:</b> EPL

**Ref.: EPL Limited**

**Sub.: Transcript of Investors meeting**

Dear Sirs,

Please find attached herewith the Transcript of Investors meet held on 18 August 2022.

The above-mentioned transcript is also available on the Company's website or link,  
<https://www.eplglobal.com/shareholder-information/>

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

Thanking You

Yours faithfully  
For EPL Limited



Suresh Savaliya  
SVP - Legal & Company Secretary

Encl.: As above

Filed online

## TRANSCRIPT OF INVESTOR CALL ON 18<sup>th</sup> AUGUST 2022

Hi. Good afternoon everyone.

**Sukhvinder Sandhu:** Good evening everyone. So a very warm welcome to all and we appreciate you taking the time out on this call. My name is Sukhvinder Sandhu from ULJK Financial Services and would like to now begin by introducing our company. ULJK is 119 years old organization. We were established as an equity broking platform. Our promoters were the co-founders of BSE. Currently the business is in its fourth generation. We continue our equity broking business providing research on its listed companies to MF, FII, banks and insurance companies. I would like to now introduce you to the management of EPL Limited. Mr. Anand MD, CEO and Mr. Amit CFO. Ms. Chetali, Vice president, corporate finance. I would be glad if you can just introduce to the participants.

**Anand Kripalu:** Yeah, so I'm Anand Kripalu and I've been the MD CEO of EPL exactly for the last one year and delights to be here with you and hope to answer your questions.

**Amit Jain:** Hi, this is Amit Jain, I'm CFO for EPL Limited with the company since last ten years and happy to hear from you and have a discussion and question and answers.

**Chaitali Talele:** Hi, I'm Chaitali, I joined the Company two months ago as VP- Corporate Finance.

**Anand Kripalu:** Yeah. So we can start, if you will just introduce who are there on the call today and how would you want to run the session?

**Sukhvinder Sandhu:** we would like to have a little brief introduction about the company a little bit so we can go ahead with the Q and A round immediately.

**Anand Kripalu:** Okay, but who are the participants? How many people are there? Can you just give us a sense, please?

**Sukhvinder Sandhu:** Okay, so Mr. Vidit is our analyst. ULJK analyst. And Mr Nirav Savai is an analyst from a fund house.

**Nirav Savai:** Hi, Anandji. I am from Abackus, and I think I met Amit as well as you last time.

**Amit Jain:** Okay. Understood? Yes. Okay. Good to see you again.

**Nirav Savai:** Yes, sir.

**Vidit Trivedi:** Hi, good evening. This is Vidit. Trivedi I'm an analyst in ULJK. Financial Services. So I have my own set of questions. I'll be putting it in front of you. So I hope that is okay for you.

**Vidit Gupta:** Hello. Yes, sir, this is Vidit Gupta here and I'm in institution sales in ULJK.

**Nirav:** Hi, sir. So my question is regarding this European business, what we have now, for a long time we have been seeing it trading at very thin kind of margins. So I just want to understand this better. Is it because of this demand related problems or the opex there is much higher compared to other geographies. What are the kind of sustainable margins going forward? Obviously, the raw material price is something which is beyond our

control. But if we were to understand that compared to other geographies, this is something which looks to be a kind of a big aberration, at least for last a few quarters. If you can just throw some light on, that would be great.

**Anand:** So Europe business has been challenged on margins for the last few quarters. And I think the issue is that we've been on a treadmill on costs, right? And playing a catch up game. The polymers, then energy, then general inflation and wage related inflation, then COVID related absentees and overtime costs as a result of that. So the reality is we have been in a catch up mode as far as the cost side of that business is concerned. What I do want to say, however, is that it's not a demand problem.

**Nirav:** Okay?

**Anand:** I'll tell you from my experience, when you have a demand problem, it takes a very long time to fix it. Right? Now, the real issue is that you are always on a treadmill where you're playing catch up to cost increases, right? And in this B to B kind of business, you can't take pricing ahead of costs. You will always lag the cost increases. That happens. Okay? And you all know that Europe has moved through a series of challenges and including the Ukraine war, now the energy crisis and the general inflation in Europe is the highest 40 or 50 years. Okay, so there is a specific environmental challenge in Europe. But the good news is that the demand is still intact and therefore I believe it is fixable. Now, I just want you to know that we're doing everything we can on costs in terms of optimizing the cost base and using this opportunity to do that and continuing to push pricing. So I would say that direct costs, like polymer related cost and so on and so forth, we are getting the pricing. The issue is that there is a significant lag effect on the operating expenses in Europe for all the reasons I've said. Okay? Now we are all over Europe and we are doing everything we can to fix Europe. But I think we just have to recognize the unique context that the European business is facing as of now. Right.

**Nirav:** Just to understand this better. The polymer prices, would it be different in different geographies? I understand it would be more or less uniform globally. So is it the OPEC which is higher there's you could talk about employee cost, power cost. All that is something which has been a bigger challenge for us. And what would be the kind of differential.

**Amit:** As far as polymer prices are concerned, that will dependent on the index of various geographies, like European Index, Shanghai Index etc. The second thing is that for contracted customer, price pass through happens with a quarter lag. For non contracted customer it's always kind of a business negotiation which happens so that's on the part of the materials pass thru and in a situation where the prices are continuously increasing, it is always a catch up game. As far as operating expenses are concerned, the same is impacted due to Covid related absenteeism, overtime, freight etc. and also currently like energy cost is increased. Due to COVID situation in Europe Beauty & Cosmetics category also got impacted. We are continuously engaging with the customers for price increases again and again and got price increases. In increasing scenario it is continuous dialogue with customers. We are also looking into looking into further cost reduction opportunities.

**Vidit:** Hello sir. Hi, thank you for this opportunity. My question is I want to ask you that the fears of recession are gripping both the US and the European Union. What's your sense on that and how are you planning to protect yourself from the recession, which is the mortgage market experts they think that it is imminent. Your thoughts on that?

**Anand:** I think there are bigger people worrying about how to deal with the recession. But the reality is this for the moment, we are seeing high inflation, both specific and general inflation, but we are still not seeing a suffering of demand related to that. And therefore, while there may be a recession on the horizon, it ain't visible

at this point in time. We haven't seen any significant softening of demand. The only place where there has been some softening of demand is because of the COVID related challenges in China. But China remains very patchy in terms of being fully open. Plus there are some geopolitical issues to do with China as well, right, which are all there in the public domain. Now, what can we do to manage a recession? I think the first thing is to make sure that the shape of our P&L is strong and that whatever is the inflation related costs, we have got all those price increases in the bag right at the time if and when the demand slows down. But the only thing we can do at a time of recession is to make sure that we remain super competitive and try and protect as much growth as we can by stealing share from head to head competitors. All right. Because at the end of the day, while there may be a general recession happening tomorrow, right, specific companies can grow depending on the strategies that you pursue. So I think our strategy to be hungry for growth, look for growth opportunities to be competitive, to steal share from our head to head competitors while making sure that our P&L stays as strong as we can by getting the right price increases related to inflation is really what I would say we would do. Now, having said that, I tell you, there is mixed news. There is a lot of news, of course, about going recession because of high inflation that's happening, and that's going to start slowing demand as well. OK. But if you look at recent reports yesterday, a day before in the Financial Times in London, You will see that Walmart and so on has seen record sales right. In terms of at the point of sale. Right. So consumer spending has not yet started diminishing. So I think we should be careful that we don't paint the picture of doom and gloom and drive a strategy that is a consequence of that. We continue to be aggressive on growth and pricing, which is what we need to do, and keep looking for and hunting down opportunities for growth so that when the recession hits, you are in the strongest position possible. All right. But as of now, I am seeing the effect of inflation loud and clearer and all round. Inflation across everything, almost, but certainly demand seems to be okay, right. Not something that's giving me sleepless nights. The cost side is still things that we need to fix.

**Vidit:** Thanks a lot. So my next question is that the company has an over dependence on the oral care segment. So what are we going to do moving forward in order to reduce our dependence on that? Any sense of that?

**Nirav:** Did you attend our roadshow recently

**Vidit:** No, sir. I guess I did not

**Nirav:** And have you seen the presentation that we made at the roadshow which is on our website and on the, I think stock exchange website? Have you seen it? I did, yeah. So many of these questions actually we have addressed as part of our strategy with it. But anyway, if you want more, we will share.

**Amit:** Yeah. If you see past, we have improved our share on the non-oral care part which is due to the cosmetics and pharmaceuticals in different market, different segments. Correct. So that journey will continue. Now, last one year, if you see because of the COVID in certain geographies beauty and cosmetics has got impacted, which is temporary and will not impact our strategy on the beauty and cosmetic and pharma. We are drilling down to say the customer segment levels viz. small customer strategy, within non oral various segment opportunities and any new country opportunities like Brazil. In Brazil also, we are entering, though, on a backup of anchor customer on oral care, but once we are on the ground, we will be exploring all other categories like beauty and cosmetic/ pharma opportunities. Brazil is a big market and as early sign, we are also getting some inquiries on non oral categories. So it's kind of a journey. And another big thing is that the sustainability drive and innovation, will also add to the market share and improvement in the category sales on B&C and pharma. We are working on sustainability solutions a lot like recyclable laminate - platinum, the laminated tube structure itself is a lower plastic content, reduction of thickness of the tubes to say 200 micron etc. if you see quarter on quarter, our non-oral care growth is more than the oral care growth.

**Vidit:** Sure got your point. I'm sorry. On the dividend payout front, I have observed that it's around 60% to 65% of the PAT. So moving forward, when we do a capex, how are going to fund it? Are we going to reduce it or are we going to take some external help or how it's going to be?

**Amit:** We will be consistent on our dividends. And you have seen in the past that the dividends are improving. Only thing is that as far as the capital allocation is concerned, yes, definitely it is first for the growth of the business and then the available funds will be distributed as dividend.

**Vidit:** So the 60% to 65% dividend policy will be followed by you consistently for the coming years. That's what you're trying to say?

**Amit:** Yeah, I don't want to give any number, but yes, it will be consistent and you have seen that in the past.

**Vidit:** Also Now with the commodity cycle easing up, can we see improvement in the IBD and fat margins in the coming quarters? Because it's cooling off now.

**Amit:** Yes, we are also seeing early sign of that. And if this continues, that should give some impact in the coming quarters.

**Vidit:** Okay, sir. My last question is on the geopolitical front, though. I know it's a bit hard to answer, but what's happening between China and Taiwan in future if you face supply chain disruptions so how are you going to manage it? Are you looking for any other suppliers or maybe something else options do you have?

**Anand:** as far as the geopolitical issue is concerned? See, we don't source much out of China. We source some laminates out of China, but that is easily substitutable to making it in India and exporting from India. So our manufacturing in China right. Sources polymers within China and producers within China. So we aren't that dependent on the China supply chain. Our China business does some amount of export of laminate, but predominantly focuses on tube within China domestic demand. Right. Some small exports to Thailand and stuff like that. Now I think the impact could be more indirect of our business in China. So for instance, some of the global companies that operate in China whom we supply to like Proctor, Unilever and people like that, they may use may use less China, less of a sourcing base, right? And move some of their sourcing to other geographies. Okay, so that is really the implication for us. But then we have the opportunity to try and pick up as much as we can of that in those other geographies wherever it ships to. So I would say that the geopolitical supply related issues on EPL, right, is limited. And we have a very clear plan B on whatever we need to export out of China because we can move that export to India.

**Vidit:** Got it

**Nirav:** I have a question regarding this US and the Europe business margins lower because the product mixes more tilted towards oral care segment? Or is that something which has impacted margin for the last three quarters? Or it's only because of the inflationary pressure?

**Anand:** First of all, it has always been, at best, double digit margin business, right? It's never been if you look at the data that we share, it's never been a 20 margin business. First of all, it's been a smaller margin business because you have less scale in Europe and we have an average structure and so on and so forth, that has been created for future growth, Now we face the double whammy during this period, particularly of COVID, which hurt our manufacturing and so on and so forth, and the cost base completely in Europe, which is probably the worst in the world right now. And therefore, whatever margin you're making or further eroded to an extent,

our ambition for Europe has never been to say we will be at 20 margin business. By the way, let's say we want to get to mid-teens margin, but for us we need to drive top line and growth solid in Europe because we still remain a relatively smaller player in Europe. So the headroom for growth is huge in Europe. Okay? And as the growth comes, we'll get the benefits of scale, and that will drive up our margin. So it will happen less through pricing and more through scale. Now, pricing, obviously, you have to do whatever is needed to cover for the costs. Europe is already predominantly non oral business, incidentally. So it has nothing to do with the fact that it's oral. We have a good oral business that's doing well, but our beauty and cosmetics part of the portfolio is actually bigger than oral care in Europe, right? Amit, Europe is bigger on BN non oral care. Actually, it's not a negative mix kind of issue.

**Nirav:** Right. So it's the same thing there for us also, because us also, we have made single digit kind of margins, at least for the last few quarters.

**Anand:** Sorry? US. We have made single digit margins.

**Nirav:** If I see your EBIT margin,

**Anand:** the qoq one was about 5%, and EBIDTA is the number we normally focus on. And those are double digit margins in America. America is actually predominantly an oral care business, right? So actually the opposite of what Europe is attempting to drive BNC non oral growth faster.

**Nirav:** Okay, so what exactly is required for us to scale up? Because I understand there might be existing players in this geographies who are also in the non oral your business. So what would make us more competitive when compared to those players? And there might be larger players in the B2C businesses with this.

**Anand:** You're talking about America or you're talking general?

**Nirav:** I'm talking both in Europe as well as US.

**Anand:** What will make us more competitive in getting beauty and cosmetics business

**Nirav:** Is because our focus historically was more on the oral care. Obviously we have been shifting and gradually scaling up the non oral care business as well. But when we see it is not today

**Anand:** Our non oral care business is beginning to touch 50% just shy of 50%?

**Nirav:** No, I mean I'm just talking about this Europe and the US as a geography because there might be larger players whom we compete to and these are businesses.

**Anand:** No, of course there are and we need to compete in both these geographies and we believe, for instance, our sustainability agenda and our ability to lead right will be a source of competitive advantage because we have said our ambition is to be the most sustainable packaging company in the world and we want to lead the pack as far as sustainability is concerned, right? So we believe that our sustainable solutions will be opportunities to drive growth, right? The second is of course our ability to create designs that cater to the beauty and cosmetics marketing companies and the beauty and cosmetics category better, right? So you need more better designs on applications, better designs on printing and so on and so forth because beauty and cosmetics requires a tube that sits on the shelf to just look farther far better, right? And whereas people are less fussed about the oral get you right? So we need to do that. So I think sustainability to steal, share By providing sustainable solutions at

the right pricing. Okay? And we believe that we are not trying to make huge extra margins on sustainable solutions. We believe we should use it for driving market share. Okay? And keeping pace with that is the work that we can do on improving our design work both on applicators and printing.

**Nirav:** Okay, so any plans of on the backward integration side because a lot of companies are also backward integrated. They make their own films and then do the packaging part. So our focus is just getting the films, getting the polymers and get the tubes and sell it to the brands.

**Anand:** We are backward integrated. We buy polymers, we make our films, we make our probably the most integrated company

**Nirav:** To understand this better, is there any capacity data or something which you can share to help us understand how in our size? Because there are a lot of comparables in the film business to give all this data. So it would be better if we can share this kind of numbers to get what numbers?

**Anand:** Can you be specific? Nirav

**Nirav:** I'm saying numbers on the capacity side because if we are making films, what is our capacity there?

**Amit:** I think we are already backward integrated, clear where we are creating our own laminated structures for different requirements in Oral Beauty and pharma. Okay? Now these films are totally different compared to what what you are thinking as a film. These are laminate structures and that's the major science in the tube. We are supplying those laminates from India and China to other countries, and we normally create these capacities sufficiently whenever it is required based on the future growth of the business. So we are already there, actually.

**Anand:** Okay. We'll take one last ask questions books and then we close.

**Nirav:** So, last thing from my side, we have been putting a Greenfield facility in Brazil so that would come up this year. What I understand. So what can be the potential revenue from that facility and how much time does it take to actually scale this new geography?

**Anand:** So we are not sharing specifically that, but we believe that it's an important strategic entry. We believe that we will start first commercial production and shipments towards the end of this fiscal we are currently going on the back of a commitment from one global customer. But we have, as Amit said, significant interest shown from many other global customers now that we are in Brazil who are saying that they would want us to consider us for supply in the next fiscal. Okay, so you see it in a country like this, and you create a platform for future and we believe it will be material. Right. And that's why we're doing it. But also we have long relationship with key customers around the world, and you need to also expand your operations in keeping with the customers' requirements. Right. And that's what we're trying to do in the case of Brazil.

**Nirav:** Got it. That's it for myself. Thank you.

**Anand:** All right.

**Sukhvinder:** Yeah. Thanks, Thank you so much. Bye. Hope you will take care.