"EPL Limited's Q4 FY'21 Results Conference Call"

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

Moderator: Ladies and gentlemen, good day and welcome to EPL Limited Q4FY'21 Results Conference Call hosted by Systematix Institutional Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that 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, Aisha. Good evening, everyone. On behalf of Systematix, I welcome everyone on the call of EPL Limited formerly known as the Essel Propack Limited to discuss Q4 FY'21 and FY'21 Performance.

From the management side, we are joined by Mr. Sudhanshu Vats – M.D. and CEO; Mr. M.R. Ramasamy – COO; Mr. Parag Shah – CFO; Amit Jain – Head, Corporate Finance; Mr. Suresh – Head, Legal and Company Secretary; Mr. Deepak Ganjoo -- Regional Vice President of AMESA Region.

I would like to hand over call to Sudhanshu now who can take us through the major highlights of Q4 FY'21 and FY'21, after that we can have a floor open for Q&A.

Over to you, Sudhanshu. Thank you.

Sudhanshu Vats: Thank you, Ankit. Thank you, Aisha. Good evening, ladies and gentlemen. Welcome to EPL Limited full year FY'21 and Q4 FY21 Earnings Presentation.

First and foremost, here wishing all of you safe, safety and health. I hope you and your families are staying safe and are navigating these tough times well.

Let me start with our "EPL 2.0 Mission." As many of you around this conference call will recollect, we defined our mission as market-leading revenue growth and capital-efficient consistent earnings growth. I am very happy to share with you that in the first full year of our new mission and ownership of Blackstone, we have made a strong start and delivered strong results for FY'21.

With that, let me talk to you about FY'21. FY'21 is a year when we transformed EPL to deliver market-leading double-digit revenue growth. We've demonstrated resilience in business performance despite the tough conditions which we all are aware of. We've delivered a business growth of 12% double digit as I told you, coupled with high teens EPS growth coming in at about 18%. With our focus on cost and capital efficiency, our return on capital employed has improved by 290 bps and now stands at a very healthy 21.3%.

I think the second big highlight of FY'21 has been our ability to strengthen our competitive positions across market. We have either held to our wallet share with customers. In many cases we've grown our wallet share with our customers and in multiple cases we've added new customers to our roster in this year. We've seen some of the results this year, but we will continue to see a lot of the results of this work in FY'22 and years to come.

This is also a year when we've acquired Creative Stylo Packs in India. This is the beginning of our journey on M&A. And you will see that our acquisition of Creative Stylo Packs is strategic as it strengthens our position in beauty and cosmetic, it is also revenue and EBITDA-accretive which is a key criteria for any acquisition as we look forward.

The third big message that I want to give you on FY'21 is we delivered all-round strong progress across our identified levers. Let me quickly recap them. We will talk about them a bit more in detail but the first lever as you remember was strengthening our portfolio, but which is accelerating growth in Personal Care and we've added over 120 bps in this space; we now have our Personal Care contributes 46% to our portfolio.

The second one was continued leadership in Oral Care; we've delivered 9.8% growth in this year in our Oral Care business so where we are the leaders, we've managed to grow that segment even faster.

The third one was improved performance in Europe. And I think one of the key measures we put ourselves and we'll talk a bit more about it is the improvement in margin and we've actually improved our margin by close to 200 bps taking the margin in Europe to about 14.8% in FY'21.

The last lever but a very important lever is around sustainability. We've basically made a lot of progress on sustainability. We are driving leadership in this zone and I will talk to you more about this as well.

So, FY'21 we've transformed EPL to deliver market-leading double-digit growth, demonstrated resilience in business performance, strengthened our competitive position and delivered strong progress across all our identified levers.

Let me now talk to you about what we've done in managing the business in this pandemic. I've spoken to you about this in the past as well, but just to quickly recap I think we've ensured that all our plants are operational, so supply enablement, port trip and customer service has been paramount, and I think we've given a total importance something that I think we should and that's been the most important piece.

The second area we spoke about briefly is about demand generation, it's about looking at new customers, new categories and I think we've done a lot of work in this space as well. We started the year with launch of Hand Sanitization category but as we've ended the year and as we are entering FY'22 we are doing work on many other innovative projects; we are also doing a lot of work around Hand Wash and an innovative option for people to handle the entire pandemic situation as they go forward.

The third important pillar is around people and around employee wellness. I think we've given safety of our people paramount importance. We've actually put strong protocols in place across our plants everywhere in the world. We've actually made sure that we have we are responsive, we are listening, we basically help people wherever the help is needed, we have a full-fledged crisis committee which has worked round the clock in this time and is actually constituting senior people in our company.

And lastly, like we should, and we always have, we've managed to keep a very strong eye on costs and manage costs through our ongoing project themes. There are many initiatives which have already been taken that there are more and I'm going to talk about them as we as we progress further.

With that, let me share with you the numbers. So, our revenue for FY'21 has come in at INR30.916 billion which is a 12% growth over previous year and our adjusted EBITDA has come in at INR6.472 billion which is a 13.4% growth over the previous year. Our adjusted earnings per share has come in at 8.89, that is 34.6% growth over the previous year.

With all our focus on capital efficiency, our return on capital employed has come in at 21.3 which is a 290-bps improvement, our business continues to generate cash and I think that is making our position stronger, so our net debt has come in at INR3.14 billion, but this number actually is lower than last year if we were to take out the one-time cash proceed paid for Creative acquisition of INR1.675 billion. Adjusted for that, our net debt is at now 1.474 billion and that is almost half of last year number of 2.76. Our CAPEX continues to be prudent but as you would gather I think with COVID being around our CAPEX momentum has started, so the full year FY'21 has come in at INR1.76 billion as CAPEX.

If I want to deep dive into these numbers and share with you, I think our adjusted EBITDA has come in at 30.4% but our EBITDA for the year has come in at a 9.9% growth which is an EBITDA margin of 19.9%. Our EBIT has grown at 15.4% and EBIT margins are at 12.3% which is a 30-bps improvement over previous year. Our PAT has grown at 17.8%. Our adjusted earnings of course as I told you if we were to take like-for-like has grown at a very handsome mid-30s in this period. Our net debt to EBITDA ratio now continues to remain very healthy at approximately 0.5 number.

So, overall if you look at it, very strong performance in FY'21, robust revenue and PAT growth. Organic revenue growth in this period is at 11.3% because the Creative acquisition happened effective February 1, 2021. EBITDA margins have been maintained despite very steep price increase and COVID-19 situation. Our net debt-EBITDA stay strong and our focus on capital efficiency continues to grow our ROCE.

With that, let me quickly talk to you about Q4 FY'21. So, Q4 FY'21, our consolidated growth had come in at 17.5%. So, we've delivered INR8.1 billion which is the growth of 17.5% in the commensurate period last year.

On this, I also want to share with you that our standalone Q4 growth has come in at 34.6%. Having seen some of the results published by consumer companies recently, our standalone Q4 growth is comparable if not better to almost any numbers I have seen up to now. Our adjusted EPS growth has come in at 29.6% for the quarter. Our EBITDA growth has come in at a more muted, 5.3%, this is because of the increase in raw material cost, and we will dive deep into this as we go forward.

So, if we were to look at our EBITDA which is absolute EBITDA growth is 5.3% but our adjusted EBITDA has come in at INR1.4 billion, it's about 0.4% higher than last year so nearly flat.

So, what has been the reason for our EBITDA growth to be where it is. I think there are three key things I want to highlight to you as the reason on this; one is the increase in raw material which we spoke about and I will dwell a bit on this as we go forward; the second is the time lag in recovery because we have a three-month contractual pass-through with majority of our customers and this time lag in a very sharp price increase scenario put pressure on the margin in the interim period and lastly, the COVID-19 related expenses continue to be there in in period and I think it's the combination of these three things, steep rise in raw material prices, time lag in our recovery based on all our contracts and the COVID-19 related expenses.

With that if some of you have our "Investor Presentation" I want to draw your attention to page #10 and talk to you about unprecedented price increase in key raw materials. As you would see this chart, the thing which stands out and which I want to share with you is that the price increase which we are seeing in this period is something we've not seen in many-many years. We are seeing a 25% quarter-on-quarter increase whereas the historical movement has been in the broadband of (+/-5%). So, this very sharp increase of 25% as I was telling you puts a lot of pressure in the interim on us. So, this indeed is our challenge, but as there is challenge there are opportunities and I treat this challenge both as a challenge but more as an opportunity. So, as I move forward and if I could draw your attention to page #11 if some of you have our "Investor Presentation", I want to share with you what we are doing and that's why I wanted to call this an opportunity. Because it's such a strong challenge we've drawn up a very holistic EBITDA margin improvement plan and this plan is already in place and this will help us navigate FY'22 successfully. The three-pronged approach is the first one is judicious price increases. So, I talked to you about contractual pass-through which has a three-month lag. We have actually been talking to some of our big global customers and we are asking for a spot correction if possible but the three months lag as part of our contract is given.

We are also looking at price corrections being negotiated across geography and I can share with you that we have managed to do this with a very large set of customers as I speak to you. So, I think very good progress on judicious price increases, and I think that is going to be one very-very important lever.

The second important lever which we've talked about in the past, but I needed to dwell a little deeper on cost productivity initiative of Project Phoenix. Phase-II is we are stepping up on Project Phoenix. And that's what I keep saying every challenge is an opportunity and we've actually made the most of this one as well. If we are looking at first and foremost accelerating modern science project which is basically improving our manufacturing efficiency through automation. So, this pilot will be done in the US will be accelerated and as we learn there we will keep on implementing it everywhere in different places and we will do it almost parallelly. And so therefore improving manufacturing efficiency through automation is going to be very important. This will help us in improving our productivity, it will also help us navigate costs and in an environment like the current environment it will also help us stabilize our operations and manage any absenteeism and those things better.

The second thing which we are looking at and I wanted to share with all of you is we are dialing up and increasing our in-house manufacturing of caps and closures. As many of you know, for the number of tubes that we make our caps and closures is at a different level and therefore we do make caps and closures in different geographies but there is scope for us to increase the in-house manufacturing. Now this will be margin-accretive, it will also make us more nimble and agile, and this will be important as we pivot towards beauty and cosmetics is a category where caps and closures dispensing becomes one of the items which is a differentiator it allows us to innovate and to be able to deliver faster. So, I think that's the second piece.

The third and fourth pieces are more regular but that is where we are working harder than what we've ever done in the past. The third is around scrap and waste heat reduction and fourth is around rationalization of energy consumption and looking at alternate sources wherever possible. So, I think this then is the second big strategy in terms of improving our margin.

And the third and equally important one is our focus on high profit segments and value-added offerings as we continue to improve our mix. We will continue to improve our category mix which you will hear from me, that itself will offer up some tailwind but we will do more of this as we go forward in some of the other specific segments, specific diameter and specific value-added offering. So, with this we are very confident of converting this challenge into an opportunity.

And lastly, a piece of some good news if I could leave you with a small silver lining in these clouds is that we are beginning to see first sign of flattening or stabilization of the raw material price increase with the first data which is coming in for June. So, I think the first set of discussions and the data which is coming in for June gives us confidence that even the steep price increase which we are seeing is now beginning to stabilize and hold on.

With that, let me focus back on our capital efficiency agenda which we talked of in the past. But let me again reiterate the four key pillars. So, prudent CAPEX spends. So, this year we came in at INR1760 million for FY'21. We will continue to look at prudent CAPEX spend, but at the same time the fact that we have our operations in different geographies we will also continue to evaluate operating expenditure versus capital expenditure particularly in low interest cost of capital and low cost of capital and capital-abundant geography some of them which we work in. So, I think that's the piece and you also heard me talk about “Modern Times” as a project.

I think the second thing is our journey on reduction in net debt will continue and we spoke about that, so net of our one-time expense for the acquisition which we just did in Q4 of FY'21 of Creative Stylo Packs, our net debt continues to come down, as a matter of fact, that number is almost half of previous year's number and has steadily come down as you can see on slide #12 if you are looking at our presentation.

All of this continue to improvement in ROCE, we spoke about that at 21.3 and lastly as we generate more of EBITDA, as we generate more of profit, we are confident of sharing it with our shareholders and our dividends are continuing to grow.

I'm also happy to share with you that the board has approved and announced subject to shareholder approval the final dividend of 2.05. So, for the year FY'21 we had announced an interim dividend of 2.05, we've now announced the final dividend of 2.05, this puts our dividend payout at roughly 50% of our profit and therefore this in some way is what will be the rhythm you will continue to see, a steady dividend payout guided by a policy which basically is based on the percentage of what our profits are.

The other thing which I also wanted to tell you is our unlevered cash flow now comes in almost at 53% of EBITDA. And this is best-in-class in our industry for sure.

With that, let me talk you through the four identified levers and the strong progress that we've made in FY'21 across business. So, the first one is accelerated growth in Personal Care. We've actually been delivering a 15% CAGR in this year again despite a lot of headwinds on Beauty & Cosmetics particularly in geographies like India, we've delivered a 15% growth on our Personal Care category and it basically constitutes 46% of our overall business. So, our business is now 46% Personal Care 54% Oral Care. If you remember this number used to be like 40:60, about three, four years back in FY'18. So, from 41% to 43% to 45% and now to 46%.

With the investments we made in Creative Stylo Packs and all the work which we've done in Beauty & Cosmetics and Pharma particularly in the AMESA region we are in now I think we will continue to accelerate this, and this will be a number you will watch out for in FY'22 as well.

I think our growth is across geographies. The only place where you see is very muted is AMESA which got very badly impacted by Beauty & Cosmetics in FY21, but you will now see a growth momentum coming in AMESA, it has actually started from Q4 itself, but you will see this momentum picking up as we go forward.

Growth in other areas on Personal Care in Americas and Europe remains very-very strong.

I then now want to move on to the second lever which is continued leadership in oral care. I'm happy to share with you that we've delivered 9.9% growth in FY21. We've actually over a 10-year period delivered about a 10% CAGR but if you were to look at last five years we were actually delivering more like mid mid-single digit. So, this is a step jump in FY'21 in a COVID year and a reflection of our wallet share growth with existing customers and our addition of certain new customers in geography.

I also want to absolutely single out one, we've added another global major in Europe. So, that's the journey which has started actually from March of FY'2021 and you will continue to see Europe therefore as getting advantage of one more global major added in oral care.

Moving on to the third pillar which is improved performance in Europe. If you look at our performance in Europe, first and foremost we continue to deliver robust growth in a region which does not grow from a CPG point of view, we've delivered a 13.5% growth coming largely from competitive growth. This 13.5% total growth in Europe is composed of 9.2% growth in Oral Care, very strong for Europe and 14.7% growth in Personal Care. So, once we continue to accelerate our growth across categories and we are confident with recent customer acquisitions and wins that we will continue this journey of growth in Europe. And the growth is equally important in margin delivery.

I think the second important piece is all the work which we've been doing from the point of view of cost. In FY21 we've delivered an EBITDA growth of 31.3% in Europe, but more importantly we've delivered a margin of 14.8% in FY'21, so now reaching about mid-teens, this number was 10%-odd in FY'19. So, in 24 months rapid scale up from about 10% to 15% and we are confident of dialing this up to high teens in the years ahead as we grow in Europe.

We've also taken measures which I would say are tough measures, we've taken measures to streamline our operation and we have optimized our presence in Russia by closing down our Russia manufacturing facility. We will continue to operate in Russia, we will continue to trade in Russia, but we have closed down our Russia manufacturing facility effective 31st of March 2021.

The last but one of the most important pillars of our EPL 2.0 mission is industry leadership in eco-friendly solutions and let me spend a couple of minutes on this.

So, first and foremost, Platina Tubes have now been qualified by APR, recycle glass and cycle glass. We now have a range of Platina which is available in different thicknesses from 220 microns to 350 microns, we have a greater than 50% green sustainable source, EE as well. We have also designed for certain customers in Europe PCR Tubes with greater than 30% PCR ranges. So, these have already been commercialized.

If I was to talk to you about some of the things which we've achieved in this year is I think once we've started building a portfolio around Platina. Not only do we have Platina, we've got Platina Pro which is as the name suggests an upgrade on Platina, we've also done fully recyclable tubes in this, it has enhanced chemical resistance flavor barrier. For our PCR tubes which we've done in Europe, we've actually also won accolades. So, basically we won the Smart Tube of the Year 2020 Award.

And the portfolio as I was telling you today now consists of Platina, Platina Pro, Platina Metallic called Platina ME, Platina Clear which is the work which we are doing on Platina YY, Platina PCR Max, Platina Biomax. So, a whole range of sustainability solutions.

And lastly, what gives me a lot of confidence and pride as I share with you is why we've got accreditation, why we won accolades, but we've also been acknowledged and acknowledgement from global customers is nothing gives us more joy than being acknowledged as partners to try with global customers. Unilever-I, I have shared on Slide #26, if you guys are looking at it, but we've also been working closely and have been acknowledged by the other global majors, GSK, Procter & Gamble.

I also wanted to share with you that we are the first tube supplier in the world to get the APR approval for full tube which is not only the laminates which we talk about through Platina but also the shoulder, the barrier and cap. So, with this I think we've made a very promising start on sustainability. We've actually commercialized close to 100 million units of tubes in FY'21 itself and this number will continue to grow as we move forward.

We are also very conscious of our social responsibility. I think we've used FY'21 as a year in defining and taking our first steps around the strategy for social and corporate social responsibility and we've defined our strategy in two words, “Greening Lives.” Greaning Lives actually is about green community, it's about weight management but it's also about greening lives as in making life better of people and therefore there will be programs around that especially around skilling. So, the two key platforms we will work under "Greening Lives", these are multi-year platforms will be on waste management and on skilling.

In a year like COVID, we've actually been very proactive in helping healthcare workers and now more recently helping people out through Akshay Patra to navigate this crisis for the people who need all that help, so we've gone out of the way. We've actually have the right partnerships in place, we are in conversations with startups to be able to do meaningful stuff in the area of waste management and we are also building a very strong governance when we do this piece.

I've spoken to you earlier about Creative which is now a subsidiary of EPL effective February 1, 2021. The transaction was consummated at an enterprise value of INR2.53 billion. This is an outright purchase in cash of 72.46% and the balance around 27.5% will be through a shared share swap which will be pursuant to the merger which has actually been applied for. Creative founders are now part of EPL's senior management.

The thing I wanted to share with you on EPL early days but the two months which we have seen and the quarter which is going on we are basically the hypothesis with which we acquired Creative I think all levers are playing out well and we are confident of this acquisition delivering to our strategy as we go forward.

Lastly, I would like to conclude by sharing with you how do we look ahead more specifically into FY'22. First and foremost, we are very confident of sustaining double-digit revenue growth. The reason I say that is I've talked to you in the past about business development pipeline and I just wanted to give you an indication that the pipeline we've entered FY'22 is 29% higher than the pipeline we had entered in FY'21. So, just to give you an indication how robust our pipeline is all the work which we've done in this year and up until now in order to get basically higher share of wallet or new category is giving us very strong pipeline.

We spoke about this, but I just want to reiterate that we have planned in place for quarter-on-quarter improvements in EBITDA margin.

And I think moving on from here we will deliver quarter-on-quarter improvement through judicious price increases, cost productivity initiatives and mixed improvements which I talked about in quite some detail.

We've converted the challenge of these raw material prices into an opportunities which in the longer period you will see EPL reaping very rich dividends. And as we deliver this quarter-on-quarter improvement, we are confident of our journey of double-digit growth and basically incremental improvement in EBITDA which is what we set out for ourselves in the medium-term.

I spoke about sustainability. That will be a key driver and EPL is already leading the way for the industry. We will continue to dial up our efforts in this space, partner with our customers to basically come true or deliver ahead of their plans on their SDG goals.

Lastly, once again, let me sign off by saying, we are committed to delivering market-leading revenue growth and capital-efficient consistent earnings growth this year and in the medium-term. One thing we will need to continue to watch out for like many other businesses is severe COVID wave-III remains a concern and we need to continue to watch out for that. Here again, the good news I wanted to share with you is the protocols we've developed, what all we've learned in this period of about 14 to 15 months will come in in good stead as we both manage operations and manage cost and we are confident of doing that better than what we've done up to now.

Thank you for your time and thank you for your patience and as a management team we are open to questions, so please go ahead and ask your questions. Thank you once again.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Colgate management also spoke about the sustainable tube for active salt. Are we the suppliers for that tube? And then a follow-up on that was with the transition to sustainable packaging, how much growth do you expect coming from this new lever for next one or two years? And also, is this margin accretive for us? And also, our competitors also provide these sustainable products, or it is just purely innovative and hence would lead to our market share again?

Sudhanshu Vats: So, lots of questions there. Thank you for asking them. Yes, we are a leading supplier for sustainable solutions and in the specific case of the customer you talked about, I'm assuming you talked about Colgate in India, we are working very closely with them in the sustainable journey. So, that is one part of the question. I think sustainability is a very important strategic lever as we go forward. It plays three roles. I think one, it is your license to operate in the future. So, I think that we should remember, that in many ways sustainability future proves you as an organization and future proves therefore EPL and then therefore our packaging solution. Depending on the brand and depending on the solution we provide, it could be margin-accretive, and sustainability becomes mainstream that there will be places where it is neutral. In terms of our preparedness and where we are on sustainability, we continue to believe with all our knowledge that we remain ahead of the curve while there are other global players who are working on it as well and from a planet point of view you need more hands-on deck, so that is good news. But with our innovation, our R&D and all the work which we've done, we remain very positive and in our assessment remain ahead of the curve.

Harit Kapoor: My second question was around Americas businesses. We have seen a low revenue growth. What would be the reason for this?

Sudhanshu Vats: So, I will ask my colleague, Ram, to comment and then I'll add on to it.

M R Ramasamy: Most US companies are facing labor shortages which is one of the reasons it's not just for us, for most companies but the demand is really good. Going forward I think once we are able to overcome… that's why we talk about project modernization, there are lots of side activities which will reduce number of people, demand is also being done, at the same time we are also recruiting more number of people. So, combined with all that going forward will be good, the demand is strong.

Sudhanshu Vats: I think if you look at Q4 which has gone by, I think one, America saw a very strong COVID way into beginning of the quarter and then therefore as Ram said, many of the people were experiencing shortage of labor because people were either down with COVID or in quarantine or sort of because of contact tracing being sort of as quarantining for precaution and I think that was not true only for us, it was also true for our customers and I have also in the past narrated this that we are actually facing for the very first time in America a few cancellations at the last minute, so even for this quarter I think towards the end one or two of our leading customers had to close down their plant and stop it abruptly. So, I think these are things which were there but as you now know, as Ram was telling you, the situation of COVID in America is much-much better, the macro for United States particularly is looking very strong from the point of view of GDP growth, the demand is looking very strong which we know from the orders which are coming in and therefore in the period ahead we are very confident of improvement in America as well.

Harit Kapoor: Does that mean that the labor shortage problem has also been resolved?

Sudhanshu Vats: Partly yes because it was dependent on the pandemic as well, so to that extent, yes.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: I just had one structural issue to talk about. Given the fact that our oral care is a category, is a mature business globally and personally relatively greater opportunity to grow so that may have a greater growth potential but when I add up the two on a sustainable basis what is the kind of a long-term actual business volume growth would you ascribe, profits maybe function also of the operating leverage and some amount of financial leverage for profit growth for some time may grow at a rate faster than our volumes and the top line, but I want to understand on a long term structural basis what kind of growth would you assume a) for your order and b) for your personal care activity?

Sudhanshu Vats: We've spoken about this a bit in the past as well. I think the fact that we are strengthening both the pillars and both in a way if I could look at it this is like our double engine, I think we are confident of balancing and moving forward as we go. So, one, when we say oral is mature, the point is that there is still considerable room for growth, we've been demonstrating its year-on-year, even in last year we've delivered a 9.9% growth in Oral, so we continue to believe that there is room for growth in Oral and on another day I can get into various levers which give us the growth potential. But you are right that Pharma, Beauty & Cosmetics has a much higher growth potential both the market growth and our own share perspective and we continue to work a lot on that. So, across the region we've done, and we are growing that segment faster and therefore that share is continuously growing. So, we are working on that piece and we are getting ourselves geared up to increase the velocity of growth further on specifically Beauty & Cosmetics and Pharma. So, I think we see growth potential in both areas, we continue to see high single-digit kind of numbers for Oral as well in the medium term and we would like to see mid to high double-digit numbers for what you call personal care, specifically beauty and cosmetics and pharma.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: My question is regarding the America. In the Q3 we have discussed about the Travel Tubes lower sales. So, with the opening of the market, can we expect that segment will be a driver for America? And can you talk about what was the total percentage of the business for the travel tube?

Sudhanshu Vats: So, Travel Tubes contribute a large part… I would not like to share, but yes, in case of America they contribute a large portion of our business and therefore America had a bigger headwind with travel tourism taking a beating. You are right that with the opening up of US now, already we can see demand coming in and we've got to navigate this as we go forward because this pandemic has waves as you know. So, I think as I speak to you today, yes, the situation is opening up and the demand is improving and demand is better, so that part should be good. But what gives us confidence for America is the work which we've done across in strengthening our pipeline and Ram was speaking to it in response to the earlier question, but we've opened up on West Coast, we've actually now more customers who have come in, we have got more Beauty & Cosmetics orders. So, the work, which is there, we have some high-end oral tubes. So, the work which we have done overall continues to give us confidence for growth in America and I think if the situation on COVID improves and becomes near normal or the new normal in future and travel comes in, that will be an added benefit on top of it.

Sumant Kumar: So, this question is regarding America. We have mentioned in the PPT the new customer wins across category and conversion from bottle to tubes and cross selling of customer products also, so assuming these factors and recovery in tube segment we can see coming quarter is going to be a robust for America business?

Sudhanshu Vats: Yes, we will continue to see very good growth as we go forward.

Sumant Kumar: Talking about the overall margin profile of Europe business, we have seen a significant improvement. So, can you talk about the margin trajectory for Europe business in next two to three years?

Sudhanshu Vats: I have already spoken about it in the past. As I told you we have rapidly increased it to about mid-teens now. I think our journey in the medium-term now as you describe the three-odd years, we will continue to incrementally grow it from mid-teens to high-teens and I think that is something which we have always said, and we continue to believe in that. So, on the Europe question, what I was saying is that as a team we have shared this, we have made very rapid progress in the first phase from 10%-odd to now mid-teen 14.8%, in the medium-term now as you described three to five years, we will continue to incrementally grow our margin and improve them and we want to be in high-teems as we go forward, so we would like to deliver in the medium term high-teens in Europe.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

Sudhanshu Vats: Thank you for your time and I just want to once again sign off by letting that as we look into the future we remain confident, we remain positive and optimistic, we are continuing to strengthen our position as a company and driving our leadership on sustainability. So, double-digit revenue growth plan in place for quarter-on-quarter improvement in EBITDA and sustainability being the driver as we go forward. One area we would need to continue to watch out for is if there are further waves and especially a severe COVID wave in the future. And we remain committed to delivering market-leading revenue growth and capital-efficient consistent earnings growth. Thank you very much.

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