"EPL Limited"

(Formerly known as Essel Propack Limited)

Investor Meeting

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MANAGEMENT: **Anand Kripalu - Managing Director & Chief Executive Officer**

Ram Ramasamy - Chief Operating Officer

Amit Jain - Chief Financial Officer

Chaitali Talele - Vice President of Corporate Finance

Presentation

Anand Kripalu: Very good evening, everybody. And on behalf of all of us at EPL, I'd like to extend a very warm welcome to every one of you who's taken time, who's weathered the rain, and the traffic. And for those of you who got here on time, a special thanks. But I must also apologize that we are starting 15 minutes late just to give a little bit of a window to those who really did get stuck outside. I'm Anand Kripalu and I'm the MD and CEO of EPL. Now we typically connect every quarter as you know, after our results. And we typically end up discussing shorter term issues, right, that's what happens every quarter, I just want to say that we will share numbers and so on and so forth.

But our purpose today, just to be clear, our purpose today is to share our thinking on the longer-term strategy for this business. All right, so that is the primary purpose of this session. Because once that strategic context is clear, I think the quarterly conversations just become clearer. And you'll understand more easily what we're trying to do with this business. So it is about the longer-term and many of you may not be excited, but it is a bit about the longer-term today. Joining me today is Ram Ramasamy, he is here, he's our Chief Operating Officer and Amit Jain, who's our CFO, and the three of us will collectively answer your questions, right, once I've made the opening presentation.

I'd also like to use this opportunity to welcome a new colleague, Chaitali, who joined us recently, Chaitali is there. She has taken over as VP, Corporate Finance for those of you who track the company, the role that Amit Jain was performing earlier. Before EPL, she's worked at Laxmi Organics and before that 15 years at SKF. Yes, now, as she settles into the business, she will soon lead the Investor Relations function and will be really your first point of contact. Now, we have a mix of people in the audience, at least for those who registered and therefore, some people will be very familiar with the business and some not so.

So, there are some aspects of this presentation, which some of you may find us repetitive of something that you know, so please bear with me, as far as that is concerned, okay. So let me start with an overview of the company. So we are the global specialist in tube packaging, we make and sell about 8 billion tubes a year making us the largest tube manufacturer globally.

We have been in existence, right for decades. And that, in some ways, reflects the deep relationship that we have with customers who stuck with us, right decade in and decade out. We are present across five categories. So pretty much anything that can be packaged in a tube, we do four decades of existence with a development program internally means that we have very deep technical knowledge of the products that we make. And I must tell you, having been in marketing for many years and sold many categories. I have to say this, there's probably more science in the tube than in the products inside.

Okay, so the deep technical expertise that we have, I think is very, very important. And that has ensured that we invest in R&D, in development. And we have filed over 150 patents till date. And we continue to do that, in the quest of staying ahead. We're able to service pretty much all parts of the world globally through 20 production sites that are located everywhere and you can see that on the slide. Additionally, we have a Greenfield plant coming up in Brazil, which many of you know and a unit in Indonesia where we have a minority stake, so I think we are pretty much a global company.

We make laminated tubes. And that's really the core of our business. And we make laminated tubes with aluminum or without. We also selectively do extruded tubes. Yes and apart from that, we make our own laminates, and our own caps and closures, and selectively also sell laminate and caps and closures to other parties but selectively. The categories we operate in is of course, oral care, which many of you know beauty & cosmetics, pharmaceuticals and health, food, and home and industrial.

But really, the lion's share, which I will explain later, the tube category is really Oral, B&C and pharma and health. We have enviable list of customers, global customers, and some of the biggest names in consumer goods which you can see on the slide, and a large number of regional and local customers around the world.

So it's really a wide portfolio of customers ranging from global MNCs to really what we in China call local Kings, right. Companies that are present in China, but are king sized in terms of the kind of business they do. All right, so with that overview, let me briefly look at what's happened in the past in terms of our performance. First and foremost, over the last five years, right, and what I've done is I've plotted revenue and EBITDA for you here. Okay, so in the last five years, our underlying revenue growth, and just so that it's like for like, we've removed CSPL in Russia and so on, our underlying revenue growth CAGR has been 8.5%. I think importantly, the last two years have delivered double-digit growth. Our margins, which were touching

20%, or 20 odd percent, right has obviously taken a hit in FY '22, right.

And I'm going to come back and talk a bit more about FY '22 and what happened. If I zoom in to our regions and regional performance, as you know, we have four regions, okay. So if we do that, I think the first thing that you should notice from this slide is that our growth has been broad based over these five years, okay and three of the four regions has actually delivered consistent double-digit growth, right. And of course, there will be some years when it's better and some years when it's slower, but it's consistent with broad based growth, pretty much around the world, with three of the four regions delivering that double-digit growth. Now, in each of the slides, I've put a vertical dotted line, I hope it's visible on the slide.

And if you look at the left of the dotted line, by and large, we were making progress on margins. Okay. And I just want to say that the margin in AMESA at 22% is actually 23%, if I just add back, the TSA which we have shared publicly, right. So we were pretty much there, right? EAP, has made good progress, the Americas, right 17% to 19% to 20% and Europe, which has been a subject of constant conversation in our quarterly calls has actually moved from 10% to 13%, okay.

So all regions were making appropriate progress, either they were maintaining very high margins or making progress where we needed to be. But clearly what's happened through FY '21 and '22 is that we have got tripped a bit, okay partly because of COVID, right and thereafter everything that's happened in FY '22, in terms of the external environment, okay. But the point I want to make is this, that before the dark clouds started coming, before FY '21, we were making progress, right on margins, even in the relatively smaller regions of the Americas, and Europe.

And all I want to say is this, that we all know that one day these dark clouds will pass, right, the Sun will shine again. And once that happens, this business has the ability to deliver consistent margin improvement, including in regions like the Europe and the Americas.

Okay, so that's really the key message that I want to share. Over these five years, many things have happened. And just to name a few key milestones, the commercialization of Platina, our 100% recyclable sustainable laminate tube, setting up a new plant in Assam as a Greenfield investment, of course, the importance of the Blackstone investment in this business and the fact that that enables us to be far more aggressive and ambitious, in the way we want to drive the performance of this business.

That partly enabled the acquisition of CSPL, that happened just over a year ago. And I must say that's done reasonably well. And importantly, in line with our strategy of getting B&C and pharma to grow faster, the share of business of non-oral has moved from 41% to 46%. So very clearly, non-oral is growing faster than oral. And that's absolutely in line with strategy. Coming back to FY '22, we delivered a double-digit revenue growth, margins of course were at 16.8%. Yes, a little higher, when I look at underlying margins, you can add about 50 basis points to that and make it 17.3%.

But nevertheless, there was loss of margin. But I have to underscore the fact that part of the margin loss as a percentage is the optics of the translation loss that has happened, right, the mathematics of the translation loss. Importantly, we made a leap in Platina sales, where we achieved 300 million tubes of Platina. And I can tell you that we have every confidence now this is fully commercialized, our customers are really happy. And this is only going to get embraced with increasing momentum.

Specifically, in FY '22, there were many things that went well. Okay, like I said, we delivered double-digit growth, our growth in B&C, and pharma was faster than oral, we made great progress on sustainability. And I believe this is critical to our long-term performance. We've made a big upgrade in our SAP system with HANA and that creates the platform for future applications. We have had several recognitions as a business, which includes awards for packaging, like the World Star Award in Europe, and recognition for corporate governance, which I think is important for every one of you as well, where we got the Best Governance Award, right at the hands of the Home Minister.

And importantly, we announced the entry into Brazil. Net-net, I have to say this, it was absolutely a challenging year, right. No question about that. But the one thing that I do feel good about, apart from all this, is the fact that our employee engagement actually improved. I want to say that, times of crisis are important to build muscle, do the right thing. Because then when the dark clouds pass, you are in just a much stronger position, all right. So therefore, employee engagement was higher than it was in previous years, despite all of this. Having said all of this, of course, there were huge challenges that we experienced in FY '22, right. And I cannot brush them under the carpet.

We had massive increases in input prices. And one is inflation. The second is volatility and unpredictability. And we had both, right. In fact, it just went on, it was unpredictable, but always going upwards. So it was a sawtooth wave going in the Northeast direction, right. That's what happened to commodities pretty much. Unbelievable supply chain disruptions, containers, right? I don't know how many of you know that there were business class fares for containers.

Do you know that? So if you pay a premium, they'll put your container on top. So it gets off faster. Okay, it's like sitting in the front row of a plane, right and freight charges. I mean, we talk of 10%, 20%, 30% increase. How does 5x sound, right, that's the kind of stuff that happened. Continued COVID crisis, right and I can tell you, Europe has been impacted, the U.S. has been impacted. And just when we thought that we could bid goodbye to COVID, we all know what happened to the lockdowns in China most recently, right as we exited last year. And finally, when we said what can be worse than that, you had theUkraine-Russia crisis, right.

And that created its own set of resultant impacts right on a variety of parameters around the world. Now, what COVID has done, and also a lot of the free money that's been given out in the West, and particularly the U.S. is that there is a serious problem in getting labor, either one guy gets it, and then they can't come to work and five other contact can't come to work either, right, or you have to pay more, or you're paying overtime to keep your factories running, okay.

There was a shortage of some key raw materials, right, particularly two key raw material for us EVOH, and acid copolymer, which are fundamental to many of the products that we are making in the area of particularly of sustainability.

Yes and the reality is this, we couldn't recover all the cost increases through pricing. There was a lag for contracted customers, because that's the model that has worked well for three decades, right. And whatever price increase you got, you got three, four months later. And it also didn't cover every element of cost the way we have seen things happening here, right.

And for non-contracted customers, it meant going back every other morning, and saying I need more price increase, I need the second round, the third round, and so on and so forth. All right, so it has been a challenge, right. And I believe it's a challenge that has made some muscle stronger for us. And we can talk about that. But all this has resulted in the margin that you have seen in the business. But what the silver lining is, despite all this, every one of our factories stayed running.

And we didn't fail on our promise and commitment to customer service, right which I believe is a critical ingredient of long-term relationship and long-term equity. We continue to deliver quality and service, right, and there was no failed promise in terms of what we had committed to our customers. So that's a little bit about the numbers in FY '22 and so on, okay.

Now, looking ahead, let me just give you a sense of what this industry is like, just a very high level snapshot of this industry. Now, broadly, the industry is 42 billion tubes, right? Just total number of tubes, of which 8 billion or 20% are still aluminum tubes. Yes, the balance 80 odd percent are laminated and extruded tubes, right.

And laminated may have aluminum or may not have aluminum, right. It could be a PBL tube or plastic based laminate, as well. Okay. And, yes, the available market is about 36 billion, because 6 billion roughly, is what companies do in-house inside their plant in terms of their own tubing machines. And some of the big global players, particularly in oral care, make their own tubes.

So the addressable market is about 36 billion. Now within that, EPL has about a 20% share of the global market of 42 billion, right. Roughly, I talked about 8 billion tubes in my first slide, okay. So 42 billion, 20% is roughly 8 billion, right, we have a 20% share. But when you look at oral care, we have about a third of the global market. And we have roughly high single-digit to 10% share of beauty, cosmetics and pharma, right and a slightly lower share for food, home and industrial but as you would see from the slide, that's also a very small part, the 3 billion tubes, right, so 90% really is oral, beauty & cosmetics and pharmaceuticals, right?

And those are our big priorities in the business. What are some of the industry trends that we're seeing, right, that we have seen in recent times, and I'm just going to share five trends with you that we're seeing, the first recycle, reduce, reuse, sustainability, sustainability, sustainability, sustainability, right. It's the big antibiotic for plastics, sustainability, reusability, recyclability and so on and so forth.

The second is we are continuing to see the shift from those 8 billion tubes of aluminum that I spoke about, right and every year, we are moving some pharma brands particularly, right many pharma brands are still in aluminum, and we are continuing to move them to laminated tubes, right. And you understand why because laminated tubes consume less energy than making aluminum tubes, right. And as you would know from your personal experience as a consumer, aesthetically and in use a laminated tube is far nicer to use, right, if some of you are as old as I was, when we all had aluminum tubes, the mouth of the toothpaste tube was always a mess. After the first few days, a bit like some of the ketchup bottles.

Yes, it was an absolute mess in the bathroom, right. It's much cleaner and more elegant, right and aesthetically pleasing when you're using laminated tubes.

Apart from aluminum tubes getting migrated and transferred to laminated tubes, we're also seeing a very interesting shift of rigids to tubes, right. And this is an example of Pantene conditioner, which was in a rigid bottle, which is now in tubes, right across Europe. And I think it's going beyond Europe as well now, right.

Laminated tubes, tubes use much less plastic. If the company wants to say reduction of plastic, then a shift from a rigid bottle to a tube results in a significant reduction of plastic.

One company in India has removed the carton on the toothpaste tube, right and is selling the naked tube, of course displayed in a very different way. It's not just tubes lying in a sack, okay. But the interesting thing is the day the carton goes, right, and we all know, you buy a toothpaste tube, the first thing that goes into the dustbin is the carton, the tube stays in the shelf through the period of use for a month or whatever it is. And therefore adding more bells and whistles, making the tube more attractive, investing some of the money saved from cartons back into the tube. And giving the consumer a better experience of the tube is a real opportunity that's sitting out there, right and one company has already started doing that.

And therefore finally, premiumization is here to stay. I can tell you that premiumization whether it's in shape of tubes, right people have oval tubes now, whether it's in the quality of printing, and there's a visual here on the display over there as well you will see fluorescent tubes, right, that glow in the dark, right. And doing other things that add value like innovation in the applicator, right.

The moment you get into pharma and high end beauty & cosmetics, it's not just the toothpaste nozzle in the cap. It's more sophisticated than that. So there's a huge opportunity to premiumize our offering tubes, right through better design, which includes all of those things that I spoke about.

So that's a context of the industry that we play in, right. And as we've discussed before, we want to be a tube company. We don't want to get and start doing things beyond tubes, right. We don't want to operate in the commodity, in the packaging. We want to be in the value-added segment of tubes, where we believe we have a sustainable competitive advantage, and a right to win based on the expertise that we carry as a company.

So looking ahead how should we be thinking about our business as we look ahead? How many of you have seen Simon Sinek's video on people don't buy, what you do, they buy why you do it. Has anyone seen it here in this room? No, well, then you must. Absolutely a must see. And you know what he brings out so beautifully in that video is he explains why Apple could move from computers to phones to watches. But can you imagine a Dell phone or a Dell watch? They both started with computers. Okay, and that's what Apple has done, right? And therefore the most important thing is people don't buy what you do, they buy why you do it.

So how does that apply to us? What is our purpose as a company? What is the EPL's purpose? What is very clear, they're specialty packaging company, right. And like I said, predominantly in tubes and we are the world's number one company in tubes. How do we do it? We do it by leading the pack by being a leader in whatever we do. Whether it's on sustainability, whether it's on cost leadership, whatever we do, we have to lead every other competitor.

So the question is, why do we do it? That's the missing link. And that's about having a business with purpose. And for us, that purpose is to be the most sustainable packaging company in the world. So we're not saying we want to be the largest packaging company, right? We're saying we want to be the most sustainable packaging company in the world, that's at the heart of our vision, and our strategy.

And therefore, some of you may have noticed, or maybe the change was too small for you to notice. But this was our logo. And the small big jump, as we call it, that we have made, is to say that EPL is about leading the pack sustainably. And sustainability is at the front and center of what we stand for. Every time anyone sees the EPL logo, they must think of sustainability, they must remember that this company is going to be a world leader on sustainability, right? That's the one thing that, I'd love for people to remember.

So what's our strategy on a page to deliver that purpose, right? What's our strategy on a page. So our kind of 4/4 mantra for growth is as follows. Our purpose is to be the most sustainable packaging company in the world. Where we will win is about the 4C's. And I'll come back and talk about it. How we will win is about the four enablers. With sustainability at the heart of what we do product sustainability, process and people sustainability, all this to deliver double-digit profitable growth.

So let's look at the 4C's where we will win. The 4C's to drive profitable growth. The first C is category, right? And I think we are very clear that we want B&C and pharma to grow faster than oral, right? Not because oral won’t grow, oral will grow. But as you have seen, B&C and pharma as a category is growing faster, and we have far lower shares. So therefore, our propensity to grow the category and to grow faster by gaining market share, right is even higher. All right, so that's what we want to do.

And this includes driving new breakthroughs in laminates, all the kinds of stuff we're talking about and design shift from other forms of packaging to tubes, right, and selectively pursuing extruded tubes, as we have done with the acquisition of CSPL.

The second C is about customer, right and this is a customer first company, right. We exist for our customers, right customer first. And as far as customers are concerned, we have done a great job with global competitors, global customers, right. And we've done I would say reasonable job even it's regional and local, but we want to increase our focus on regional and local players by segmenting the market smartly, okay.

And having key account management to deal with global customers. And as you would understand key account management and how you deal with global customers is different from how you will deal with smaller customers. Smaller customers sometimes require a full one-stop-shop solution from you. They want you to help with design, help with proofing, everything, right whereas the big global players do a lot of the stuff themselves, right. So it requires us to tweak our business model, so that we can be as relevant to regional and local customers as we are to many of our global players.

The third C is country. And the thinking here is we need to identify countries where we are underindexed on our share, on our wallet share, decide which ones you will go after, where possible supply to those countries from other supply hubs and where necessary go and enter that country as indeed, we have done more recently with Brazil.

And finally costs. So what is cost about? Cost is about fuel for growth. It's about harnessing fuel for growth. If I can save money, put some of it back into margins, but some of it back into growth. That's the virtuous cycle of performance, right. And that's what we intend to do. And we have a host of initiatives on cost savings. And I have to say that every line of the P&L, every line of the P&L holds an opportunity, right. And we are doing our best to make sure we're exploiting every opportunity across every line of the P&L.

And finally, at the center of this is product sustainability, making our products sustainable for our customers, right. And how we do that will decide how well we do in the future. Then we have the four enablers in terms of how we will be. The first is about innovation. An innovation is about having an ambition driven program to deliver the growth ambitions that we have in the business. So are we innovating enough to deliver the growth that we have, and the leadership that we need, whether it's to do with laminates, or to do with design.

The second is bold sales and marketing, hunting down growth opportunities. Looking at different segments of the market, and having the right sales capabilities to be effective for those segments of the market where we believe we are under indexed in terms of share, and there is an opportunity to grow faster.

Digital, making sure that digital is the foundation of how we run our business. And this will include things like leveraging HANA as I spoke about earlier to transform a lot of the processes in the company, improving analytics for business insights, right and selectively also by the way, driving automation, using IoT, and so on, on the shop floor. And by the way, we've already done this in many of our factories, not just in India, but now around the world.

And finally, creating a one EPL culture by enabling horizontal working. We're a company organized by four regions, right. And my first slide showed that. We're trying to say how can we improve the horizontal working, right. Stitching it together, while being effective vertically, which make sure you're close to your customer, right, but how can we leverage the scale of EPL, even better, and this again, while making EPL the most sustainable packaging company so that's our 4/4 mantra for growth.

And as you have seen, product sustainability and process and people sustainability is at the heart of what we're trying to do. And I have spoken to scores of customers around the world, face to face, Zoom, whatever. And I can tell you, every one of them has made commitments on what they're going to do on sustainability. And unlike costs, ordering stock levels, which could be the procurement person's KRA. Sustainability is the CEO’s KRA. The CEO has made those commitments, okay.

And I can tell you that we believe that this is the biggest source of sustainable competitive advantage. So what are we doing on sustainability. First on product sustainability, what we are offering our customers. There's a lot we have done to make sure that we lead globally on sustainable tubes and sustainable solutions, right. Platina and driving that as the most superior 100% recyclable tube. And as I said, we've done 300 million tubes this year. And we aim to at least double it in FY '23.

And then Platina is by the way not just one solution. Once you've created Platina, which is 100% recyclable tube, you need to make it thinner, you have to reduce plastic, you need to make it look better, which is things like Platina Vision, which could be see through, Platina ME, which has a metallic finish or Platina Shine different kinds of look and feel. So Platina is a platform, and not just one product, but it's a platform on which we will continue to innovate, to stay at the leading end, leading edge of sustainability. And there's some examples here of sustainable tubes as well.

And second, this is what we're doing today to stay in a position of commercial leadership, right? Winning versus competitors. But you have to innovate to stay ahead and be future ready. So while we're doing all that, to stay future ready, you need to do R&D, continue to do R&D in making sure that highest PCR solutions, so how can your tube have the highest recycled content. How can your tubes have less weight, right? And how thin can you go? While still delivering the barrier properties to keep the product inside stable. How can you explore alternative materials like paper, right or biodegradable ingredients, right?

So how can you make tubes like that? And how are you going to be part of the solution of plastics and not only part of the property, right. By being part and being committed to the new plastics economy.

So that's all what we're doing to make sure that we are able to offer the most sustainable things to our customers. What are we doing to make EPL sustainable? The company itself in terms of how we run our operations. And here again, right, there's a lot of work happening. We've released the second edition of our sustainability report, we've received a silver medal in EcoVadis, which is a global certification, right of how we're doing on sustainability. And it's very broad based by the way. It looks at labor, and whether you're paying fair living standard wages, it looks at bribery and corruption. So it's not just you know, sustainability from a plastic standpoint, it's about whether you are a sustainable organization, okay.

We are a signatory to the United Nations Global Compact, which is the world's largest corporate sustainability initiative. And we've been rated B on CDP, which is the Carbon Disclosure Project in climate change and water security and A in supplier engagement. Where do we want to go from here? We've committed to net zero emissions by 2050 with 30% reduction by 2030. We need to get to the gold medal in EcoVadis. And I think we missed it by a whisker, right. We got silver, didn't get gold, missed it by a whisker. And I hope we will be able to get it when the next audit happens.

And finally get to an A rating on CDP. So that's our mantra. That's our plan on a page. That's our strategy for the future to create the most sustainable packaging company in the world, which will deliver sustainable double-digit profitable growth.

So that's all very well in terms of long-term, okay. The reality is this, that dark clouds are still here. Literally, I think it was raining heavily outside, somebody said, so literally, the dark clouds are here. And therefore there are certain things we need to do in the short-term as well. And I'm sure you guys want to know that as well, right to make sure that you are able to maneuver this situation as best as possible.

So let's look at some of the short-term priorities. Yes, that we are really focusing on. We have three priorities for the short-term, right, that we really need to make happen. The first is what I have learned through four decades of management experience, and I have been through many crises by the way, in East Africa, the Cadbury infestation crisis, which people may remember because people never forget bad news. So everyone will remember about Cadbury which happened 20 years ago now, right.

And I've been through the transition of USL into Diageo, right. And I can tell you one thing. During a crisis, there's only one thing you can't cut your way out of the problem. You have to grow your way out of the problem. There is no model of cutting your way out of the problem. You cut your losses, you'll cut the top-line and the business will shut, like digging a hole and jumping into it literally.

You have to grow your way out of it. So our three priorities are go for growth, but still price increase. And I admitted that we are a little short, right. And we are doubling, tripling, and quadrupling efforts to get more pricing. And finally, there is no option but to control cost. You can't run away from that.
So what are we doing here? As far as growth is concerned, sometimes we feel that we've had a challenging year, right last year, right. I mean if you look at it, yes, it was not good enough on margin, but there are lots of good things that happened too right. And sometimes we shouldn't allow ourselves to be only clouded by the bit of bad news like the Cadbury infestation image.

Okay, but if we have faced some challenges in the last year, our competitors particularly many of those smaller regional guys would have had an even tougher period. By the way, folks, it's an opportunity to increase market share, and win small customers by being more relevant and attacking small competitors. It's a real opportunity to invest in growth, we have leading offerings and sustainability, right at a time when customers want it, we can offer it up. By the way, we also have raw material security, that we can deliver the volumes, everyone doesn't have some of the critical ingredients for sustainable tubes, right, we have that.

And there is no model for tripping on service and quality. And like I said, we have delivered that consistently over these last two years, irrespective of the nature of challenges that we faced as a business. Second, pursuing price increase, yes, when costs go like this, there's only so much you can do through internal costs, right, you have to get more pricing, right and I think our teams have started discovering that, we have more muscle in pricing than we thought, right and people are now I will say that we're still building the muscle, they are still on the treadmill, they are still in the gym, but it's getting better with each passing day and our confidence to go to customers and get the pricing.

And I have to say this, when the commodity started going up, who knew that it will continue to go up for 18 months? Our customers didn't. And every time you would go to them and they will say wait, this is natural, because they are going through input cost pressures and other items too, wait, wait, wait, right today, I'll tell you this, customers have also realized that a little bit of this is the new normal. And therefore, they're also beginning to give in more easily than the way it was earlier.

We're trying to make sure that we get a one-time top up based on the lag with contracted customers, the lag that I spoke about. And probably easier said than done getting proactive price increase from non-contracted customers. So what does that mean? It means the cost may go up tomorrow, but I want the price increase today.

It is easier, right. But the attempt is there, absolute attempt is there, saying that this has been the trajectory of costs, right? Every time it takes us a month or two to get an agreement with you. Let's agree now for two months hence, right, so that when that happens, I'm not out of pocket at that point in time. And then finally, whatever new businesses we do and there are lots of new business wins, new brands, new customers all the time coming into our business, how can we make sure that they are margin accretive, right because that also helps us in some ways to manage our overall margins. And thirdly, controlling costs, like I said, every line of the P&L needs to be addressed.

We have been running a very successful internal cost management program, efficiency program called Phoenix. And this is the fourth year that Phoenix is running. And it has delivered handsomely every year and it will deliver again in FY '23. But we added a few extra things given the nature of the environment we are in. We're making some investment decisions to in-source caps. We have a new initiative called War on Waste, right where we're looking at every element of waste across our manufacturing process and saying how can we save more?

We are working hard to control working capital naturally, claw it back, closer to where it used to be. And finally, we are continuing to extract efficiencies by looking at our org design, right and saying, are we optimal in terms of our org structure and our organizational costs? So net-net, whatever we do in the short term, it is to emerge stronger, because the reality is this, the short-term will go away, right and then the longer-term will come. And the question is, are you going to be fitter?

Are you going to have higher market share, and are you going to have lower costs, if I have higher market share and lower costs, and those are things I do in the short run, I will emerge stronger, because one day, these dark clouds will pass.

And I will be stronger as a company, in terms of my competitive position and in terms of my cost base, so very simple to emerge stronger in the medium term, what we're doing in the short term is pushing the accelerator of growth harder and harder and harder and harder, right and I think there are a lot of discussions on just getting growth, right within the business.

Our teams know that we are pestering people, our sales guys within the company to get more price increases, okay, it's a B2B business. It's not as simple as it was in FMCG, where I was earlier where you just decide and change the print price and start, right. It's not that easy. That's not easy either, because you have competitors too. But getting an approval from a customer is harder, right than selling it to a retailer and making the consumer buy it. So continuing the effort and price increase, and finally controlling costs.

So that's really, folks, what I wanted to share with you in terms of our journey where we've come from, where we want to go, and how we're looking at shaping the future. For this business, we will open it up for Q&A now, where I'll be joined by Ram and Amit, I also have here the visual of our sustainability box.

The sustainability box has our sustainable tubes, they are also filled with product by the way, not just air, the real product inside and hopefully your hair won't fall off when you use some of the products, good quality products in a box with a sustained copy of our sustainability report. And this has been sent to our key customers, right everywhere, right.

Just to make the statement that that's our commitment to sustainability. We have a box for each of you as you exit the room, right and if you're happy to carry it, it's not too light. If you're happy to carry it, we'd be delighted for you to take one, I think somewhere at the exit. It will be available to you.

All right, so folks that's it. We'll just now open it up for Q&A, all right. Questions have started. Let me settle down. And just be with you in a second. You have a mic, Ram? Okay, good. I will just keep this mic on. Normally people tell me I don't need a mic, because people hear me anyway. But anyway, okay. Please, yes, please go.

Question-and-Answer Session

Unidentified Analyst: Thanks for the privilege [indiscernible]. Few questions from my side, first on the number of tubes. I have been seeing that 8 billion tubes now for five years. I hope it has increased because we talk about double-digit growth, while that 8 billion number has been stagnant. So can you help us understand in the same period, so, we get a more sense on the real underlying growth? What has been the premiumization benefit we have seen and what kind of premiumization benefit are we anticipating from here on.

Number two, what has been the volume growth because when we say margin, there is an optical dip. So there is an optical increase in revenue also, because of cost inflation, it works both way. So I want to understand what is really underlying volume growth premiumization benefit and whether Platina is adding to any of these, I can understand volume, but is it adding to the premiumization benefit one and overlay on it, if you look at each of your customers, they are promising a zero carbon. And a lot of emphasis is led on the recycling of the plastic.

So if you look at Unilever or anybody, a lot of this is achieved by the recycling of the plastic and we are one of the largest supplier there. How are we participating in that so when they say recycling, where are we with them in this cycle? And what does it mean for overall business from now to say, 10 year when all of our customer will be hitting closer to that zero? That's one part of the question.

The second is competition, no my earlier discussion with Amit, he said that we are at 8 billion. My next nearest competition is less than a billion, right. So we are massively big, right. So what is stopping us from taking the price increase just the relationship we are bothered about? Or it is a competition, which is looking for an opportunity to grow? What is stopping today from taking that price inquiry, which is there. So we have a contracted pricing with a quarter lag, right, but we don't see that fully playing out for us. So what's, it's competition? Or what it is, are we seeing any benefit of consolidation, we can go for more acquisitions, that's one.

On the product side again growth, we are talking of extruder now. Earlier, we used to say that laminate is a big thing. Now we are adding extruded to it, we bought Creative Stylo, so which also gives us an indication that we are looking at the plus category along with laminate. How do we see this extruded adding to the growth? And this aluminum to no laminate is we have been arguing for many years, are we really seeing it now that aluminum prices going up, has it really pushed many of our customers to work with us on it? What is R&D pipeline it looks like and what does it all means in terms of growth? That's my first one.

Anand Kripalu: Okay, there are lots of questions and I'll start and Ram, Amit please add as appropriate. So first, as far as premiumization is concerned, okay, see we have refrained and I believe for good reason, from talking volume growth in the business, right, 8 billion is a big rounded number in billions, right? I'm not even put a decimal there, right and we have refrained because volume is not a measurement of the strategy that we have had or the strategy that we're going to pursue, okay.

Just to give you an example, right. Travel tubes are reducing which are the small fellows right and big dia tubes are increasing significantly and one tube is not equal to one tube. So all I will say is this that of course, there has been some pricing to your point, I mean goes without saying otherwise, the margins wouldn't have been what they are, absolutely is there.

But there is significant volume and mix, right and volume mix is seen as one thing, right because there is just no other way of measuring it in terms of the progress against strategy. Okay, now premiumization just tells you that listen, I mean, we are getting a kicker because very simply, if you're going to beauty & cosmetic and pharma, that's richer than oral tubes.

Within oral tubes, a lot of our innovations, are right at a premium to the core business of oral tubes. Okay, so premiumization is happening through category shift, and through upgrading within the category that you're in. Okay, then recyclable, what is your question on recyclable?

Unidentified Analyst: What is customer talking about having a target to reach a carbon neutral, so the most of the emphasis to reach that carbon neutral is via recycling the plastics.

Anand Kripalu: Yes.

Unidentified Analyst: And we are one of the largest plastics supplier for them. Now, how does it benefit or has a negative impact on us as a business?

Anand Kripalu: So first and foremost, every one of our major customers is gradually converting to recyclable tubes, right, many have started the journey, but they've started with their smaller brands. And I think you will see a leap in adoption of recyclable tubes as you go, right. I don't have a metric of how much is actually recycled right and that's what I spoke about PCR, which is post-consumer recycling, right? Over time, the percentage of PCR in our tubes will keep increasing, right.

Currently, there's unavailability of PCR, there's a cost issue on PCR, et cetera, et cetera, right and that's how you will get more tubes coming back into the system as recycled plastic, correct? So, every one of our customers is embracing recycled tubes. And you will see this happening. So they will be able to say two things. One, what percentage of that tubes are recyclable, all right. Second is as the gauge starts going down, which it will, there's a certain amount of absolute plastic saved.

These are I think the two things that people will claim. I'm not sure if any of them is going to claim that 100% of their plastic is recycled. Because that will mean that it has to be 100% PCR, right and I don't think anybody has committed anything of that kind right at this stage. So I think that's the point on this, I'll just.

Unidentified Analyst: Whether Platina is a premium product or?

Anand Kripalu: So I'll explain that. So Platina is at a slight premium. But I think the thing is this, first of all, I think it's a big source of competitive advantage, and ability to grow market share, right with that slight premium, right, and that's what we want to do. And secondly, I think we've got to reduce barriers to conversion for customers as well, in this whole game, because customers will embrace what you have, right, provided there isn't too much of a penalty to pay. So what we're trying to do is to make sure that the barrier to conversion is kept modest. So that's what we're doing.

Unidentified Analyst: Just one thing on the recyclable, the extruded are much better recyclable than the laminates, right. Do you think this will, so we were earlier of the belief that extruded will convert to the laminated because of the benefits which laminate offers in terms of the barrier properties and the printing properties and so and so forth. Do you think this recyclability has stopped that process, people are okay using the extruded because this is much more easier to recycle than the laminates, is this happening and is that the reason why we are also exploring extruder as a category?

Anand Kripalu: I'm going to let Ram comment on that because he is far more knowledgeable on this and then I'll add to it if necessary.

Ram Ramasamy: See, there are different purposes, yes, extruded tube has limitations in terms of what kind of combinations that you can have, a laminated tube has endless possibilities of combining various types of materials to get the final barrier properties. So, now, when we started originally with a laminated tube, that all the laminated tube had one layer of aluminum which was giving highest barrier that part of the time. It has two needs, we are traditionally used to aluminum tubes, when you collapse an aluminum tube it remained collapsed, okay.

Now, that means the product formulation inside that tube was not capable of taking air from inside, it was reacting. So, the collapsibility is one of the criterias in the tube format.

Over a period of time, formulations have undergone a lot of changes. Now, the formulations are more excusable that is it can take a little amount of air, it doesn't react with the air. Similarly, we have reduced the coil thicknesses from a 30 micron to come down as much lower as possible to roll down now we are using even nine micron and 10 micron. Over a period of time, polymer sciences have improved that nine micron barrier upon aluminum what barriers it could give, there are polymers which can give the similar kind of applications now, we are using eliminating barrier okay.

Now, having said that that you have got all plastic laminated tube versus now all plastics extruded tube. The process of extrusion is expensive, slower. Process of lamination is faster and cheaper. So, most of the mass brands will convert into laminated tube, it is the fact that we have started concentrating on that, but there are now positioning of the product in the cell. Now, there are a lot of small players who comes in as to be looking nice. So, when you compete with the mass product, it is not the product quality, there are certain attributes in terms of attracting customer how they would like to play. So, extruder tubes will continue to exist, okay.

So our growth, so we have say 100 rupees we wanted to put in a faster growing marketplace, that's what we did in the laminated tube. But so far now, we are coming to a stable stage that there are products and categories which are coming in, with more Internet coming in, there are brands, value is something different. Everything is not a mass brand today. So, those brands to create a differentiation in the shelf place are looking for products which will look slightly different than the mass products.

So, those extruded tubes, we are seeing an opportunity. So, wherever that niche exists, we will continue to also start focusing on extruded tubes. So, there is no difference in terms of a material right, it's in terms of positioning in the shelf, the customer prefers to have it okay. Now, coming back to the still laminated tube, all plastic laminated tube will dominate the market.

Then you asked another question, what happens to the laminated tube whether it's a premiumization? Platina is our all recyclable thing. Now, the price comes out of a two factors, one is material, second is processability of the material like any rigid material, like for example, when you use an aluminum, it is easy to process, when you remove the aluminum, it is difficult to process. Now, this is where companies like us play a technological game.

Now we have an equally, equally not exactly, equally easily processable plastic combination of material. That's R&D that goes behind the science right. Now, we are -- now customers are also working to improve their formulations to accept 100% plastic product like you are seeing in the market, all the toothpaste used to be only in aluminum based laminate. Today you will see in the shelf, there are brands, which has come without aluminum, right. So product needs to improve, our processes need to improve. That's how we get.

So till everything stabilizes, we will have a margin of extra profit, okay, but that's not the game. The game is that if you're able to make most cost competitive of EPL product your market share will increase. That's what he was mentioning that we're using sustainability as a good thing to do for a society. At the same time, it's a good thing to gain market share. That's how it works.

Unidentified Analyst: So a Platina and this plastic tube same or they're different?

Ram Ramasamy: Same. See plastic is a very general word that we use. Platina is our own brand name of recycle [Technical Difficulty].

Anand Kripalu: So all plastic tubes may not be fully recyclable, but all Platina will be fully recyclable, but both are plastic tubes, because you've removed the aluminum layer basically. And I just want to finish this and then take other people -- sorry go ahead.

Unidentified Analyst: You mean plastic, but it shouldn't you.

Anand Kripalu: No, no, no.

Unidentified Analyst: Plastic laminate.

Anand Kripalu: PBL, plastic based laminate, yes. And then I think you are all talking about is aluminum conversion happening, right. It is happening, which is the brand now that is going from aluminum into laminate this year. Glenmark Candid, right. Now, the thing is that the barriers to conversion. I'm not a technical expert, but it requires changes in the filling lines, right. And there is an on cost versus aluminum, right. So what happens is hardcore pharma takes much longer, particularly if you're in a category with price control and so on and so forth, right, but more consumer facing pharma brands tend to move. Last year Soframycin moved, right. Now Candid is moved. So it's happening, right. You have to keep chipping away and bit by bit by bit, it will convert, because consumers prefer, right.

Now, the ultimate test for a laminated tube and extruded tube is can you deliver the Gold standard barrier properties of aluminum, right. Aluminum is still the best in terms of barrier properties, right. Everything else is approaching gold, not gold standard, aluminum standard, right as far as that is concerned. So many hair dyes in the world, right remain aluminum tubes, because they're highly active products, that is the same with pharma. So it takes more R&D, more effort, but I can tell you that whenever put our mind to it, we've cracked it, right.

So I think bit by bit that conversion is happening. So competition, I don't know, which competitor you spoke about with 1 billion tubes. Who is that? There's no competitor like that. No, but our biggest global competitor is Albéa, French company. And then there are lots of other regional, local competitors, right, in the whole tube space. See I'll tell you on pricing, I think the pricing if I'm honest with you, it's like that Frog in hot water situation. With hindsight, I can tell you exactly what we should have done, okay.

Nobody knew that the commodity market will move the way it moved month to month to month to month over the last 18 months. Nobody could predict this, right? If anyone could then I'm willing to have a drink with that person. So now the question is this, I think I will say this, first of all, there was huge resistance from customers on pricing. I think we have refrained from telling customers who we worked with for 20, 30 years that if we don't give the price increase, I'll walk away, right. I think we don't -- we shouldn't miss the woods for the trees here.

So I think there was huge resistance for customers. If I'm brutally honest, there was hesitation that yes, it is a competitive environment. And I'll tell you forget Albéa.

There are local tube makers in India also. This is the time they are sitting to say, let me undercut and try and take some business, right. So it's a proper competitive environment that this happens in any industry, correct. So I think therefore, there was a hesitation of how hard we should push, right.

And I'm just telling you practically how the whole thing evolved. I think sitting where we're sitting today, I think both our determination and customer acceptance, for price increases higher, I still won't say it is 100%, okay, but it is much higher propensity to get pricing, right. And our effort and conviction to get it, right. So that's the situation right, it is a competitive environment, you are fighting for share I've spoken so much about share. And the end of the day, we have only 10% share of B&C and pharma globally, right. We have a long way to go.

So there is a battle for share, right always there. And remember one more thing, this is a sticky business, it's not easy for a customer to drop you and walk away to somebody else tomorrow. However, if they do, then it takes longer to get it back to, right. So it's not like changing from one brand of soap to the next, right. It's much more sticky, because it's a B2B business. So I would just say that a bit of it is from the customer side, bit of it is from our own conviction, and confidence that we have to go and get it and just look at the history. The history, how many years have we had to take more than 2% pricing historically, almost never.

So if you think about it, and suddenly you got to take 10%, 20%, 30%, whatever be that number. So that's all you have taken. So this is an exceptional situation, which required some behavior change on the customer side also and on our side also. And I just think we're getting better at it with each passing day. I don't think we've looked at, right, and time will tell what happens, if the recent little bit of tempering of input costs over the last few weeks. If it stays, right I think life will be a little better.

Unidentified Analyst: The pain on the margin side, but it should reflect somewhere, right. It should reflect at least from the valid share. We are the largest one. We are taking all the pain. A harvest customer talking of rewarding us. So I will give a classic example B2B business, okay. I track chemical, specialty chemical 16 to 18 agrochemical cycle was very bad. There was a take or pay contract for two large specialty chemical, there was no pay, but they were guaranteed that when the things will improve, we will be given a disproportionate business '18 to '22 we have seen the disproportionate business coming in. One of them has grown at 85% CAGR. Are we being promised something like that? Not 85%, are we promised of a long-term, better valid share for this pain? What is the gain, we are looking out of it?

Anand Kripalu: So I think first of all, the margin we've invested, so to speak, right, is not unique to us. We have not invested relatively more margin loss than other players have. If anything, we've lost less margin than others have. So it's not as if we have suddenly lower pricing to become competitive and take share. So that's one part of it, right? So that has not been our strategy to lose margin to gain share is not the strategy, right? I don't believe in that kind of strategy.

But I think absolutely. Now, there are no very precise measures of this winning share. But I can tell you in each of our regions, based on the business wins we are having and some leakages that. It's a dynamic world, you will win some new brands, some new SKUs every year and you will lose something, right? And you might lose because some of the brands you invested in disappear, right? Or they're losing share or whatever, right.

And I can tell you, across regions, our assessment is that we're growing share, right? That's our assessment. There's no hard external data like you will have, I don't know AC Nielsen or Retail Audit and stuff like that. So our assessment is growing share based on the discussions that we're having. And based on the granular details of business wins and losses that we're seeing, right. And we're absolutely winning more than we are losing everywhere in all regions of the world. So that's how it is.

Unidentified Analyst: That’s it from my side. Thank you.

Anand Kripalu: Okay, not at all. Let's go to somebody else. Yes, please. Hi.

Unidentified Analyst: If the board or key shareholders say we need to double our growth rate and really accelerate things, what are the implications of that? And is that really possible?

Anand Kripalu: If the board says that we should double our growth rate.

Unidentified Analyst: So let's say we say…

Anand Kripalu: 10 goes to 20.

Unidentified Analyst: Yes, How do you achieve that? And at what cost?

Anand Kripalu: See, I think that. So we've not done the mathematics. So I can't tell you how we'll do it at what cost? Having said that, I believe this strategy, right, can deliver more, right. And we have to just suck and see, right? I mean, as we develop and execute that strategy completely, right. I do believe it can deliver more, right, because to put it simply and sticking to value growth numbers, we believe oral care, our business can grow high single-digit for sure, in value terms, right. And I believe that beauty & cosmetics pharma can grow in strong double-digit, right, both through the way the category is growing, through premiumization of the category and through the share gains that we can make, because our shares are much lower in beauty & cosmetics and pharmaceuticals.

And therefore on a blended basis, right, I still think we can grow strongly. And if we were to just dial this up a bit more, right, I think the numbers can be better. Now I loath to talk about it, right? Because we have not planned it like that. But the way these things happen is that I think we need to just, honestly, right now, we need to maneuver the current situation wherein, right by growing out of the situation that we're in, like I said. I think once we are in a little bit more of peace times, right? I think your provocation is absolutely a valid one. And we should absolutely be ambitious, right, and go for much more, right. Right now I loath to even talk about it.

Unidentified Analyst: So let me tweak it in another way that, are there large pockets of the market, where you don't participate either for price or for other reasons. And is there a way to get in there and double your growth rate?

Anand Kripalu: No, see, there are "virgin" markets around the world. And virgin means within quotes, because of where we are very low in terms of share, like Brazil. Now, there'll be a step change in our overall market share, as our Brazil plant starts delivering, okay. And we are looking at opportunities. And like I said, across different countries in the world where we are under indexed on share. There's an opportunity for us to choose a few of those, and really go after it, right. And then the strategy tactically, right of how you will get share in the short-term may require to do certain different tactics in those markets to unsettle somebody else, right, and you make progress over there.

So I think this see, first of all we have 10% share of beauty & cosmetics and pharmaceuticals, which means there'll be many countries in the world where we may be 1% to 3% share. There are lots of opportunities. And I just want to underscore the fact that the headroom we have, right. Oral care is one-third of the market and oral care we will gain only by making a disruptive entry into markets where we are very, very small like Brazil, okay.

In beauty & cosmetics, I think we have an opportunity to grow in many parts of the world. It requires slightly different strategy in terms of selling the size of customers, the nature of the solutions in terms of design and capability, wherever possible, we'll convert them from extruded tubes, laminate tubes, where not we will give them extruded tubes, right. But that's how we are seeing this whole piece.

So I think there is an enormous opportunity. The question is do we have the right capabilities in house to exploit those. And do you have the investment power, investment capability to do that? And I think that's where Blackstone comes in too because Blackstone is ambitious and aggressive and willing to support a robust plan. I don't think we will be wanting of investment, if you have a clear strategy and a clear plan of how to go about it. But I'm with you, I think there is opportunity to raise the ambition for the business, right? I'm just wary of doing it at a time like this, just wary. I think we need to see a few quarters where the Sun shines, and business is okay, does well. And then say all right, now how can we dial this up.

Unidentified Analyst: Hello sir, thanks for taking the question. Two questions I have. One is on history, and one is on the future. So this 34 billion tubes that we mentioned in laminated and extruded, can we give a split how much is laminated today and how much is extruded and if a trend possible like how was this number or mix 10 years back? That is number one.

The second question is sir, we also mentioned that we want to be only into the tube as a packaging solution. And we want to position ourselves on sustainability. Now, my question is that, when we are giving sustainable solutions why restrict ourselves to tubes? Or is it too early to say that tomorrow, we can give a complete suite of sustainable packaging solutions? Whatever you need in a form of a tube or a flexible packaging, or a single use plastic, whatever? Just your thoughts on that.

Anand Kripalu: So do we -- I don't think we readily have the split between extruded and laminated. Two-third will be laminated roughly, and one-third. Trend over 10 years I don't think we have, right. You see data is not available of this right, it's based on some internal estimates that we put together. See on sustainability, and if you are -- sorry.

Unidentified Analyst: Just to interrupt there, any trend which is giving us this confidence that the shift is happening…

Anand Kripalu: Shift from…

Unidentified Analyst: Laminate to -- extruded to laminates, it would be helpful.

Ram Ramasamy: All the mass -- we don't know the exact number, all the mass brands like hair color and that -- sorry, hair conditioners that what you're seeing has already transferred from plastic to laminated, that's happening or rigid to laminate that's happening. Brands now in the last two years slight change in the plastic tubes, because of more Internet selling in most countries, one is people have not traveled, people are not going to the stores, people are ordering this. There are a lot of opportunity for a newer brands to emerging brands, right.

They may or may not be doing it in a long time well, but there are many brands are coming, those brands are coming in extruded tube. One is volume is lower, they are willing to pay a little higher price than MOQ in a plastic tube and extruded tube could be lower, in a laminated tube expectation is slightly higher because of the processes involved. So they are emerging, right? So but over a period of time that we could say that laminate tube has grown faster than extruded tube, but extruded tube has not gone away, it is still remaining in the same one-third, it is remaining.

Anand Kripalu: And the other question you had was?

Unidentified Analyst: So we also mentioned during the course of this presentation that we would want to be a tube company?

Anand Kripalu: So you know, now I've got a mic. So the best definition of strategy I've heard is being clear about what you will not do, okay. And I can tell you one thing in business and in life, less is more and more is less. Now the day I feel or we feel that there's not enough growth potential in tubes, right, then absolutely, right. But what is sustainable in tubes may not be exactly the same specification that is sustainable in I don't know some other form of packaging, okay. I think the headroom on tubes is enormous.

I think there's something called power of focus, right. And if -- and the most important thing about strategy and focus is being clear what the management team should focus on, right. If we diffuse how they spend their time, then we will diffuse the efforts behind something.

So I think we are quite clear that till we believe we have squeezed the lemon drying tubes, which I think is a long way away, right. I think there's a pride in being the best tube company in the world, right. So big fish and smaller pond is okay. All right, others. Yes, please.

Unidentified Analyst: So since you're talking about sustainability, one classical example of sustainability which created a win-win situation is something like what Novelis did in Hindalco is basically you buyback all the cans from the market you convert, you press it, you convert it into aluminum again and you reconvert it into cans. So, is that something that we are looking to do? Is that possible from a cost benefit perspective, because we are talking about plastics here and not aluminum?

Anand Kripalu: So one is technologically is it possible that could have cost benefit.

Ram Ramasamy: Technically, theoretically possible. But practically, even in a developed country segregating tube as a separate item to collect and recycle is not easy, because it's not such a mass item that you can collect in a week say one ton of materials.

Unidentified Analyst: But I think tubes is more mass than something like a Pepsi can right, Pepsi can wouldn't be in each house but tube surely is in every house.

Anand Kripalu: See what happens is easily segregatable by people who is collecting it whereas the tube, you go in a streetlights for exam, let's say you leave India, collection mechanisms are still mixed. But a developed country like Europe, that collection mechanisms are far better even in a city how many tubes in a day you can collect. So exact reusable for the same applications could be a questionable as over a period of time it could happen. But what we're trying to do is every tube you make, you make it as reusable first, whether it is in the same application or in a different application.

So that statement every company has made, everybody could make. Now then there are challenges in terms of reusing it, you had to clean because most of this toothpaste has its own surfactant. So how do you clean that, that mechanisms are now coming up that we it's getting developed. So now what's happening is if we did portion of that wastage you say 5% or 10% in our large recyclable other materials, it is easy to do. If it is 100% collection things like that are a little challenge in terms today but over a period of time that will come up.

So we had to secure two things. One is all material you make has to be recyclable, it's recyclable today, usage is increasing maybe in the next three to four years you will see everything is recyclable. That's a Platina range that you have, many competitors also have a different range that's one we will achieve. We will reduce plastic content, you see we used to have 300 micron, 350 micron, today we have far lower thicknesses giving the same property, the reduction is happening.

Reuse for the same application needs to develop but reuse for another applications are possible. So then this is one side, then there is a statutory requirements because it goes into mouth. Now this needs an FDA approval, the material which is used for a toothpaste, or cosmetics, little lower, food is little higher, pharma is little higher. It has to be FDA approved.

Now the recycled material for this particular application to get an FDA is an another process. Okay, so it makes that entire availability for the same usage becomes a little more difficult. And it needs to develop over a period of time. But today it is reusable.

Unidentified Analyst: So if reusable is a bigger proposition than recyclable, because of the practical difficulties, then is reusable a threat to EPL, because then you're not making new tubes, right? You're just reusing those tubes, so maybe Colgate can do it by themselves?

Anand Kripalu: No, no, the regulations are very, very clear. See the preference will be to use it in the same product. But it is not that you have to use it on the same product, regulations cannot come like that. Over a period of time, it's a pride of a manufacturer, I say I use today, whatever is recyclable, whatever is reusable into my product that I say PCR content, that's what it's not PCR content of only a tube portion. It's a PCR content of any product which is equally mixable with my product. I say I can go up to 40% 40 odd percent, that's a statement people make. Nobody makes it that recycled content in my product is my own product. That is very small applications like rigid bottles.

Unidentified Analyst: I'm saying if I'm able to collect all those tubes from the market, if Colgate is able to collect and just clean it through some process and refill it with Colgate and then sell it back, is that possible?

Anand Kripalu: Theoretically yes, possible. But practically collection mechanism doesn't work like that.

Unidentified Analyst: So then what is the purpose of sustainability because then basically you're not collecting the plastic, you're just throwing it in some garbage.

Anand Kripalu: If you see every one of the tubes just for a technicality that you'll see, there will be a symbol called recyclable. It's recyclable in which code, two code means, it's polyethylene material, four means it's PP material, it goes into PP stream. Now, our tube will, what we are trying to do is our tube goes into code two stream, STP stream when it goes there, it's not only tube material, it's any other STP material which is recyclable into two code, that is how it gets recycled.

Unidentified Analyst: So can EPL collect all this and recycle and make tubes out of it. Is there cost benefit there?

Anand Kripalu: No, not. See over a period of time evolve, today collection, PCR is premium, you pay two times, because over a period of time that they need to develop these technologies. Now I pay I use 40% PCR in some of my products, we call product Etain and you could see, we sell at premium because it costs more. We see a FDA approved PCR is actually two times, you got my point, it's not cheaper, it could become cheaper over a period of time. Today, recycled materials are not cheaper. Recycled commodity plastics are cheaper in India, not anywhere else. It goes for a bucket, it goes for a common application which doesn't have a product, those products are cheaper, it's not cheaper.

Unidentified Analyst: Understood, so something like aluminum cannot be replicated here basically, at least in the foreseeable future?

Anand Kripalu: I think the right way of yes, where you are coming, I understand. Aluminum products are you're saying it's easily recyclable, but it has other disadvantages in terms of let's say, product to product comparison and aluminum tube versus a laminate.

Unidentified Analyst: No, not a tube. For example, what Novelis does, basically collects all the Pepsi cans, it crushes them together, converts it into aluminum liquid again, and then aluminum solid then the sheets and then they are made cans out of it. So instead of buying fresh, instead of converting bauxite into aluminum, you're just converting the aluminum that is there in this world again into aluminum which is reusable. Is this possible here?

Anand Kripalu: Yes, PCR, that is the concept.

Anand Kripalu: Yes, that's a concept, but in aluminum and paper traditionally we are done likewise, all papers which are recycled goes into the paper recycling stream for a very long time. Likewise, aluminum goes it, gets a single material, this is combination of material you need to segregate it and start using it. And aluminum you go to, any impurities in the aluminum or any contamination in the aluminum can get burned away because they melt.

In this process you don't melt, that's slight difference in terms of processing, but possible over a period of time this will become even in India, probably you will see lot of start-ups in terms of recyclable plastics has come up which application it goes but they are able to segregate like Code 2, Code 4, Code 6, they are able to segregate and they do, lot of NGOs collects and start happening. In a course of time, I think yes, it's possible like aluminum.

Unidentified Analyst: Okay.

Anand Kripalu: Others, yes please.

Harit Kapoor - Investec India: Yes, hi good evening. This is Harit from Investec. So just two questions. You mentioned in your presentation about wallet share from new markets. Starting with Brazil, which you already mentioned a while back, and then I think there were pictures in Sub-Saharan Africa and Southeast Asia as well. If you could just give us a sense on how you're thinking about this from a longer-term perspective. Any timelines from a three, five year perspective in terms of market entries?

Also, fundamentally, are these when you look at any of these market entries, do for how long do these businesses are ROE or ROC dilutive for you, is it a three, four year cycle before you kind of start to make company level ROCs and scale up? So that's my first question on new category and new market entry.

Anand Kripalu: So I'll talk about that. And I'll request Amit to talk about ROC and what happens and what has happened actually with the plants that we've set up in the past, and what is likely to happen with our Brazil investment? See, as far as wallet share is concerned, yes, I showed certain visuals. So what we're trying to do is to make sure we do segmentation by country, select major countries, choose them one or two that we believe we want to go after and then go and try and improve our wallet share in those countries, right.

Brazil is a case in point, which happened probably not with all that science, but because it was on the back of a customer commitment that was made. And we knew that is a virgin market for us pretty much, right. It was a relatively a no brainer, right? Now, we do very little business in Sub-Saharan Africa. I mean, we have begun Philippines, right. In Indonesia, we have a minority stake and a JV and Philippines is a billion plus market, right. Philippines, sorry Indonesia I'm saying. Philippines, we do most of the tubes there. Indonesia is a billion plus market, we have a minority stake.

But in terms of wallet share, we don't add that, right, we have a 30% stake in that investment. If it was 51%, our wallet share would be much higher, okay in Indonesia, right. But it's a big market there. And we actually don't have much of a presence in Thailand where there's a big local manufacturer in Thailand, and these are the big markets, Thailand, Indonesia, Philippines. And then there's Vietnam. Again, there we have relatively, I think, do we export into Vietnam at all, from China, very little.

All right, now these are all opportunities for the future, each of them will have a business case, and you will decide what you want to do. Brazil was relatively, I would say more straightforward, because that's the model that EPL has used in the past, to set up Greenfield sites, go in partnership with that customer, right and go and make that happen. What this will throw up is the segmentation, the map that I showed that we will choose a few markets, Brazil, and say, how do you unlock that market and get wallet share?

All right, in Indonesia, it maybe, can we get a 51% stake? If you do the wallet share, right in Thailand or Vietnam, it could be something else, it could be M&A, right or setting up a Greenfield or saying no, we don't have a right to win in those markets, but then of other places in the world that we will go after. So I think this is part of our sales growth strategy that I mean, we already have done, I would say reasonably well, we're giving more of a focus through more detailed segmentation to identify opportunities of this kind. So that's how we are approaching this whole thing. The idea is to go for growth is to hunt down opportunities that I said that right, both sales and marketing, to hunt down opportunities.

So we want to go and look for it, right. We also want to hunt down M&A targets, by the way, right? We are hungry in terms of our quest to pick up a few companies, right, and we are constantly evaluating. But obviously the strategic fit and the price has to be right obviously we're doing that, ROC, Amit?

Amit Jain: So it all depends on the category which we are in. So assuming that if we are going into oral care, initially, for the ramp-up period, and all those, that will be lower. But when we enter into any market with an anchor customer, what we explore is the other category, this is beauty, cosmetic, pharma. And as we improve those compositions, we try to bring those ROC better compared to when we entered. So that's how we look into and it depends on project to project.

Harit Kapoor - Investec India: The second question was on new customers and customer wins. So prior to, the significant inflation about 12 or 14 months back, management had mentioned that, we've seen significant customer wins, and we continue to see that, is there a way that, you can map that in your communication to investors and analysts on an annual basis. So, for example, you're from the FMCG world and we talk about percentage contribution from new products, etcetera. Is there a way that maybe on an annual basis you can map say, percentage contribution from a say new customers or and stuff like that, and I'm sure you have all that data and you can help us with that because I think incrementally getting market share from the same customers, it's still possible. But I think the greater opportunity is new customers new market.

Anand Kripalu: That is a good input, we will look at that on, the thing is that see you can get more business from an existing customer, or you could get completely new customers. And the reality is, you also have some leakage, right in any business, right? Even FMCG, you are winning new customers, you're also losing some old ones, right? And I think how do we create a metric that is relevant to give you as a symbol for how the business is progressing, right that you're actually gaining more than you're losing.

Harit Kapoor - Investec India: Yes, any direction, because, if you look at core oral care growth globally, or core BPC growth, beauty cosmetic pharma growth globally, we will typically want to map our growth ahead of that growth led by market share gains and new customer wins and maybe new market entries. So, obviously, not on a quarterly basis, but on an annual basis, if you can just map that. I think that it'll be a good input for people to follow.

Anand Kripalu: That's a good one, we'll look at it see if the data makes sense and then it's helpful, then yes, we look at it because I mean, it is core, I can tell you, every month, every region, what we are discussing is the business development pipeline. Because recognize that in this business, it takes 18 months of work before you crack a new brand or a new customer. Right, you talk to them, then they'll look at all options, then they'll put your production storage, see if it works, it may not work perfectly, then you'll tweak the laminate, then you'll again go and put it back in storage. So before you crack, it is not a flick of a switch, right? It takes time, right.

And this is something that's core to how we think about growth of the company, which is to constantly look at our business development pipeline, and what's happening, and what is going to happen next month, and what's going to happen 18 months later, right? This is core to how we think. We don't have a simple metric of contribution to growth, that's what you mean.

Harit Kapoor - Investec India: Yes, and I mean, just any kind of labor, right? Because so for example, I think 12 or 15, or 18 months back, I don't remember, but you opened the West Coast office in America, the context was to tap those customers and get a larger share. So anything, which kind of gives us a sense of how that progressed, in terms of what contribution not, particularly in the West Coast, in the U.S. But just an overall context on, some of these investments which are front ended in people, especially in markets, like the U.S. where your salary isn't great, resignations, and all those things are happening. So if we can get a metric to kind of look at that in any way, that would be interesting.

Anand Kripalu: So let us we will look at that. But anyway, the West Coast initiative is going well. It is all I can tell you, we were just looking at the numbers recently, I think, and the plans for this year also are very, very strong. So I think just putting a couple of people there and tapping into brands and customers who we were not tapping into, right, I think is positive, right, so that's moving in the right direction.

Harit Kapoor - Investec India: Great, that is it from me. Wish you all the best, thanks.

Anand Kripalu: Thank you so much. Others, yes. We will just come back to you. I think somebody is also there, no. No one else, there sorry just behind you, yes. I mean I don't want to keep you guys late because it's raining and so on. And we started late, but we won't like to close at seven, right.

Unidentified Analyst: So just two questions on the costs and margin side. The first is your wage costs, it's almost 19% to 20% of revenues. Is this something structural because of your location of your plants because it seems quite high overall. And the second on margins, assuming the raw material costs stabilize at these levels, how long would it take you to get back to 20% margins or do you think the optics no longer make it that you will ever hit 20% over a shorter period of time?

Amit Jain: So on the wage cost, particularly this year 21-22, if you see, there were like Western geographies, absenteeism over time, and everything was there. So that's one because you're seeing that cost higher. Second is, esop cost is also sitting in that costs. So that's also otherwise if you ask me, if you do a blend of geographies, that's the normal for any of the company which is globally present because in the Western geographies you have higher costs, in emerging countries, you have a lower cost, but on a blended basis, I think it's normal as far as the wage cost is concerned.

Anand Kripalu: And sorry the other question was on?

Unidentified Analyst: On the margins, can it get back to 20% assuming.

Anand Kripalu: Can you get back to 20%, so the thing is this. So first of all, obviously, we can't give you any kind of sensible guidance on that. There is some amount of the translation loss that is there at these prices, right. And I would say, we talked of last year 300 basis points, margin reduction, right, 19.9% down to 16.8%, right, roughly, half of it is the translation loss, half of it is a real margin loss. I would say that if input cost started stabilizing, right, with the efforts that we put in, we will start the journey of recovery, that I feel confident about, that we will start the journey of recovery that, we would have bottomed out with no further input cost increases.

Unfortunately, last year in September, we thought that costs have mellowed and soften. And again, it started going up again in October, November, right. And it's a situation of never say never kind of right now, that's there.

But I would say that, if we can continue our momentum and growth, if we continue all the efforts that we put in on costs, right, this controllable costs, right, not cost are out of control, then, and if the input costs right, start tempering. I think we will start the journey of recovery, right. Now, how fast it will take to go back to what it was, and will it ever go back to the number it is? I don't want to comment on that, because I think that's giving too much of information on an unknown, okay. So I don't think that makes sense. But absolutely, I think, and I just want to say this, right? I mean, we are also as obsessed is the wrong word, but as focused right on starting the journey of margin recovery, right.

So you must know that. I mean, it's the one thing that gives us sleepless nights, right? How are we going to start the journey of recovery? How are you going to get more volume growth? How will you get more pricing? How will you cut costs faster? I mean that's exactly the three verticals that I shared right in the end, that is what is keeping us awake today, right. So I mean, suffice that you all know that we are also consumed by it. But I have to say, it is not as simple as it is on the slides. I just have to say that.

And I can say that we started the journey late, but in the last few months and so on, it has not been for lack of trying. I can tell you that. Not for lack of focus within the management team, not for lack of effort, and so on. Just it is a tricky situation, right? And we're learning some of the stuff, folks, right. We never knew these kinds of situations could happen and how you would have to deal with it, right. And every crisis has its own lessons.

So I mean, that's the honest situation. But we are absolutely focused on getting this bottoming out right as quickly as we can. I can't say exactly when, but bottoming out and starting the journey of recovery, right. We want to do it. We want to do it. Okay. Probably that's the last one folks. No one else. You have a question, would you mind if I go there, because we gave you some airtime in the beginning. Okay, right.

Unidentified Analyst: Hello, hi sir.

Anand Kripalu: Hi.

Unidentified Analyst: Sir, my question is that how much is the share of beauty and pharma in each and every region so that I can just get an idea of how much EBITDA growth is possible. So like, if you can share some numbers on that or if we can gain some traction.

Anand Kripalu: You want a flavor, do we share that data.

Amit Jain: Normally we don't share.

Anand Kripalu: But you can give a flavor maybe. We'll give you a flavor, we can't give you precise numbers.

Amit Jain: If you see AMESA is around 50-50. Europe is 60-40, but… in favor of non-oral care in Europe. As far as EAP is concerned, it is around 65-35, 65 oral and 35 non-oral, and Americas is around 75-25, 75 oral and 25 non-oral.

Unidentified Analyst: And sir like in the span of five to seven years, how much do you actually anticipate the growth of the non-oral, like, if we can get some ideas in the CAGR terms, like in each region or some, like some idea, if possible, like if you have the data figures.

Anand Kripalu: That's like a outlook by category, right. I wouldn't want to do that. But what I did say is that, we believe that our oral care business should continue to grow at kind of high single-digit, and our beauty & cosmetics pharma should grow at strong double-digit, right, strong means, but strong double-digit, because the categories are growing faster. And our shares are much lower for both those reasons, right.

Unidentified Analyst: And the size is also much higher or?

Anand Kripalu: The size is higher, no. Sorry.

Unidentified Analyst: Size of the market is much greater, in case of beauty & cosmetic as compared to the oral care, right.

Anand Kripalu: In terms of number of tubes.

Unidentified Analyst: Yes, sir. Yeah.

Anand Kripalu: No, but I shared the number of tubes right on the slide. That's not true, but value could be I have not looked at that, right. But oral is larger by the way. Both put together, what did I share with you?

Unidentified Analyst: It was, I guess, somewhere around 42 billion tubes, I guess.

Anand Kripalu: Yeah. So out of 42 billion, oral is 17 billion. So yeah. And then 22 billion is between cosmetics and pharma. So it is larger, right. And value will be even more, right. Food and others are small.

Unidentified Analyst: Okay, and like sir.

Anand Kripalu: So that's including pharma. Yeah. So B&C and pharma together is bigger than all?

Unidentified Analyst: And so, like, just one last question. How much like is a difference of the EBITDA margins? If we compare the oral and the non-oral, like how much like -- how much non-oral EBITDA margin is significant, as compared to the oral care if you can give some idea?

Amit Jain: **I am not sharing** category wise margins. But yes, as we actually talk on ASP. So if oral is X times, the pharma and beauty cosmetic can be 2x to 3x on the ASPs, so that side. Margin is a little better in the non-oral care, that's what I can share as of now on the margins.

Unidentified Analyst: Okay, so that will have. Thank you.

Anand Kripalu: Thank you.

Unidentified Analyst: For tracking number of tubes, does it make more sense to track the contents? So for example, you might have sold tubes, which can hold 50 kgs of toothpaste for example. Because as you said, there are toothpaste tubes, which are this small, and then there are, maybe it is big as well.

Anand Kripalu: But the dias keep changing, the tonnage is not a correlation to volume. It just isn't. The SKU mix changes dramatically. All right. So it just isn't. And because we've been through choppy periods, there's been far more choppiness in consumer behavior as well, right. I mean, I can tell you from my previous company in alcohol, right, large pack sales

"750 mil" exploded, and small pack went down, because people couldn't shop at the retail store and buy the back in the evening. So they were buying big bottles and taking them home.

So there's been so much of change in consumer behavior in the recent past, because of all these kinds of external impacts that have happened.

Unidentified Analyst: Yes, but the total alcohol consumed may remain same, right? The total volume….

Anand Kripalu: As yes.

Unidentified Analyst: So similarly, total amount of toothpaste used will remain same, right? It is just the packaging that is changing…

Anand Kripalu: It's only the packaging. So you're saying why don't you look at tonnage of the product inside, tonnage of the product inside…

Unidentified Analyst: That your tubes are holding. So maybe in this quarter your tubes, so we'll had like one ton of…

Anand Kripalu: We'll look at it, I don't think we've ever tried to correlate tonnage of product inside with numbers of tubes…

Ram Ramasamy: Every type of products has a measure, right.

Unidentified Analyst: No, no for oral care, I think the weightage would remain more or less same. So Colgate is not going to be heavier than Pepsodent I'm sure?

Anand Kripalu: No, not that.

Ram Ramasamy: See what happens is the product is made by indexation in this case, that means your processes are set by how many number of tubes you will make, what is the capital investment goals. Therefore your pricing is based on pieces. So you make a small one or a big one, you do some adjustments to the -- to get a ratio, but it is not -- bigger one cause 2x smaller one will not cause you often time.

Unidentified Analyst: No that I understand. This is from more from a perspective growth.

Anand Kripalu: So he's saying will tonnage growth of toothpaste be closely correlated to volume growth of tubes, irrespective of whether it's a single use travel tube, or a large dia 250 gram tube?

Unidentified Analyst: Yes.

Anand Kripalu: That's his question. Don't know -- I don't know at least. Have you ever looked at it?

Unidentified Analyst: Can we track this?

Anand Kripalu: No. I'll find out. First of all, I have to get tonnage of toothpaste. So tubes we'll be able to count, tonnage of toothpaste, but it is there. I'm sure, Unilever and people like that are the big oral guys reported. So we can see. But you'll also need it by geography, because the mixes are very different in different geographies, but that's an input. We'll make a note and see if we can make some sense out of that.

Unidentified Analyst: Yes.

Anand Kripalu: And if that helps, in some ways to be a lead indicator for category growth. But you know the bigger thing is not just volume, the bigger thing is value. And that's why we keep saying volume is a poor indicator, because what's happening even in oral care, right, even in India, if you talk to Colgate or if you follow Colgate their strategy in oral care is all about premiumization, right. Their volume growths are subdued. But their value growths are coming with all about premiumization. So all the new variance that they're doing, have all the bells and whistles, right. They also have better tubes, which is good for us.

Unidentified Analyst: Yes.

Anand Kripalu: Okay, that's how it is. And that's why you know, we just wary of getting caught in a volume discussion or correlation because of this, it's about value growth and premiumization. I spoke about it is one of the five key trends. Premiumization is a really significant trend. And we are seeing that in all categories we operate it. Yes. Sorry, last one.

Unidentified Analyst: I don't want to end the strategy without the capital allocation. So how do we see for next five years. The cash flow we generate what is towards the CapEx? What is towards the dividend, what is towards M&A? And if there is something else beyond that.

Amit Jain: So, first and foremost the priority is growth, okay. And CapEx, we discussed earlier also, the strategy remains the same. The depreciation amount, not every year matching, but in a four, five year average term, the depreciation will be invested as a CapEx and that will be more or less sufficient to deliver this double-digit growth, which we are talking.

Unidentified Analyst: That's a question, how can a replacement CapEx give you a double-digit growth?

Amit Jain: So, these are all growth CapEx's, as far as the CapEx is concerned, because you know that the additions are modular between printing, tubing lines, and others. These are all major growth CapEx's. So, that's the investment as far as the CapEx is concerned. So, first priority is growth. And then, if there are extra cash flows, that's the dividend.

Unidentified Analyst: No, if we are giving depreciation is equal to CapEx, then pat is the free cash flow, right?

Amit Jain: Yes, but then you have opportunities like a strategic CapEx. Now, Brazil is there, then laminator etc.

Anand Kripalu: So when you say CapEx it doesn't include the present. So, this CapEx, which is the normal CapEx doesn't include the strategic Greenfield CapEx or Brazil or M&A, or projects like laminator, which we talked about the those are the strategic CapEx's.

Unidentified Analyst: So, what is the dividend we envisage out of it. So, are we saying 30%, 35% dividend payout will sustain and 70%, 75% will be a growth focused strategic investment we will do over five years. Is that what we tell?

Amit Jain: So I can't be specific on the number on the dividend. But yes, we will maintain consistent dividend policy.

Unidentified Analyst: So, what is the dividend policy now? Is there any policy for dividend?

Amit Jain: Policy means, we'll be consistent on the dividend payouts, which we are, if you see historically and that's how we will continue to do. And first priority will be the growth. Yes.

Unidentified Analyst: Yes. So we will -- we are confident that the remaining capital, because we are telling it's a consistent means, we are left with a lot more cash. And we are already very comfortable on the balance sheet side. Are we willing to go ahead and say that no we want to invest aggressively. There are opportunity enough. So we are not hours in terms of larger

M&A. Is that clear? Can we buy a company with a billion tube as a sale?

Anand Kripalu: Yes, we can do that. Because as far as balance sheet is concerned, it's a strong balance sheet, we can leverage it further. And if we need a bigger investment, like you're saying for bigger opportunities. Yes, the current balance sheet and the backing of Blackstone. Yes, definitely we can go for that based on the size of the M&A and other things.

Anand Kripalu: So for the right opportunity, I think we will be willing.

Unidentified Analyst: But are there right opportunities is the question?

Anand Kripalu: Well, that's the million dollar question, right. So, but we are constantly evaluating, right. And I tell you last year, we were evaluated three or four apart from CSPL deal, three or four, which we didn't progress finally. Finally, a strategic fit and price have to all work in your favor, right. There are things that we're evaluating even today.

Unidentified Analyst: So what is more of a barrier, it's a valuation, which is more of a barrier, or things a lot other matters more than the valuation for us. So what made those three four deals fall apart?

Anand Kripalu: When you've looked at them, right. The three four deals of last year, they were largely in Europe.

Amit Jain: Yes, so one is valuation definitely that is one. Then second is the synergies, which we can get out of that. So that is another thing, which is there. And there are filters on the customers, whether we are getting new set of customers, or what kind of categories we are getting in, whether it is beauty & cosmetic dominated or a pharmaceuticalsdominated. So these are the filters, which we normally apply on this. I can be very specific on those four deals that…

Unidentified Analyst: No, no I just wanted to understand what was the dominant reason, was it really the valuation.

Amit Jain: I can't share those reasons.

Anand Kripalu: Principally it was those, and I think our acquisitions are, so we would love to do some acquisitions in beauty & cosmetics. Because for all the reasons that I've already talked about in the presentation, right. If you can get it in the right valuations in the right geographies. Right, then we'd love to do it.

Unidentified Analyst: I think Europe we said we are dominant. So I don't think…

Anand Kripalu: No, we are not dominant.

Unidentified Analyst: We are 60%...

Anand Kripalu: No, no that 60% of our business, but we are a small share of the total market. So this is the headroom we have to look at for growth. So our business is 60% beauty & cosmetics. But our market share in Europe was a single-digit of the total market, of the total tubes market. So in Europe, particularly M&A could be a good way.

Unidentified Analyst: But the way I look at is Europe, I don't feel comfortable because our margins are so low, competition will be same. An acquisition if Europe will be significantly ROC dilutive versus an acquisition, say in AMESA or EAP or U.S. So why would we do a capital allocation in Europe, which is ROC diluted?

Anand Kripalu: No, we will not do it if it's diluted. So and part of it therefore comes back to valuations, right, and what you're getting. So I think the idea is, if it is margin dilutive, ROC dilutive, then why the hell are we doing it. So you have to look with the right opportunity. And I can tell you, there are opportunities, right.

Unidentified Analyst: And are these big opportunities.

Anand Kripalu: I mean not massive, but big enough to fulfill some of the gaps we've spoken about in terms of our country opportunities, right or our smaller customer segment opportunities, right. We are a bigger company, bigger customer player. There are people who may be smaller than us in terms of size and so on, but they are big with small customers. So that helps you to then take a strategic position in a segment where you want to grow, right.

And finally, at the right price. Right now, we talked about your margins going down ever competitive, all that stuff, right. The reality is, why would you pay multiples today that you were willing to pay one year ago in packaging? You shouldn't, right.

Unidentified Analyst: Yes.

Anand Kripalu: So I mean, the multiples globally have come down on packaging companies, right around the world. So then you have to get it in the right price.

Unidentified Analyst: Today is the time for that, right. You will get at a cheaper price.

Anand Kripalu: Provided the seller is willing to sell.

Unidentified Analyst: Valuations are lower.

Anand Kripalu: Provided the right opportunity the seller is willing to sell at a lower valuation. So that is the -- so these are exactly the conversations we are having. And I can just tell you, we are hungry for opportunities, right. If anybody has any ideas in the room or leads, please send us a mail. We will absolutely evaluate it, right, because that's what we're trying to do.

Anyway, listen, I want to thank every one of you for being here, having an engaging conversation as well. And with all the rain and everything else, just making it possible to come here physically. I think it is different from doing it in Zoom I have to say, right. Whether we like it or not it is a little bit of an extra commute, but I think it's more engaging than a Zoom call. So thank you everyone. All right.