November 14, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001
Scrip Code: 500135

National Stock Exchange of India Limited
Exchange Plaza, C/1, Block G,
Bandra-Kurla Complex, Bandra (E), Mumbai - 400051
Trading Symbol: EPL

Sub. : Transcript of the Conference Call - EPL Limited ("Company")

Ref. :
1. **Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) ("SEBI LODR Regulations")**
2. **ISIN: INE255A01020**

Sir/ Madam,

In furtherance of our intimation(s) dated November 4, 2024 and November 11, 2024, we are enclosing herewith, the Transcript of the conference call for the Analysts/ Investors, which was held on November 11, 2024, to discuss the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended on September 30, 2024 ("said transcript").

The said transcript is also made available on the website of the Company i.e. at https://www.eplglobal.com/investors/shareholder-information/

This is for your information and records.

Thanking you.

Yours faithfully,
For **EPL Limited**

ONKAR DEEPAK GHANGURDE
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Onkar Ghangurde
Head - Legal, Company Secretary & Compliance Officer

Encl.: As above

"EPL Limited Q2 FY25 Investors Conference Call"

November 11, 2024

MANAGEMENT:	**MR. ANAND KRIPALU – MD AND GLOBAL CEO, EPL LIMITED** **MR. M. R. RAMASAMY– COO, EPL LIMITED** **MR. DEEPAK GOYAL – CFO, EPL LIMITED** **MR. SHRIHARI RAO – PRESIDENT, AMESA REGION, EPL LIMITED** **MR. ONKAR GHANGURDE – HEAD LEGAL, CS & COMPLIANCE OFFICER, EPL LIMITED**
MODERATORS:	**MR. PRATIK THOLIYA – SYSTEMATIX INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to EPL Limited Q2 FY25 Investors Conference Call hosted by Systematix Institutional Equities.

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

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

Pratik Tholiya: Thanks, Yusuf. Good evening everyone. On behalf of Systematix Institutional Equities, I would like to welcome all the participants who logged into this Conference Call of EPL to discuss the 2nd Quarter and half year ending FY25 Result.

From the Management side, we have Mr. Anand Kripalu – MD and Global CEO; Mr. M. R. Ramasamy – COO; Mr. Deepak Goyal – CFO; Mr. Shrihari K. Rao - President, AMESA Region; Mr. Onkar Ghangurde - Head Legal, CS & Compliance Officer.

At the outset, I would like to thank the Management for giving us the opportunity to host this call. I would now like to welcome Mr. Anand Kripalu to take the proceedings forward and start with his opening remarks. Thank you and over to you, sir.

Anand Kripalu: Thank you so much, Pratik and hello everyone. And thank you for joining us for EPL's Q2 FY25 Earnings Call.

We are pleased to report a strong Q2 Performance with improvements across all core financial metrics, reflecting the impact of our strategic priorities as well as consistent execution. Our revenue for the quarter grew by 8.4% with an EBITDA growth of 19.7% and a PAT growth of 72%. Our EBITDA margin reached 20%, an improvement of 188 basis points, and that is in line with our commitment of delivering more than 20% margin. We delivered a ROCE of 16.5%, which expanded by 260 basis points over the previous year. Revenue growth was driven by good demand in major markets.

In the AMESA region, revenue grew by 3.7% with growth impacted by currency devaluation in Egypt. India reported 5% growth. The EAP region grew at 8.7% and the Americas recorded a solid increase of 9.4%. Europe demonstrated particularly robust demand with a high double-digit growth of 21% on a year-over-year basis.

Our strategic focus on expanding the personal care and beyond categories yielded strong performance this quarter, with these segments growing 10.2% and now accounting for 48.2% of total revenue. Our continuous EBITDA margin improvement has been driven by revenue leverage, operational efficiency, and effective cost management. We saw continued improvement in Europe and Americas in line with our commitment. Europe margin reached 17% while Americas delivered a robust 18% margin. With nine consecutive quarters of steady growth, we are on track to reach our target of delivering more than 20% EBITDA margin on a sustained basis. Our PAT for the quarter grew by 72%. The depreciation and interest costs for the quarter were steady versus the prior year and the strong growth in revenue and EBITDA helped in delivering robust PAT growth. This is in line with our narrative that EPL presents a great ROE and ROCE expansion opportunity.

We have delivered a strong EPS of Rs. 2.73 per share, an increase of 73% over prior year. Consequently, we are delighted to announce an enhanced interim dividend of Rs. 2.50 per share.

Moving on to sustainability and recognitions:

Our dedication to sustainability and innovation continues to yield substantial recognition and results. We continue to support our customers in converting to sustainable tubes, and our recyclable tube mix reached 33% in quarter 2 of FY25. We are pleased to report a retained and improved EcoVadis Gold rating with our score advancing from 70 to 78, now placing us amongst the top 2% of companies globally, a testament to our reduced environment impact and commitment to ethical practices. Additionally, we surpassed our renewable energy sourcing goal by achieving a 25% share of global energy from renewable resources, positioning us as a leader in sustainable energy use.

Our efforts in sustainability were further acknowledged through several awards. We received the Great Indian ESG Organization of the Year Award at the India Sustainability Summit. Our Nalagarh factory was named Factory of the Year at the PrintWeek Awards 2024 for operational excellence. And our community-oriented CSR initiative earned us the project of the year. Moreover, EPL was certified as a Great Place to Work, highlighting our commitment to a positive and inclusive workplace culture.

Looking ahead, as we look to the future, we are well positioned to build on our recent achievements and drive continued growth. Our strategic focus remains on four key areas that will shape our journey moving ahead.

One, Brazil. I am happy to share that Brazil expansion is progressing very well. We gained one more multi-national customer in the quarter and we have now three MNC customers in addition to the anchor customer. This progress demonstrates the tremendous potential of this exciting market. On margin, Brazil continues to have a positive impact and is accretive to our overall margin.

Second, Personal Care and Beyond. The personal care and beyond category recorded a solid 10% growth this quarter, driven by strong growth in the EAP and the Americas. We have a robust B&C pipeline anchored by Neo-Seam tubes and superior printing capability, which continue to see traction across market. On a long-term basis, we remain confident of delivering consistent growth in this category.

Third, sustainability. Our Q2 FY25 mix of recyclable products reached 33% versus 29% in the previous quarter and versus 21% in the previous financial year. All this is driven by accelerated conversion to sustainable tubes. Our broad portfolio of sustainable solutions positions us strongly versus our competition so as to further gain market share.

And our fourth priority, margin improvement. Our EBITDA margin of 20% in the quarter demonstrates the effectiveness of pretty much everything that we've done. The Europe margin at 17% and the America's margin at 18% are in line with our commitment to deliver operational efficiencies in these two regions. We will continue to drive cost optimization and operational productivity to deliver more than 20% margin on a sustainable basis. Further, our strategy of low increase in depreciation and interest costs augurs very well for consistent strong growth in profit after tax.

In conclusion, we remain focused on achieving sustainable double-digit growth while consistently delivering margins above 20%. Our commitment to innovation and sustainability will guide us as we navigate the future, positioning EPL for continued success.

With that, we will now open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Sameer Gupta from IIFL Securities Limited. Please go ahead.

Sameer Gupta: Firstly, on the India growth of 5%, now overall oral care space in India is doing well. We know the numbers, Colgate and HUL have reported. So, I just wanted to understand, I mean, it looks kind of subdued at an overall level. Is it primarily the beauty and pharma segments which are subdued in this category or your thoughts?

Anand Kripalu: Yes, so I'll give you just the overall perspective rather than getting into categories. So, I just want you to know that the 5% growth for India is affected by negative price mix. And let me just explain that a bit more. In Q2 of the previous fiscal, we had amongst the lowest commodity prices and a positive overhang of pricing. In subsequent quarters, we corrected the prices downwards in line with commodity prices. And therefore, in Q2, what I can tell you, and while we don't report volume because we do believe it does not reflect our strategy, our volume growth in India is ahead of the revenue growth that we have declared because of that negative price mix.

Sameer Gupta: And this quarter it has anniversarized more or less?

Anand Kripalu: It will anniversarize from Q3 onwards.

Sameer Gupta: Got it. Secondly, sir, on Americas, now there is a lot of noise around with the new government coming in around more trade barriers and EPL exports from India and China to Americas, the laminates part. And I know we have gone through this journey before with Trump 1.0, but I guess that was more limited to China. Is there any risk that you see this time and any broad strategy to counter that?

Anand Kripalu: Now, I may be answering questions above my pay grade now because what Trump is going to do, I really don't know right now. I'm not sure if anyone knows. Now I'll just give you my point of view, right? It may not be the way that point of view plays out, right. I think we have India and China as sourcing base for our laminates. So, today for instance most of the laminates we sent to the US go from India because there is a penal rate of import duty from imports from China. Now, the probability that there'll be penal rates of import duty from both India and China at the same time, I would reckon is probably low. If anything, I would say that India could have a point of global competitive advantage in a situation where imports from China become taxed more heavily. So, that is the view and that is the tax really that is there on laminates and the import duty on laminates. Now the reality is this, if there are some taxes to some extent that whatever is there, I mean that will ultimately reflect in our landing cost and that will go into the pricing model with customers. So, I don't think we should assume that will be out of pocket and all I can tell you is that because as a company we have cost leadership in our operating model and our cost base, we will still be very competitive, right, even if we have to supply in the US market.

Sameer Gupta: Got it sir, that's very clear. Thanks for answering that. Lastly sir, if I may squeeze in, Europe, I understand there is a large growth and that is why the margin also has seen an uptake, historically high level of 17%. Now, over the years we have seen Europe has been kind of up and down, both in terms of growth and margins. So, just wanted to understand what is driving this growth and margins subsequently, and do you see this sustaining in the current ballpark or are there any one-offs that you would want to call out?

Anand Kripalu: So, there are no one-offs first of all, okay. Now we have given guidance that our Europe margins will be mid-teen, right and we absolutely believe that mid-teen is absolutely sustainable. Now, yes Europe has benefited from high volumes, but what is the sustainable part? Is that there have been significant interventions, whether it's to do with key management changes, and whether it's to do with manufacturing realignment to make the whole manufacturing cost base more cost effective. Now those are permanent, and all I'll tell you is this, that the interventions on manufacturing realignment have not yet fully played out. There is more to come. So, even if volumes were to temper to an extent, there are other cost interventions that will play out and that will help the overall margin. So, net-net, mid-teens margin for Europe is absolutely sustainable.

Moderator: Thank you. Next question is from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Sir, while all the regions have been extremely well as far as margins are concerned, if I look at AMESA, right from last 6 quarters, the margins have been coming down. You did talk about currency impacts on Egypt. But ex of it, is there any cost pressure that you see and how do you see the margins say in the next 4 to 6 quarters?

Anand Kripalu: So, you have visibility for India standalone numbers. So, let's remove the Egypt part and the currency impact in Egypt. I just want to say that Egypt in overall terms is doing extremely well as a business and we are very confident of solid growth and solid margins from Egypt. So, let's come to India. Now, if you look at India standalone, I explained that we had some low-cost commodity quarters with the benefits of price overhang. And therefore, the margins were probably a tad higher than our targeted range of margins for the India business. Today where we stand is we are probably not out of range by the way on the India margins, but probably at the lower end of that margin range. We actually believe that with certain interventions that the India margins will inch up from where we are now, right. But like I said, we are in the range, we are now at the lower end of the range and it will probably go towards the middle or the higher level of the range. But it is not as if that the margin of the India business is below where we have targeted for it to be with an overall ambition, which is the only margin guidance we've given of 20% for the company as a whole.

Sudarshan Padmanabhan: Sure. And sir my second question, there are two parts to it. It's more strategic in nature. I mean, if I look at from a strategic level, we have a new plant today in Latin America and Brazil, and we are vying for volumes. In your thought process, I mean, today, when you go and bid for business as you need to reinvest in your business, say from a longer term perspective, because as the volume comes in, the growth comes in, the operating leverage comes in, the margin keeps growing up. But what is it that you are comfortable with as far as margins are concerned? Because you also need to reinvest in the business and give the cost benefit to your plans to basically mine more wallet shares. So, if you can talk a little bit more the thin line between volumes taking market share and where you are comfortable as far as long-term margins are concerned?

Anand Kripalu: I mean, if your question is really focused on long-term margin, I have nothing more to say other than to say that we want to deliver 20-plus margins on a sustainable basis, okay? So, we are not changing our margin guidance beyond that, right, because we have given guidance on growth and margin and said we need sustainable double-digit growth and sustainable margins above 20% and I need to make sure that we start delivering both these on a consistent basis. So, I don't want to go out of step and give any different guidance as far as margin is concerned. I think your other hidden question on that was really about growth and our ability to invest in growth. Now, just as an example, for instance, the last major investment we made was the Greenfield in Brazil, which I have already said in my opening comments, is actually tracked very well. And I have to say we are pleasantly surprised at the opportunity that Brazil presents. And we are actually exploring the possibility of further expanding capacity in Brazil. Now, the other big opportunity we think could be an onshore production facility somewhere in Southeast Asia. That is where we see a bit of a gap in our global portfolio. And that is something that we are actively evaluating.

Deepak Goyal: And if I could add Anand to this, Deepak here, we have always kind of maintained that this business needs consistent growth investment. We invest our CAPEX equal to our depreciation or amortization every year, which is a sizable amount. It's about, let's say, anywhere between 350 to 400 crores and 60% of this amount goes into growth CAPEX. So, we have a sizable kitty which is available to us to drive that growth of double-digit revenue and we believe we will continue delivering on that promise.

Moderator: Thank you. Next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: I have two questions. One was, you spoke about some carry forward negative pricing impact on the base was high in India on the pricing side. Any other markets where you placed similar kind of deflationary impact. I just wanted to gauge how much would be that impact at a consolidated level. So, that's the source of my question?

Anand Kripalu: Yes, actually the only one that was material in terms of a negative pricing was really India. Other than that, I think everything has got anniversarized by and large.

Harit Kapoor: Got it. So, just a follow up is that Q3 should see almost a complete anniversarization across the markets basically?

Anand Kripalu: Yes, that is correct.

Harit Kapoor: And the second one was on Europe. You did answer the question on the margins etc. But just on this 21% growth, this could kind of double click a little bit more on any new customer wins or significant change etc. that's happened for this quarter because as the earlier participant was asking, it's not been very common to see this kind of a number in the European market. So, while the cost side is obviously well appreciated, I just wanted to get a sense of also this 21% odd growth and what's kind of driven that number specifically?

Anand Kripalu: Yes, so we have called out that the Europe growth is somewhat exceptional at 21%. What has fundamentally happened is that there is some new business that's come our way, but that may not have come into Q2, but will come as we speak around the corner. Q2, some of the existing customers have actually given us solid orders and therefore improvement in their wallet share. I think what is really important is that our teams have been able to significantly step up our ability to produce and our ability to provide service and quality at the right standard. So, historically, if such windfall volumes had come, we might have struggled to supply it fully and convert that into sales. This time, I think the team has really done a good job in making sure that production volumes and service levels meet the customer's demand and requirements. And I think that's the positive that's come out of that.

Harit Kapoor: Got it. And last thing was on sustainability. So, I think I read in your presentation that a third of the portfolio is now in terms of sustainability. Could you please remind me in terms of what are the targets for what part of the portfolio, how much percentage of the portfolio will be on sustainable products, maybe in the next 2 to 3 years? Is there some stated intent there?

Anand Kripalu: Yes, in 2 to 3 years, see we are currently at 33%. In the next 2 to 3 years, (+60%) for sure, okay? Maybe even higher, right? And as you would appreciate, the percentage will be a combination of customers wanting to convert and our ability to supply, right? And both these conditions need to be met, right? I mean, a customer doesn't want to convert, he's not going to convert, right? But I think what we are seeing is accelerated conversion demand from customers. Some of the customers out there in India, for instance, and that is in the public domain have made a commitment that there will be 100% recyclable tubes in the not too distant future. Okay, now obviously we need to have the backend ready, which we do, and we are going to supply it there. All I can say is that last fiscal for the full year was 21, right? We are now at 33. This year average probably will be mid to late 30, maybe even touching 40. So, it is converting at an exponential rate at an accelerating rate, right, and I think this is here to stay.

Harit Kapoor: And the last question from my end was, are you seeing this as a source of competitive advantage from a market share perspective right now? Are you already seeing that, given you have the backend, you can scale up small clients, big clients, etc. You have the patents, the ratings are also in your favor in terms of, you mentioned EcoVadis Gold, etc. Are you already seeing that within existing customers or new customers, this is becoming a source of kind of competitive advantage in market share, winning market share gain, leading outcome?

Anand Kripalu: So, I just want to frame this. So, we are not the only people in the world who are doing sustainable tubes. Having said that, I think we have sources of competitive advantage which are to do with our laminate structure and therefore the amount of polymers that goes into a laminate that delivers the right barrier properties and our back-end readiness, we have over three years, we have been investing in CAPEX to ensure that we are able to deliver sustainable and recyclable tubes. So, we are ahead of others in the game. Now, as a result of this, we have seen wallet share gains happening in multiple markets around the world. Now, we believe this source of competitive advantage will stay and play out in the times to come and our objective is to stay one step ahead of this game, right. I can tell you that in in Europe we are going to see shifts and therefore wallet share gain. We've seen some of that happening in India, right and there are opportunities in other places as well. So, net-net, absolutely yes. We see this as a source of competitive advantage and an opportunity to gain wallet share.

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

Sumant Kumar: Yes sir, when we talk about Europe margin, you are talking about manufacturing alignment. So, can you elaborate what is the manufacturing alignment? And the second thing is for the margin expense and any other factors like operating leverage or product mix changes, what are the other factors driving margin for Europe?

Anand Kripalu: I mean all the factors obviously are contributing to drive in margin for Europe. But just on a cost standpoint, what we have done is we have realigned some production capacity from Germany to Poland. When you move lines from Germany to Poland, the labor costs are lower in Poland, second is you can actually run seven days whereas in Germany, you run five days. So, you get 40% more capacity from the same machine. So, you can actually sweat your assets far better. There has been some rationalization in terms of organization structure. And like I said, there is another intervention in terms of manufacturing realignment of a project that is currently underway that will play out in the next 4-5 months. So, apart from that, of course, like I said, the volumes have helped, let's throw the mix but the volumes have certainly helped and our pricing has helped. The ASPs have helped as well. But the cost part is fully sustainable, right? And as I said earlier, we aim to build on that with a few more interventions.

Sumant Kumar: And this margin is going to sustain?

Anand Kripalu: Well, I have said that mid teens' margin will sustain. Now, mid-teens could be 100 points more or less here and there, but mid teens' margin will sustain that is the guidance we will give.

Sumant Kumar: Can you talk about Brazil, how the Brazil's sales margin and are we doing any capacity expansion there?

Anand Kripalu: So, Brazil is doing very well and Brazil margin are margin accretive to the Americas and to our global markets. We have been pleasantly surprised with the kind of demand we are getting and we are getting demand not just for oral care by the way, we are getting a lot of demand also for beauty and cosmetics which is in line with our strategy. Beauty and cosmetics typically tends to be ASP accretive and margin accretive for the business. We are currently evaluating capacity expansion in Brazil particularly to support the beauty and cosmetics demand that we are seeing.

Moderator: The next question is from the line of Akshat Bairathi from RSPN Ventures. Please go ahead.

Akshat Bairathi: So, I have just one bookkeeping question. So, why your other income has doubled from the previous quarters. So, is there any one-off or what has contributed to the increase in the other income?

Deepak Goyal: It has two parts. One is that we get some incentive in Brazil, which is linked to our investment in Brazil. It's a long-term incentive and that kind of goes in there. And then second is our export linked incentives are kind of higher and that also goes in there. So, those are the two facts.

Akshat Bairathi: And just a follow-up, sir. So, will this come in the coming quarters as well, or this comes in single quarter in anyways?

Deepak Goyal: See, the Brazil incentive will continue. The export incentive is dependent on the quantity of export that is done in a particular quarter and could go up and down. And hence, it could kind of go up and down accordingly.

Moderator: Thank you. Next question is from the line of Anish Jobalia from Girik Capital. Please proceed.

Anish Jobalia: Sir, my question is related to the finance cost. So, we are basically generating at around Rs. 30 odd crores. So, if we annualize this, we are paying around Rs. 120 odd crores of finance cost and at the start of the year our debt was around Rs. 800 odd crores. So, just want to understand why our finance cost as a percentage of debt runs in high double digits and what can we expect going forward in the next few quarters would be helpful to understand this year?

Deepak Goyal: Yes. So, there are two points here. One is the finance cost is not only the interest. It also includes our bank charges and things like, let's say, factoring, which does not come in the debt. However, factoring is the invoice discounting. However, the cost of that comes in the financing cost. So, dividing, let's say, Rs. 120 crore versus Rs. 800 crores are not like-to-like comparisons. Second is what you see is a closing debt number and hence average for the quarter could be different. The third point is that we also have debts in countries like Brazil, Mexico and Colombia and these Latin American countries have higher rate of interest. So, like-to-like we are amongst the lowest cost kind of companies because of our AA+ rating that we have. So, in India our cost of interest would be very, very competitive. But because of our global presence, we also borrow in countries where the cost of borrowing is quite high. So, it's a combination of these three things, because of which it appears like that.

Anish Jobalia: Got it sir, so is there any scope for restructuring in this high-cost countries so as to be able to reduce this interest cost going forward? Is there any strategic vision around this?

Deepak Goyal: So, if you look at our overall finance cost, it has grown versus prior year only at about 5% while the revenue has gone up etc. and it is our consistent effort to optimize the cost. Unfortunately, when the prima facie while it seems that could be kind of borrowed in India and then invest in, let's say Latin American countries etc. The moment you add the forward cover cost and we don't want to take currency risk, we are a conservative organization, the cost more or less fits there. However, having said that, we are consistently evaluating various options and will continue to do so.

Anish Jobalia: Okay sir, and my second question is, do we expect to do double digit growth rate for the full year, given the visibility that we would be having in the business?

Anand Kripalu: I mean, what I'll tell you is that on an H1 basis, we are at 9.5% growth, right, if you add Q1 and Q2. Now, our effort absolutely is to deliver double-digit growth. Now we play an overall portfolio of regions and countries, and we are hoping that if something goes up, something else may go down and vice versa. What we do not know therefore is really what how this will play out really in India and China where there is some flavor of softness that seems to be emerging right not so much in our business but in terms of what we can see. So, what we are doing to try and securitize double digit board is to make sure that you have a strategy to compensate right for any softness that comes in this key market. Now, whether that will definitely total up to 10% in this fiscal or not is really hard for me to say. But at the end of H1, we are within spitting distance of that. But how exactly things will play out in H2 is really a little hard for me to see right now and I think we'll have to just suck and see how it goes.

Moderator: Thank you. Next question is from the line of Hemant, individual investor. Please go ahead.

Hemant: Sir, I have one question. Like in H1 FY25, we have done an EBITDA of close to Rs. 410 crores and revenue of Rs. 2100 crores approximately. And our expectation for FY27 was Rs.1050 crores to Rs. 1200 crores of EBITDA and revenue in the range of Rs. 5400 to Rs. 5800 crores. So, are we sort of in our aspirational target for FY27 given the kind of decent growth which we had in H1?

Anand Kripalu: You were talking about the guidance we had done for FY27 when we did the investor road show and in the investor deck. Is that right?

Hemant: Yes, I had a look at one of the old investor presentations. I think it was even FY24 Investor Presentation.

Anand Kripalu: Yes. So, let me say this, I don't think we are upping anything right now. Now, if we are a little ahead of the curve versus the medium-term ambition we have set, right? That's great. But I think we have our task cut out to actually deliver whatever we have committed till now. But as we have said, we are doing everything we can to get to those aspirations, right? Both in terms of growth and of course in terms of absolute EBITDA and margin.

Deepak Goyal: And Anand, if I could just add, I think more important is that the initiatives that we called out in that presentation. And we called out initiatives for double digit revenue growth, sustainability led competitive advantage, and continued margin expansion. I think those initiatives have played out quite well. And we can see those initiatives reflecting in our results. So, if everything goes well, hopefully we will achieve and kind of beat those results. But I think we are continuously, we as management are continuously striving to achieve and beat those targets.

Hemant: Because I think sir, Rs. 410 crores of revenue in H1, even if I annualize it, Rs. 410 crores of EBITDA in H1 FY25, and if I just annualize it, it comes down to nearly Rs. 800 crores of EBITDA, right? And Rs. 1050 to Rs. 1200 crores of EBITDA is our aspirational target for FY27? And we are hitting maybe crossing at Rs. 800 crores of EBITDA in FY24 only?

Deepak Goyal: I think you are complimenting us for the good work that we have done. We will kind of do that and then we kind of do our next set of let's say investor presentation. We will come and talk about how the future is looking. But at this point in time, I think we are very happy with the progress that we have made, how we have delivered on the initiatives that we spoke about. And I think our effort is that we continue making this progress.

Hemant: So, sir, will it be possible for you to quantify the double-digit revenue growth, I mean quantify numbers? Range may be or any ballpark number, will it be in high teens, will it be in late teens or something? Or will it be early teens?

Anand Kripalu: I think we first need to get to double digit growth.

Hemant: Double digit growth is, we are already at 9.5% right?

Anand Kripalu: No, we are at 9.5 but we are not at 10.5. See, listen, I do not want to raise our guidance. Our guidance is what we have given. Once we consistently start delivering, and I can tell you a lot of the initiatives we've taken on growth, we'll start bearing fruit because in this business, customer acquisition, once you get it, it's sticky, but it also takes time to get new business. But all the initiatives we have put in, we are confident we'll start delivering higher levels of growth, particularly through beauty and cosmetics. And once we are there, I think we would revisit whether we are in a position to then raise our guidance. But as of now, we should assume double-digit growth is 10 plus.

Hemant: So, sir, can we expect a sequential kind of growth from Q3?

Anand Kripalu: No, I'm not going to give more flavor than this, honestly. And we are not a sequential business either. We are in a year-on-year business. For instance, in Q3, right you'll see that in our base numbers as well some of the regions have a softer quarter because of Christmas, so the western world tends to shut for a week or two weeks because of Christmas and therefore the quarter is softer, so we don't want to give sequential guidance of any kind. Please stick to double digit growth with 20 plus margins really as our guidance.

Hemant: So, I'll forget about the quarter sir, I'll just talk about the H2, so H2 should be better than H1?

Anand Kripalu: You're asking me to say things that we don't want to submit beyond what guidance we have given. I can't really give you short-term guidance beyond that.

Moderator: Thank you. Next follow-up question is from the line of Sudarshan Padmanabhan from JM Financial PMS, please go ahead.

Sudarshan Padmanabhan: Sir, I would like to understand if I look at your margins, I mean, we had talked about 20% plus. Can you give some color with respect to the raw material and crude? You should be working on a gross contribution per kg, which means that if the crude goes up or down, probably our absolute EBITDA doesn't change, only the margin changes?

M. R. Ramasamy: See, currently most of the raw materials are range-bound. It's not going very high or very low. And as you know, 50%-55% of our business is contractual business. We will catch up with the price in the next quarter. So, we don't see a big risk. Then you also have that all our efforts are on beauty and cosmetics, which is a margin-accretive, right? So, we will get much better absolute margin on those areas. That's where the growth is also at. And we are saying 10% growth in this quarter has come down, personal care products. So, I think we don't see a big risk that we will continue to be in the range of 20% globally figure that is our objective.

Sudarshan Padmanabhan: And my second question is on Brazil. You we talked about availability of further expansion potential in Brazil. Just wanted to understand how much is the CAPEX we have put and how much is the land available for us to expand?

M. R. Ramasamy: See, we explained in the earlier calls, it's a modular rule, right? We have built in such a way that we could continue to expand for the next 1 or 2 years. That's how the plant is built. So, we don't need to add any additional cost and utility and building something like that. However, we need to invest on the CAPEX. Our total CAPEX guidelines will continue to be in our depreciation level. We invest in Brazil, we invest in that, that we will try and ensure that CAPEX is well within that. But we will prioritize where the opportunity is at.

Sudarshan Padmanabhan: So, how much are we invested in Brazil till now?

M. R. Ramasamy: $25 million is what we have invested so far.

Sudarshan Padmanabhan: One final strategic question. Sir, beyond FY27, your aspirational goal in achieving. Do we have enough on the plate on the current set of businesses or with the cash that we are generating, should we be looking at any adjacent fees or additional businesses to go further?

Anand Kripalu: Actually, our stated position as of now is that we want to play in tubes and in no other area of packaging. We don't want to play in aluminum tubes, so we want to play in all forms of ABL and PBL and recyclable tubes. Okay? That's our business. Now, our market shares actually are just about 10% in pharmaceuticals and in beauty and cosmetics. So, we believe the headroom for growth through beauty and cosmetics within tube is huge while we continue to inch up on our shares on oral care. Now we believe that this construct of the market opportunity will allow us to deliver sustainable double digit growth. I think if and when we start seeing diminishing opportunities for double digit growth coming out of our existing space or our chosen strategic areas, that's when we will think about whether we should use cash to go into any kind of adjacencies. But what I want to say is that we are an end-to-end integrated business starting from polymers all the way to the finished tube. And one of the things we are doing is actually to increase the amount of in-house manufacturing of caps for instance, which is a captive business. Now you may call it an adjacency but it goes snug with the tube. So, those are the things we are doing. But do we want to go into other kinds of laminate? Do we want to go into paper packaging? Honestly, right now, that is out of scope.

Moderator: Thank you. Next question is from the line of Pushkar from Sequent Investments. Please go ahead.

Pushkar: My only question is, for the next couple of years, we are only planning maintenance CAPEX or there is some CAPEX for capacity addition or something a huge CAPEX in the next 2-3 years that we are planning?

Deepak Goyal: Sure. I will take that question. So, we sell more than eight billion tubes kind of every year and when we say double digit revenue growth, it definitely means high single digit volume growth as well which means that we will be adding anywhere between 600 to 800 million tubes every year. That is more than the capacity of most players in this business. To deliver that kind of volume growth, we consistently do capacity expansions. And that is built into our double-digit revenue model or the cash flow model that we've been talking about. Do we foresee any out of the order, extra ordinarily large CAPEX at this point in time for the organic business growth, no, that kind of CAPEX is not foreseen. If there is any M&A opportunity that comes in etc., that would come on top. But for that, even growth could be on top.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Pratik Tholiya for the closing comments.

Pratik Tholiya: Thanks, Yusuf. On behalf of Systematix Institutional Equities, I'd like to thank the management for their candid replies to all the questions. Thanks to all the participants for asking the questions. I'd like to hand it over to Anand sir for any closing comments.

Anand Kripalu: No, I think thank you, Pratik, and thank you everyone for participating and continuing to keep the faith in EPL. Thank you.

Pratik Tholiya: Thank you so much, sir.

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