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Corporate Service Department

**BSE Limited**

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The Listing Department

**National Stock Exchange of India Ltd**

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## “EPL Limited Q2 FY22 Earnings Conference Call hosted by Systematix Institutional Equities”

**November 10, 2021**



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CEO, EPL LIMITED**  
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**MR. DEEPAK GANJOO – PRESIDENT, AMESA REGION,  
EPL LIMITED**

**MODERATOR:** **MR. PRATIK THOLIYA – SYSTEMATIX INSTITUTIONAL  
EQUITIES**



*EPL Limited  
November 10, 2021*

**Moderator:** Ladies and Gentlemen, Good day and welcome to the EPL Limited Q2 FY22 Earnings Conference Call hosted by Systematix Institutional Equities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and 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 Faizan. On behalf of Systematix Institutional Equities I would like to welcome all the participants in conference call of EPL to discuss the second quarter and half yearly results. From the management team we have Mr. Anand Kripalu – Managing Director and CEO, Mr. Murugappan Ramasamy – Chief Operating Officer, Mr. Parag Shah our CFO, Mr. Amit Jain – Senior Vice President Corporate Finance, Mr. Suresh Savaliya – Senior Vice President Legal and Company Secretary and Mr. Deepak Ganjoo – President, AMESA region. On behalf of Systematix I would like to first thank the management for giving us the opportunity to host this conference call. I would request Anand sir to kindly start the call by giving his opening remarks. Thank you and over to you, Sir.

**Anand Kripalu:** Thank you very much and hello everybody and good evening and very warm welcome to this call. I am Anand Kripalu and I must say it is a pleasure to connect with each of you today for the first time after moving into the role of Managing Director of EPL after nearly 8 years at USL United Spirits. Looking at the quarter under review which is Q2 we believe we have delivered solid competitive revenue growth at plus 12.8%. On a like-for-like comparable basis that growth is plus 10%. In the half we have also delivered double digit growth at 10.3%. What is good is that this growth is broad based across regions and across categories specifically on the regions our revenue growth in AMESA was plus 18.3%, in East Asia Pacific it was plus 11.9% and in the America it was plus 21.6%.

As you may have seen from the deck that we have shared Europe was challenged due to a temporary decline and we believe it is a temporary decline in the personal care category. Importantly, there was no wallet share loss in Europe and incidentally we grew sequentially our revenue by 5.5% so there is a relative improvement in a Europe performance. As far as categories is concerned Oral care grew by 10% and personal care in line with our strategy grew at a faster plus 14.2%. As far as input cost are concerned the quarter saw continuing hardening of commodities and not just commodities, but also freight and packaging. Like many other companies we are experiencing unprecedented inflation and not just inflation, but also levels of volatility and the latter which is volatility also add to unpredictability.

Despite all of this through a combination of pricing and a tight control of discretionary cost we have delivered a sequential EBITDA margin expansion of 20 basis point to record 18.3% margin. In the quarter our net profit declined by 24.3% which also included a onetime write

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down of assets of Rs. 59 million or Rs. 5.9 crore by an associate company. Net of this and other one off PAT was done 12.3%. So, that was the quarter under review. Looking ahead I just to underscore the fact that growth is our priority and we will keep our foot on the accelerator of growth. Of course with the right balance on margins.

However inflation and volatility of input cost across the board continues unawaited. So, we are mounting renewed efforts to get judicious pricing from our customers and also drives further cost mitigation. Given not just the pricing challenges of commodities, but also challenges on availability as a business we are prioritizing supplies or service above cost to ensure that we are able to deliver the service levels that our customers expect from us. While doing that we are also doubling our efforts on cost savings and savings that will have medium-to-long term impact on our cost base itself. Firstly, we are continuing the focus on project phoenix I believe this has been shared with you in the past which is a comprehensive internal management driven cost saving program which is delivered over several years now. In addition to that we are accelerating investments to drive in sourcing of cap enclosures which will help us to mitigate cost and improve margins.

As a company we have also prided ourselves in being super cost efficient and being really tight on cost. Having said that we said it is worth relooking at our cost with an outside in benchmarking exercise. So you bring in a fresh pair of eyes to look at those cost and we are looking at every single cost end-to-end to explore even further opportunities. Our vision is to make EPL the most sustainable packaging company in the world. We see this as a source of sustainable competitive advantage as companies around the world and importantly most of our customers notify and pursue their ESG goals for 2030.

Therefore, we are particularly delighted to have partnered with Colgate one of our critical customers to launch tubes with a 100% recyclable Platina Laminates. We are also encouraged by the engagement from customers around the world for the supply of this Platina Laminates. Net-net we are confident on driving strong top line growth based on our envision pipeline and continuing wallet share gain. The commodity headwinds and I must underscore the fact that this is not unique to us in terms of inflation and volatility is likely to continue. In this challenging environment we are doing what it takes to securitize supply so that we can deliver the right service levels to our customers. There also exist a face lag between cost and pricing for contracted customers and this could have some shorter-term impact.

Overall, we remained focused on growing the business by double digits on revenue with capital efficient consistent earnings growth. So, with that we are going to open up the lines for your questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sameer Gupta from IIFL. Please go ahead.



**Sameer Gupta:** Sir first question is on margins and specifically on Europe, so here EBIT margin now has come at 4% and the question also pertains to some of the events that have happened in the previous quarter so I believe you discontinued operations in Russia, the understanding was that it probably was a higher cost, manufacturing and hence discontinued, so now we are looking at a lower margin lower sale so what exactly was the reason for discontinuing operations there in the first place and how long in our view would you take to restore the margins and Europe back to that 8% levels assuming that inflation is where it is today?

**Anand Kripalu:** So, I will leave the answer to your question and then I will ask my colleagues to chip in as appropriate. So, first and foremost in business you have to constantly evaluate your portfolio of products and offers and geographies and markets that you service and active portfolio management is a very important part of strategy. Therefore, the evaluation of Russia as a market which we believed was not going to be accretive to the ambitions of the business and that was evaluated by the team and therefore the decision was taken to exit that market. Now as far as margins in Europe are concerned I just want to underscore the fact that this is a priority for the management team and we are doing what it takes to enhance our margins in Europe, the team is developed and is pursuing an active margin improvement plan which we are obviously going to keep track of. Now I do not think we are in a position to tell you by when the margins will be restored to the levels that you indicated because there are multiple levers at this point in time that I have already spoken about multiple headwinds business like ours are facing, but suffice to say that it is a priority for the business and our attempt will be restore these margins to levels that are acceptable to us in the quickest possible time.

**Murugappan Ramasamy:** Some of product segments like personal care in Europe is muted for many people, to us also, but that is temporary because of COVID, COVID related issues and travelled related issues, but we are hopeful in the near future it should restore back to a normal level when it restore back to the normal level we will see a leverage on EBIT too.

**Sameer Gupta:** Sir just one follow up I am sorry to dwell on this more, but so can you just elaborate a little more as to what exactly were the reasons for discontinuing operations in Russia, was it a product category which you thought is not going to grow or I do not know?

**Murugappan Ramasamy:** None of that we were in Russia for a very longer period of time we were looking at larger contracts, large contracts are not available because many of the MNCs are moved manufacturing out of Russia, they start supplying from China and things like that. So that was one of the reasons that in the near future that we were not looking at many big opportunities were in downgrade that was one reason. The second you know because we were traditionally dealt with part contract, part retail customers, retail customers were fluctuating based on a COVID demand and things like that. As Anand said it is a call for a time being. We are still trading out of Europe our other locations to Russia when the volume grows up we could reverse that decision and go back to Russia that is not an issue.

**Sameer Gupta:** You have always maintained guidance of modest improvement in margins and I know these are times of unprecedented inflation as we have noted from other companies as well, but just to clarify do we still have that guidance for FY22 given 18.5% kind of a margin this quarter and FY21 finished on 20%?

**Anand Kripalu:** So you know we are not going to give specific guidance about short term margin movements. I tried to explain the scenario as it is and it is a dynamic and evolving situation. Now there is little that management or indeed anybody can do when commodities inflate and fluctuate. The question is what are we doing we are driving growth much harder and we are going to keep our foot on the accelerator of growth and that is important and we hope to continue to deliver the kind of top line growth that you are seeing we want to do that and we are doubling and tripling up everything that we can do to drive cost out of the business. So, that is the reality and finally we are having active conversations on further price increases with key customers. So, the contracted customers will happen in its normal rhythm, but for the rest of the customers as well. Beyond that I think it is appropriate to give any kind of guidance of what is going to happen in the next half I think that is something that we would not like to comment on, but our longer term and medium-term ambition is exactly what you said that space albeit given the road bumps of the immediate period that we are going through.

**Moderator:** Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** First on the revenue growth side close to 13% growth including inorganic and 10% growth on an organic basis in a scenario where raw material cost have gone anywhere between 25% to 50% which implies us that there is a significant volume compression which we have seen in the business this is on the backdrop that we are coming out of the lockdown, the travel is booming and we were anticipating a big offtake in the travel side of the category and the beauty and cosmetic. Given all this background it really looks an underwhelming number from the revenue growth perspective, so can you just help us understand what is happening on the volume side and have you lost any meaningful market share in any of our geographies?

**Anand Kripalu:** So, first of all I must tell you that the travel related volumes have not really come back yet, but looking at the trend of travel we have every confidence that it could comeback quite fast, but we will have to wait and see as far as that is concerned. Now we do not really comment on volume growth, but what I can tell you that of course there is some amount of price, but it is not all price. There are other components that are contributing to the revenue growth as well. So, I think that is what you should take away the fact that is it and I am not sure what your benchmark is, but in our assessment having seen reported numbers across industries our assessment was that 12.8% growth with organic or like-to-like comparison then was pretty much up there in terms of performance.

**Murugappan Ramasamy:** If I may add to Anand point Sanjesh I draw your attention to the region wise growth AMESA is a 18.4% growth, America is 2.16 and EAP is 12% you already heard the questions of the prior participant and our answer on Europe so if you want to really look at it, it is a very strong growth in all the three regions and it is not a subdued growth. Again, I repeat 18.4 AMESA, 21.6 in America and 12% in EAP.

**Anand Kripalu:** And your point on share I can tell you quite categorically that wallet share is greater than or equal to what it was it is not less than what it was that I can tell you quite categorically and that I can tell you categorically across our regions.

**Sanjesh Jain:** Second question is on the margin so it will continue in a couple of bundle into one our employee cost and other expenses continues to remain sticky and the other expenses reported increase was on account of COVID related cost overtime and all what we were seeing during the COVID that was anticipated to come down with a lockdown and number two the mix change has always been a positive for us in terms of margin. Number three now that we are telling there is no market share gone then I will take margin at a face value we are yet to pass on the margin and that margin compression is only 200 basis point and that is a kind of compression we have seen in the EBITDA margin, but the other benefit which should have flown in the continuous effort on the cost side to bring that down the benefit of mix change all those are still missing adding to that the benefit of Russia synergy what we have spoken about in the last earning call. So, all those things were still missing in the margin, so can you just help us understand what is happening on the cost side and how should we read the margins from here on?

**Murugappan Ramasamy:** So Sanjesh first of all let me reiterate in this environment which I am sure you acknowledge about the unprecedented inflation and volatility our EBITDA margin has improved from 18.1 to 18.3 so I am just sort of reiterating the context of where we are. Secondly, to your point on expenses and other expenses you explain and that still holds true that those expenses are largely on account of freight and packing and as far as our employee cost are concerned I am not sure if you are aware, but there are labor shortages in America and to an extent even in Europe and therefore the spent-on employee cost does tend to be a little bit higher than the normal spent. Again I think I do not want to go there and being very specific, but I know you have more information than I have if you look at what is happening to EBITDA margins of players in packaging industry or my customers and look at how we have managed it in the environment that are. So, I think I would still say that we have done a very good job in this environment to grow our margins fine it is 20 bps, but I think it is a great performance.

**Sanjesh Jain:** Just one last bit of data point if you can provide what is the CAPEX spent we are looking for this year?

**Murugappan Ramasamy:** So, we have always guided that if you look at our three, four-year span and look at an average of that period it would go back to the depreciation of around 240 crores, 250 crores so we stand by that.

**Moderator:** Thank you. The next question is from the line of Punit Kumar from Reliable Investments. Please go ahead.

**Punit Kumar:** But on a lighter note, you have inherited what you left in terms of United States at debt the new MD there has talked in terms of some quarters in which quarters they have reduced it you have not talked anything regarding that here any views on that you are rare MNC which has got such a huge debt?

**Anand Kripalu:** So, I am not going to comment on that honestly I am not going to comment on United States today. So, if you have questions on EPL we will be delighted to take those.

**Moderator:** Thank you. The next question is from the line of Chirag Maroo from Keynote Capital. Please go ahead.

**Chirag Maroo:** My first question is that I just want to understand what is your view regarding the company for the growth, is it like similar to what Mr. Sudhanshu had or is it something different what you are trying to do?

**Anand Kripalu:** What is my view of the company's growth.

**Chirag Maroo:** Your view on company how you are trying to grow the company is it different from what Mr. Sudhanshu was trying to do or you are walking on the same pathway?

**Anand Kripalu:** No I am going to walk on pretty much the same pathway I would say as a broad pathway, but what I would like to do is to be a maybe a bit more focused on a few things one is I think we really want to make sustainability the corner stone of our business vision, ambition and our strategy because I believe as I said in my opening comments that sustainability will be the single bigger source of competitor advantage in serving the kind of customers that we service in this industry. So, if we can help our customer achieve their goals in turn that is going to help our business. The second is we are absolutely focused on driving top line growth if anything I would like to push the accelerator even harder that maybe easier said than done, but as an ambition that is what we would like to do and that will in turn force the sets of action within our team to go and look for more business and be more aggressive about wallet share gains. The broad contours of the strategy that was there I do not think we will change that, but I would like to be just more focused and sharp about what we want to get out of that strategy.



- Chirag Maroo:** Sir my second question is on is it possible for you to give the data on what amount of revenue have we generated from replacement and how much have we generated from the newer demand?
- Anand Kripalu:** How much from replacement and how much from newer and by newer demand you mean new business.
- Chirag Maroo:** Yes sir.
- Anand Kripalu:** No, I do not think we would share just like telling you what percentage of our revenue is coming from innovation and how much of it from continuing core business that is what you are asking.
- Chirag Maroo:** Yes sir.
- Anand Kripalu:** No, I do not think we will be in a position to share that information.
- Murugappan Ramasamy:** I just like to add to Anand's point that our business pipeline continues to be very strong and we are very much focused and confident of our double-digit growth.
- Chirag Maroo:** Sir last question one of the earlier participant had a question related to the Europe geographical area margin level and you have commented that you want to be in the acceptable margins levels for Europe, so can you just tell what is the acceptable level for you in Europe?
- Murugappan Ramasamy:** So, I think our EBITDA margins were 10.9% in Europe and our objective is to get there to the mid-teens and yes our endeavor is also to do it as soon as possible, but in these unprecedented times it is difficult to put a time line to it, but our target would be big teens.
- Moderator:** Thank you. The next question is from the line of Rishab Dugar from CD Equisearch. Please go ahead.
- Rishab Dugar:** So my question is I just want to understand what sort of pricing power do you people have with your oral care clients?
- Murugappan Ramasamy:** In a difficult time each on us the product managers are trying to add more value to the product premium product. So, we currently what we do is we equipped ourselves with best of the technologies that we can have so that more and more premium products are introduced in the oral care. Thereby, customer growth thereby our margins growth that is a line of action that we have taken. When value is added you have far better pricing power.
- Anand Kripalu:** And if I can just add to what Ram has shared so one is absolutely supporting premium innovation in oral care where the customers get a higher revenue and because we supply more value added tubes we get higher revenue, but apart from that the core vanilla business of oral care a very large part of it is contracted in terms of price increases and that contracted means that when cost

go up within a certain regime the price goes up. So, the pricing power is not about our sitting and negotiating every time for a very large part of our oral care business. So, if you add that which is our core vanilla business to the icing on the cake which is the innovation business both put together I think gives us both pricing power and margin power to an extent because of the premium nature of the innovation that we are supporting.

**Murugappan Ramasamy:** Just let me add data to that we grew by 16.5% in oral care in Quarter 1 and 10% in Quarter 2 that translates to 13% oral care growth in H1 and that 13% oral care growth has meant double digit oral care growth in three regions out of four regions so I think that speaks to our ability to grow our oral business.

**Rishab Dugar:** I just basically I want to understand that your margins on a year-on-year basis have fallen slightly, so just can you give me a bit idea that what sort of resistance you are facing in passing on the price increases to your oral care clients specifically?

**Anand Kripalu:** So, I will share as much as answerable to share. So, first of all our contracted volumes by design and that has stayed in place for decades. There is a face lag of few months between the commodities going up, enough suffering those increase cost, enough getting the price increase. So, that happens now apart from that for the non contracted volumes we got pricing by the way for all the cost increase that happened in the previous cost cycle. Now it so happens that in the recent month costs are going up again which means we have to go and again get fresh price increases from customers. So, it is not as if they are resistance but this is such a volatile environment that in the past if you had a conversation on pricing once a year or once in two years with a customer now you need to do it once the quarter or sometimes even twice a quarter now that is the difference and that is the reality of the game that we are playing. So, it is not about resistance it is about changing the agility with which we go and get price increases from customers.

**Rishab Dugar:** Basically, sir the tenure of contracts with your clients are generally long term or a shorter term, can you give a bit idea in that?

**Murugappan Ramasamy:** These are long term contracts typically ranging from three to five years. The oral contracts, oral customers tend to be all long term and the period tends to be in the region of three to five years.

**Moderator:** Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Investment Management. Please go ahead.

**Ashwini Agarwal:** I just had one simple question just looking a little bit into Europe, Europe had been a challenge for the business several years ago as well and the margins in Europe East used to be much poorer than the rest of the world and this problem seems to have resurfaced again and I am just trying to figure out that are there any common threats compared to the challenges that we business used

to face in the past and what you are witnessing right now and connected to that is that you know in Europe specifically you won a very large oral contract in Germany from what I recall about 6 months ago and I would have expected both growth and margins to see a list from that, but that has not happened and I am a little puzzled as to why you say that cosmetics have not grown in Europe the rest of the world seems to be okay, so I am kind of confused if you have any insights into why personal products of cosmetics have not grown in the European region that will be a great thing to understand?

**Murugappan Ramasamy:** Let me probably that we need to see this differently if you look at last five or six quarters it is about setting up an organization for a region then leveraging the cost by growing volumes. What you have seen in the last four, five quarters is that quarter-on-quarter we have shown improvements in Europe that is why the specific focus on Europe that which you would have seen. What we have seen in this quarter is very temporary related to current uncertainty because of COVID and travels. You know for many companies the volumes have not grown because the personal products has not grown very much, but I think it is temporary. The sector for leveraging the volume is already there we got a contract as you rightly said we have won a large oral care contract not one contract now we three contracts in Europe. So, it is a question of passing the difficult time I am sure this time will go away in the next one or two quarters and we will see a continuing growth.

**Ashwini Agarwal:** I mean I am just trying to understand that there is no structural challenge you face there in terms of the new contracts being at a significantly lower margin and you will need to work through them over the next two or three years and therefore the margins in Europe can continue to be a drag in the medium terms?

**Murugappan Ramasamy:** No, we do not think so see most contracts are longer period of contracts may come out with appropriate margin for such a period of contract, but it will never be lower it will be you have seen a last four quarters versus this quarter. This is the first quarter that we have some issues because of an uptake, but that has nothing to do from a contract. Contract from a margins are always tight. Just an obvious point I think probably aware unlike the other region Europe region has about 65% of its revenue composition in personal care what we all do sort of agree and appreciate is that in COVID times personal care obviously more impacted than oral care and therefore it is the personal care business in Europe that has been impacted and Europe has seen in recent times strong emergence of COVID once more and we are also experiencing labor shortage even in Europe which was so far confined to America. So, therefore clearly in our view and we are confident of what we say when we say this is a temporary setback in the personal care category.

**Anand Kripalu:** I would like to underscore that if you look at Europe organically without Russia and hand sanitizer explosion that happened in the early part of COVID and as you know and I am sure you are experiencing that. Everyone was hungry for hand sanitizer 6 months, 12 months ago no

one is using it today same thing has happened. So, if you remove Russia and hand sanitizer on the base Europe has actually grown by 2.8% in revenue this quarter.

**Ashwini Agarwal:** And one more question I had you have taken trouble to go into detail as to the effort the company is making to a sustainable product and a partnership with Colgate I know you don't comment on product wise margins, but would it be fair to assume that these visions at the margin should help margins over a period of time or that is not a very clear-cut equation?

**Anand Kripalu:** In your question on whether the sustainable tune will be margin accretive.

**Ashwini Agarwal:** That is correct that is my question.

**Anand Kripalu:** So, you know, that will be like commenting on SKU wise profitability honestly so I do not think we would like to share level of information to that level of granularity, but what I can tell you is this that driving innovation through sustainable offering is like pushing water downhill. Every customer is hungry to do more, more and more and as we can also securitize like raw materials and everything else this will drive wallet share and will drive our top line growth and drive our competitiveness and that is something that is absolutely there.

**Moderator:** Thank you. The next question is from the line of Trilok from Aditya Birla Sun Life Insurance. Please go ahead.

**Trilok:** I just had two questions one is basis on the recent uptake in the raw material prices again have we taken enough price increase already to ensure that the margins are protected from here on and second is could you just tell us what is the mix of contracted versus spot in terms of clients or revenues as it pick in the 2021?

**Anand Kripalu:** Two questions so on the second one have we shared publicly the split of contracted volumes versus the rest no. So, that I am first we cannot say I think that is a level of granularity beyond what we would like to make public. Now having said that your point on have we taken enough pricing to cover the most recent inflation. This is a moving target to be honest with you and like any moving target the target is always a little ahead because that inflation that has happened that is unexpected to **(Inaudible) 39:57** also which is on top of what happened in September and August before that. So, the reality is because of volatility the reality is we are always going to be little bit behind it is impossible to be ahead on pricing because you will understand that you cannot go to customers for price increases because the cost has issue that is not a conversation that they will encourage or entertain. It will always the definition be a little later after the cost will hit you and you have the information to go and tell them they cost have gone up now you need a price increase. So, by definition there is going to be some lag.

**Trilok:** Lastly when addressing to the previous participant question on Europe personal care you know this COVID impact or the probability of COVID coming and going in several regions will remain for the foreseeable future, so how you guys plan or kind of internal planning perspective from revenue as well as cost and EBITDA for region wise it is obviously all of them are difficult for us to do it I mean how you guys doing it is what I wanted to understand or is there anything that you guys I mean because of wave 2 versus 3 versus 1 the learning and implications are very different so any comments on that will be helpful?

**Anand Kripalu:** So you guys are focusing more on Europe then I think there is a warrant on this call. See in any business at least 40 years of experience that I have. You will have the portfolios of countries or a portfolio of states or a portfolio of brands there will all be some that does better and some does work that is the reality of the business and we have seen a business where everything is perfect, everything is growing in the same rate. Now the reality is that Europe has had its own unique problem because of which there has been the impacts, its structural business the fact that it is more of a personal care business for us and the fact that this category has been impacted because by definition these are categories that people who go out consume, but at the end of the day we need to obviously get Europe right and I underscore that already, but nobody wants to understand why the other regions has grown so fast on this call and that is interesting because we can always focus on one smaller part of the business that has had some challenge rather than focus on the positive and the wins and you just have to recognize that we are all playing a portfolio again here. I spoke about the importance of portfolio, management in the Russia conversation as well and that is the situation here and so I can underscore Europe contributes less than 10<sup>th</sup> of our business, but today share of voice has been 50% on the call and also less than 10% of the EBIT of the company. So, I am not trying to run away from Europe conversation, but honestly I think we said what it had to be said on Europe and we are all lying about the fact that we need to pull our performance in Europe and we are absolutely agreeing to that.

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

**Sumant Kumar:** Sir would like to understand overall growth how volume trajectory because we are unable to understand how volume is going for us in this scenario?

**Anand Kripalu:** So we are not sharing volumes and the reason is that we use revenue as a core metric or performance in this business particularly as this business focuses more on beauty and cosmetics as this business focuses more on premium offering in tubes. As to say in my previous company who cannot at one case of McDowell's No 1 and one case of Johnnie Walker Blue Label and say I have sold two cases you just cannot do that in a market does premiumizing. I think we are absolutely focused on driving volume in this case, but even more focused on value through mix and getting the right kind of pricing through. So, I would like you to really use revenue as the core matrix or evaluation of the business rather than try and overanalyze the sub segment of it.



**Sumant Kumar:** Can you talk about the overall we have a long term **(Inaudible)** 45:01 the lag of 3 months so next quarter also we are expecting heavy impact on the margin so overall the price pass on the other side how is it possible, how easy?

**Anand Kripalu:** So you are talking about the price pass through on non-contracted value is that the question.

**Sumant Kumar:** Yes.

**Anand Kripalu:** No, we are absolutely at it just to be clear we are not just sitting and just waiting we are absolutely at it to go and get pricing as quickly as possible. We have been I would say very successful and getting pricing in the last cycle just a couple of months ago based on the initial increase that we find commodities through April, May, June, July and so on been very successful in negotiating price increases and therefore I have every confident that we will be very successful even this time around, but the question is it just takes a little bit of time and yes there is a little bit of face lag that you will see you will see, but it is not as if there is a longer term erosion of the fundamental of this business, the price increase will always catch up.

**Sumant Kumar:** So how is the client customer addition side the momentum has gone up or overall it has moderated?

**Anand Kripalu:** The customer momentum so I am saying actually I had to say this generally speaking apart from a few pockets again in the portfolio conversation demand is I would say pretty strong in most part of the world and therefore I have to believe that our customers are doing well. Demand is strong and in fact of the challenges were having with people and so on in the Western world is because demand is demand. So, I would think that customers are doing well and we have a very powerful customer base probably the best customer base that you will find the choice is customers from around the world and they do what it takes to make sure their brand grow and their categories grow and our growth will follow that. So, I have no reason to be pessimistic as far as that is concerned borrowing like I said a few pockets like again Europe we have discussed as we have some challenges obviously and you know that.

**Moderator:** Thank you. The next question is from the line of Kashyap from Theleme Partners. Please go ahead.

**Kashyap:** I think performance has been reasonable I think double digit growth and Q-on-Q margin improvement more or less underscores what we had discussed earlier I just had two questions first and foremost just a clarification in Q2 last year I think creative was acquired so will it be fair to assume that when you basically reported the exhausted EBITDA of 173 crore and this year around 162 crore in the last year base creative is not part of the last year base whereas it is part of the current quarters base, would it be a fair understanding?

- Anand Kripalu:** Can you just repeat the question I am sorry I just want to be clear I understood you.
- Kashyap:** You have acquired Creative Stylo Packs last year when you actually have reported 173 crores as your adjusted EBITDA in the presentation that has been shared and this quarter you have kind of put across as 166 crores you are kind of saying decline is more or less 3.5% correct me if I am wrong in the last year base Creative is not part of the last year base or is it part of the last year base when we are looking?
- Anand Kripalu:** No, it is not part of the last year base it is part of this year only.
- Kashyap:** So, if you want to kind of adjust that could you give us comparable EBITDA what was that adjusting that?
- Murugappan Ramasamy:** Let me put it different way when we made the acquisition we said some of the criteria that we use is it would be revenue accretive and margin accretive so I can confirm that is true with respect to the acquisition.
- Anand Kripalu:** And maybe I just add a bit here of course you can dissect number in any which way, but I just want to say that M&A is an absolutely key lag of our strategy and as this business evolves the attempt only to bring in strategically relevant acquisitions into the EPL fold relevant from a portfolio standpoint, from a technology standpoint and from a growth and margin standpoint and I just want to underscore that and say that therefore Creative was one such example and hopefully there will be more fullness of time as well.
- Kashyap:** My other question is while you have kind of made it very clear in various points in the call that you took the price increases, but though in the previous cycle and then you again so on unprecedented increasing and I understand you cannot keep going to customers constantly till things settle down for a renegotiation, but you mentioned that this is going to be a moving target so to speak and I do not want to ask you to comment any number that okay this is where the margin target would be etcetera, but qualitatively would it be fair to assume that a QoQ margin improvement that we have seen in the current quarter will be the story for the remaining part of the year that Q3 will be better than Q2 because you will constantly go and make these iterations either on cost or product mix, customer negotiations etcetera for the full year we will evolve, but every quarter the margins reported should be logically better than the previous quarters at least till things settle down would that be a fair assumption?
- Anand Kripalu:** So, you are asking me to comment qualitatively on something that will have quantitative outcomes effectively. I do not want to belated your question I understand your question honestly there is only so much that I can say as far as this is concerned because otherwise it will be like giving you a categoric guidance for the next quarter or two quarters and that is something that we do not do and do not intent to do, but on pricing I just want to say that there is absolutely no

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apology in this environment to keep going back to customers any number of times because it is an unprecedented environment and therefore it calls for unprecedented actions. There is absolutely no apology that we will need to make in going back and we are not going to be ashamed or hesitant to do it. In fact, if anything we will be very aggressive on going back to customers and getting price increases as quick as possible after the cost increases hit us.

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

**Pratik Tholiya:** Thanks. On behalf of Systematix I would like to once again thank all the participants for logging on to this call. Again, I like to thank the management for giving us the opportunity. Mr. Kripalu will you like to make any closing comments please.

**Anand Kripalu:** No, I just want to thank everyone for joining this call late in the evening and this question really reflect your understanding of this company. The rigor with which you track it, but most importantly your support of this company for which we are very much appreciative. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Systematix Institutional Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.