August 20, 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 August 7, 2024 and August 13, 2024, we are enclosing herewith, the Transcript of the conference call for the Analysts/ Investors, which was held on August 13, 2024, to discuss the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended on June 30, 2024 ("said transcript").

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

This is for your information and records.

Thanking you.

Yours faithfully,
For **EPL Limited**

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"EPL Limited Q1 FY 2025 Earnings Conference Call"

August 13, 2024

MANAGEMENT:	**MR. ANAND KRIPALU – MANAGING DIRECTOR AND GLOBAL CHIEF EXECUTIVE OFFICER - EPL LIMITED**
	MR. M. R. RAMASAMY – CHIEF OPERATING OFFICER - EPL LIMITED
	MR. DEEPAK GOYAL – CHIEF FINANCIAL OFFICER - EPL LIMITED
	MR. SHRIHARI K RAO – PRESIDENT, AMESA REGION - EPL LIMITED
	MR. ONKAR GHANGURDE – HEAD, LEGAL, COMPANY SECRETARY AND COMPLIANCE OFFICER - EPL LIMITED
MODERATOR:	**MR. PRATIK THOLIYA – SYSTEMATIX INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the EPL Limited Q1 FY '25 Earnings Call, hosted by Systematix Institutional Equities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone 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: Yes, hi. Thanks Siddharth. Good evening, everyone. On behalf of Systematix Institutional Equities, I would like to welcome all the participants who have logged into this conference call of EPL to discuss the Q1 FY '25 results.

From the management team 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; and Mr. Onkar Ghangurde, Head - Legal, CS and 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 start the proceedings by giving his opening remarks. Thank you and over to you, sir.

Anand Kripalu: Thank you very much, Pratik. And hello, everyone. And thank you very much for joining us for this Q1 FY '25 earnings call.

We had a strong quarter with significant growth across all our key metrics. I am pleased to report double-digit revenue growth of 10.7%, with EBITDA growth of 20.8%, and PAT growth of 35.4%, excluding one-offs. Our EBITDA margin has expanded to 19.1%, marking an improvement of 160 basis points year-on-year. With revenue and EBITDA margin moving in the right direction, we are firmly on track to deliver on our commitment of sustained double-digit revenue growth with 20% plus EBITDA margin.

Our revenue growth is driven by robust demand in all our major markets and the successful execution of our strategic initiatives. In the AMESA region, revenues grew by 9.5%, with India standalone growing at 8.6%. The EAP region delivered a strong growth of 13.9%, while Europe grew by 9%. In the Americas, we achieved a high double-digit growth of 18.9%. On EBITDA, our 19% plus margin demonstrates the efficacy of our strategy. We are confident that our margin improvement plan will successfully deliver a 20% margin as we continue to focus on enhancing efficiency and optimizing our operations.

There was an enhanced oral care demand this quarter, driven by strong organic momentum. But also importantly, wallet share gain with a few customers as we transitioned to sustainable tube. With solid performance across our diversified portfolio, we remain confident of continued strong delivery going ahead.

Reported PAT for the quarter grew by 18.2%, and adjusted PAT excluding one-offs grew by a solid 35.4%. The one-off includes Rs. 69 million of tax refund, which we received in the previous year, that is Q1 FY '24. ROCE stood at 15.9%, an increase of 1.9 percentage points, excluding one-offs.

Moving on to sustainability and innovation, recognition and wins. Innovation continues to be the cornerstone of our strategy. This quarter, we continued our work on developing innovative products and packaging solutions in close collaboration with our customers. Our ongoing efforts were recognized at the recent SIES SOP Awards, where our tubes were celebrated for their innovative design.

We're also seeing encouraging progress and momentum in our sustainability efforts. Our sustainable tube offerings now represent 29% of our total volume. And we anticipate this proportion to grow further as customer commitments align with our sustainable solutions. We have proudly maintained our A rating from CDP for three consecutive years. Additionally, we secured approval for our emission targets from the Science Based Targets initiative, or SBTi, becoming the first Indian MNC in the packaging sector to achieve this milestone. With these accomplishments, we are well on our way to achieving EcoVadis Platinum next year.

Looking ahead, the strong performance in the current quarter reinforces our confidence in our strategic direction. Our initiatives are clearly gaining momentum, and the positive results are becoming increasingly evident.

We have four key priorities as we look ahead. First, Brazil, our expansion efforts in Brazil are progressing well. We have started supplying to new customers in Q1 FY '25, including two multinational clients and a local partner, alongside our anchor customer. The customer base expansion within just one year of plant commercialization reflects a huge potential in this market for EPL. Moreover, we have significant headroom for growth at our plant, both with existing capacity as well as the modular nature of the plant design itself.

Second, personal care and beyond. We continue to drive personal care and beyond as a category. We are making good progress with our Neo-seam tubes, securing commercial orders across three regions. We have seen strong growth in personal care in EAP and the Americas, even as we continue to build capabilities in AMESA and Europe, across both the back-end and the front-end.

Third, margin expansion. Our margin expansion efforts are advancing as planned, with notable improvements observed in Europe and the Americas. In Europe, margins have increased by 230 basis points over the past year, reaching the mid-teens level. Similarly, in the Americas, margins have risen from single-digits to high-teens, underscoring the effectiveness of our efforts.

And fourth, sustainability-led competitive advantage. We are seeing continued pull on sustainable tube conversion. We witnessed wallet share gain in the oral category in Q1 FY '25 with a few key customers, aided by our sustainable solutions which has all led to a strong oral growth. Our sustainable tube mix reached 29% in Q1 FY '25 versus 21% in FY '24. We believe EPL is well-positioned to take the benefit from this trend with our leading-the-pack capability.

In conclusion, we are encouraged by our progress and optimistic about the future. We remain on track to deliver on our target of sustained double-digit revenue growth, coupled with 20% plus margins. Thank you. We will now open this up for questions.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Mihir P. Shah from Nomura. Please go ahead.

Mihir Shah: Congrats on a good set of numbers. Firstly, I wanted to check if this quarter had any element of price cuts in the sales. And sub part to it was, can one expect the high-teens growth that we have seen in Americas to sustain on the back of new client sign-ups? And any geography that you think that can derail double-digit revenue growth going forward? So that's my first question.

Anand Kripalu: Okay, you have another question?

Mihir Shah: I have a bunch of them, sir. I will just rattle all of them.

Anand Kripalu: You may want to just give me a couple now and then do it later. Otherwise, your colleagues will complain that we gave you too much time and did not spare time for the rest.

Mihir Shah: No problem, sir. Sir secondly, I wanted to know on gross margins, we are seeing raw material prices inching up for you, does this warrant any price hikes? Or can gross margins be sustained at Q1 levels? That was on the margins front. A sub part to the margins is, Europe margins, a very good improvement. Is it sustainable or do you think this is just a knee-jerk? And any reason for India margins to go down? I have a few other questions, I will come back in the queue.

Anand Kripalu: Okay. Let me try and deal with these, and I will request my colleagues as needed. So let me start. Have there been price cuts? Now, have there been some price corrections in a few places with a few customers based on past or based on commodity softening of the past that is now occurring? Yes, there has been. Having said that, I would think that price corrections have largely bottled down as we speak now and there are major price corrections that are pending anymore.

Can we sustain Americas high-teen growth? We've given you guidance on our global growth ambition. I would not like to get into a region-by-region growth ambition because every company, and we included, run a portfolio. But our ambition is to continue to drive growth in all regions, but deliver double-digit growth globally, right. And that's our commitment, and we will play that portfolio to the best of our ability. If some regions grow faster and we grow faster overall, we will not be disappointed. But our commitment is double-digit growth.

Are there any geographies that could derail our double-digit growth story? In this world, as we have seen, there is always something happening, okay? A lot of people are talking about domestic demand in China not being great. But our EAP growth actually remains solid. There is a lot of talk of uncertainty and some softening that could happen in the U.S. particularly, okay? So I am just saying these are path of the course, so anything can happen in any geography. We will do our best to make sure that collectively and globally we still get to double-digit growth.

Are our gross margins sustainable? Yes. I think they are sustainable, and I am not telling you something one quarter to the other may go up or down 50 basis points, but broadly I think we are in the zone which is sustainable. As far as Europe is concerned, it is absolutely sustainable, but I just want to say that we have not finished our mid-teens margin commitment journey, and we are still working to improve Europe margins further, so we are not stopping here.

Could India margins go down? If anything, we are doing what it takes to see how we can push India margins up from where they are right now, so we will not allow it to go down easily, okay? And of course, life is dynamic and many levers will play out, but our effort is to make sure that India margins improve from where we are today. So, I think those are your responses, Mihir, to what you've asked. And maybe we could go to somebody else and come back later if there are more.

Mihir Shah: Perfect, sir. Actually, I want you to know the reasons for India margins going down by 170 basis points.

Anand Kripalu: Well, see first of all, I just want to say a few things which is, as far as India is concerned, there are a couple of things that have happened, okay? Now you might calculate the GC, our GC is actually more or less in the zone where we want to be as far as India is concerned. But the India standalone results, right, have been impacted by investments that we are making to drive improved performance and growth, okay. So I want to make this very clear, investments we are making to drive improved performance and growth.

So what are we doing here? We are investing in capability, so we have increased our capability on the ground in terms of hunting and so on that we have spoken about earlier to accelerate some of our B&C efforts. But we have also invested in some corporate capability building that will benefit the globe, but sits in the India standalone P&L. Now, combined with investments in capability building, and part of that is flowing through into the P&L, we also have an enhanced performance-driven incentive that we are running for people in FY '25, okay?

Now, this will be paid out only if we deliver our enhanced performance ambition, which is more than our internal budget, right, during the course of the year. But by way of prudent accounting, it is being accrued for right now. So, what I want to say is, whatever you are seeing here, right, a good part of it is because of conscious decisions we are taking to improve future performance, and I am hoping it will be like that.

Moderator: Thank you. Next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Congratulations on a good set of numbers. Firstly, sir, and this is taking from the previous participant, there have been price corrections, but just wanted to understand, is there an element of negative pricing which might be carrying forward from previous quarter, which is there in this quarter as well? And if so, if you could just give a ballpark approximation as to how much it is

And just a sub-question to this, can you also make us understand by when do you expect this number or this phenomenon to anniversarize? In which quarter is it expected to anniversarize? That's my question, sir.

Anand Kripalu: Okay. So, as far as negative pricing is concerned, I mean, I will tell you price mix, okay? Because just pure pricing is very difficult to play, but I will tell you price mix. And it's a mixed portfolio, right? Globally, there is no material negative pricing. Some regions have more of that negative price mix, okay? But, overall, looking ahead, I would say we have more or less anniversarized, to use your words, right, as far as the pricing is concerned.

So I think we are going to see more stability. Hopefully, no negative prices. Maybe no major positive prices either, because that's how commodities are moving. And therefore, you are going to see a more pure play performance coming through. But clearly, there are still opportunities, some small percentage of price increase will come and mix more importantly will come, okay? And those are the things that will help us in our quest for sustaining double-digit revenue growth.

Sameer Gupta: Great, sir. If I just add another question, while personal care on an annual basis has seen quite a good increase in salience, this quarter particularly there is a large divergence. So just wanted to understand, is it only because of Brazil and some of the good performance in oral care players in India or is there anything else? There's a 15% growth in oral care but 6% in personal care. Just wanted to get a sense of those numbers as well.

Anand Kripalu: No, I think it's a very pertinent question and I just want to make sure I am able to communicate this answer with clarity to everybody. So first of all, I have to say that we are very pleased with the oral performance, okay? We saw, like I said earlier, very strong organic demand, right? And something we have been speaking about, that we are taking the lead on sustainability and this has helped us to get wallet share gain with a few key customers, okay? And this is something that will sustain, right? Particularly the wallet share gain part will sustain. So first of all on oral, I think we are very pleased with the overall oral performance this quarter.

Now, coming on to personal care and beyond, we are seeing strong momentum for personal care and beyond in EAP and the Americas, okay? What I do want to admit here today is that B&C in AMESA, particularly in India, could have been better, maybe should have been better, okay? However, we faced some supply chain issues in India specifically, but these have now been sorted out. So looking ahead, we should absolutely see improved performance on B&C and personal care and beyond, right?

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

Sanjesh Jain: First, again, on the oral care side, you mentioned that the sustainability tube is driving a wallet share gain for us. Which geography particularly are we speaking about, is it India, America, Europe, or it is across the region we have seen increase in the wallet share? And how much percentage points do you think once this entire transition of sustainability happens in the next two, three years, we should be able to improve market share, which used to be at 35% for many years, where do you think it could settle for EPL?

Anand Kripalu: So I will request my colleague Ram to lead the question and then if there's anything else I will follow up with that.

M. R. Ramasamy: Sustainability, as you know, many companies have given their target dates, right? Now it is getting accelerated in India for some customers, it is getting highly accelerated, so we are gaining there. We are gaining in Europe, we are also gaining in Americas. So, in terms of wallet share of 35% over a period of time, we believe that it will continue to grow. Exactly predicting how much it will be at this point of time may be slightly difficult, but we will grow.

Sanjesh Jain: But Ram sir, now when we say that we have improved, how much percentage points in those particular customer has the market share gone up for us?

M. R. Ramasamy: Again, see it is a little trickier. As you know, oral care is a very concentrated marketplace, right, there are only four players in the world. By saying anything specific probably is not appropriate. But when we have seen a 16% growth in this, it's one quarter, we need to see in the next three or four quarters of what we will be able to sustain and grow. But all indications are that we will be able to sustain and grow further.

Sanjesh Jain: One follow-up question on that. In Europe we have always been personal care heavy and we said that oral care will drive growth there. And you specifically mentioned Europe where we have won some market share in oral care. So that mix change what we were trying to do, driving more oral care sales in Europe and hence driving the volumes in Europe, that's happening. And is that what is driving a margin improvement partially as well?

M. R. Ramasamy: Yes, as I told you, every region is doing well, Europe is also doing well. Just to be very specific to you, we have gained wallet with two more customers in Europe, which we never used to do earlier. So those are all accumulating to ensure this 16% growth comes in. But any oral care commitment, as you know, are long-term commitments. Most of the orals are sustainable and it will only grow. So, even though market grows at a certain percentage, these are all wallet share gains, it will remain with us.

Sanjesh Jain: That's fair enough. My second question is on the gross profit margin translating into EBITDA margin. We have improved gross profit margin by 200 basis point. But when I look at EBITDA margin, the translation looks far lower sequentially. It's actually flattish quarter-on-quarter. Any reason why we are not able to translate the gross profit margin into EBITDA margin? Or we are investing cautiously to grow the revenue and maintain the margin as you have earlier indicated that we will keep it at 20% and try to reinvest for the growth? Is that what's happening into the business?

Anand Kripalu: So, Deepak will respond to that, Sanjesh.

Deepak Goyal: So, if you look at what is the overall shape of the P&L, I think we are happy with the metrics that we are seeing. Our revenue has grown 10.7%, our EBITDA margin has grown 20.8%, our margin has expanded by 160 basis points. Our PAT reported has grown 18%, like-to-like, because there was a tax refund in India in same quarter last year, if I take that out it has grown 35%. So, a 10.5% revenue, 20% plus EBITDA and 35% PAT growth is a good P&L metric in our view. Now, there is obviously some investment that we are making in the people cost that Anand just spoke about, etc. But those are, I am saying, the overall expense management that we keep doing, right?

Sanjesh Jain: Correct. So, how do we now look at this margin trajectory? We keep telling that we will be doing 20% kind of a margin, and we are already at 19%. So, this year we should exit with the 20% margin ambition we always targeted for ourselves?

Deepak Goyal: See, I do not want to give a time limit, but I can tell you that the margin progression has been encouraging, right? And with the initiatives being in place, we should get there sooner rather than later. I do not want to commit to a timing. But we are well on track to kind of get there.

Moderator: Thank you. So, next question is from the line of Akshat Bharti from RSPN Ventures. Please go ahead.

Akshat Bharti: Sir, I have some questions on Brazil. What is the current capacity utilization of Brazil? And what is our dependency on our anchor customer?

Anand Kripalu: So your question is, what is our current capacity utilization and how much capacity is available after our anchor customer is serviced, right?

Akshat Bharti: Yes, sir.

Anand Kripalu: Okay. I will request Ram to answer that.

M. R. Ramasamy: See, as we told you in the previous calls, this plant is a modular plant. We have created capacity needed for our anchor customer as per the contractual commitment. Plus, we have provided some capacity for the other customers to grow. Now, what we are seeing is anchor customers are doing well. As well, we are able to quickly accelerate other customers also faster than what we thought about. Currently, probably that will be somewhere around 65% to 70% of the utilization levels.

But we still have headspace. But the plant is built modular. As we start getting more traction on the market demand, we will just plug and play kind of a situation that we can add any time capacity.

I just wanted to say, compared to our own anticipation of the ramp-up period, we are really doing well. Market is also responding really well. And we have added many more customers in the last one quarter.

Akshat Bharti: And, sir, next is a bookkeeping question. So, our tax rate for the quarter was just 17%. So, for the whole year, any tax guidance, what will be the tax rate?

Deepak Goyal: Yes. So, the tax rate generally is a mix of multiple countries. And that is why kind of it varies up and down. I think in the long term we have said that our effective tax rate will be, let's say, anywhere between 21% to 23%, 24%. I think it's likely to be there. Quarter-on-quarter, it can go up and down, depending upon the profit mix across various countries.

Akshat Bharti: So, sir, this year we can expect around 21% to 23%?

Deepak Goyal: I think that is the likely steady state tax rate where we would fall.

Moderator: Thank you. The next question is from the line of Meet Shah, from Prospero Tree Financial Services. Please go ahead.

Meet Shah: I just have a simple question regarding the Americas region. Last year, Brazil was not contributing to the revenue, so I would like to look at just this region on a Q-o-Q basis. So, there has been a slight degrowth in the revenue from Americas from Q4 to Q1, and so has the margin decreased as well. What would be the reason for this?

Anand Kripalu: Yes. So first and foremost, while you could look at quarter-on-quarter, we do not look at the business that way, because there is a significant seasonality in the business, cyclicality in that business, okay? So that's the first point, right? So I think that comparison of sequential can be erroneous in this business. I think the second thing is to say that, listen, we believe that we have delivered solid growth and of course there Brazil contributed to that, but even despite that it's very solid growth. And the margin is in the range where we want to be with some headroom for further improvement, okay? And I think that's the way to just think about it, correct? And above all, the quarter, particularly if you look at the margin, the absolute EBITDA and so on versus the same quarter of the previous year is a radical shift in terms of the overall shape of the P&L of that region. So, I think when you look at the right parameters, it should indicate to you that the business in the region is solidly moving in the right direction.

Moderator: Thank you. Next question is a follow-up question from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Just wanted some clarity on the interest cost part. I believe there is a higher interest rate due to Brazil debt. Any idea when we expect to pay this off completely and bring the interest cost down pertaining to this aspect?

Deepak Goyal: So, Sameer, I have been kind of maintaining that generally we leverage our accruals to drive growth CapExes, pay dividend. We are a high dividend paying company, and invest in working capital to make sure that the growth does not get hindered, right? And after that, whatever is left, we pay to, let's say, pay off our debt. However, we do not pay off debt to compromise or we do not compromise our growth for paying off debt. And that is our strategy. We believe that in this market, we have a great opportunity to gain market share and drive growth for many quarters to come. And in the foreseeable future, that is how we plan to work.

On the interest rate, I agree this quarter kind of looks higher because this is the first quarter when Brazil's interest is coming in, right? However, if you look at the ROCE, our ROCE is improving. We are at 15.9% versus 14% last year same quarter. And as we keep delivering incremental profits without increasing our net asset, because our CapEx investments are equal to our amortization, our overall ROCE will keep improving and that is what we are working towards.

Sameer Gupta: Just a follow-up, Deepak. So let's say you have Rs. 100 of debt in Brazilian currency, which is incurring a higher interest rate, would it not make more sense to just replace it with an INR currency or currency which you are more comfortable with, given that it's a greenfield CapEx and does not require any recurring servicing?

Deepak Goyal: Yes. So that is, let's say, first of all, debt cost optimization is part of our core strategy. Now, Brazil as a country, and I am going to the specific point that you are making, Brazil as a country has a volatile currency. And hence, the moment you add, if you take, let's say for example INR loan or USD loan or Yen loan, or we have looked at various currencies, the moment you add the forward covers to that, the landed cost in that country comes to be the same. And when you net off the tax benefits that you are getting in the country, etc., it could be marginally negative, right? And hence, the local debt at this point in time is making more sense compared to funding it from anywhere else in the world. However, having said that, our treasury team and we are kind of constantly looking at various options, how to optimize that, but that's part of the regular business that we are doing.

Moderator: Thank you. Next question is from the line of Pramod Parasmal Dangi from Unifi Investment Management, LLP. Please go ahead.

Pramod Dangi: Thanks and congratulations for the good set of numbers. Two questions. One is on the India, you said that there was some supply chain issue which is now being sorted out. Can you throw some light, was it some vendor supply issue or some machinery thing, if you can throw some light on that. Is it going to have some impact this quarter also, or now it's sorted out for the time to come?

Anand Kripalu: It has been sorted out. And really one of the big ones was, we had planned to augment our specialized printing facility capability or capacity, and that installation was delayed, right, due to various supply chain reasons, right? And that is now fully installed, okay? We have also done other augmentation and so on and so forth, right, to ensure there is no supply chain barriers to our servicing demand. And sitting where we are sitting today, I feel that we are in a good place.

Pramod Dangi: Okay, great. And second, in Americas, as you just spoke, what the last participant asked, see, 19% growth in Americas, obviously, a part of that is driven by Brazil. If you can throw some light on like-to-like growth or ex-Brazil growth of the rest of Americas, how it may change, lower single-digit, higher single-digit, any rough number that will help?

Anand Kripalu: So, honestly, M&A, greenfield setup, and so on is part of our strategy to drive the growth ambition that we have, okay? So, Brazil is an integral part of that, and now an integral part of Americas. Now, obviously, there is a kicker because the base was very small for Brazil, and the numbers are accruing now. However, all I will tell you is that the growth momentum from Brazil is going to continue. It is not as if the moment we lack the base for Brazil, that the growth coming from Brazil will disappear completely, okay? And every effort, through what Ram just said about new customers, augmenting capacity if needed, our modular plant and all that, is aiming to sustain high levels of growth from Brazil for the foreseeable future. So, while it will temper a little bit the contribution from Brazil, our ambition is to make sure that the overall growth rate for Americas stays reasonably strong. It may not stay at the current level of 18%, or 19%, but will stay strong. So, I think that's the best kind of flavor I can give you about what's happening there.

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

Sumant Kumar: Can you talk about what is the capacity utilization of Brazil plant, and how is the growth in Brazil? And any client addition we have in this quarter?

Anand Kripalu: We have answered some of that.

M. R. Ramasamy: The answer is, 65% to 70% is the current utilization. As I told you that it's a modular plant, as we reach 75%, 80%, then we will add capacity, it's easy to add. It's a plug and play kind of a model. So there is lots of traction. We expect that after a year that we will start scouting around the additional customers. But we now are able to get additional customers quicker than what we thought. It's a good market, it's a good acceleration. I think you will see going forward good results from there.

Sumant Kumar: So, do we add the 75% and do we require a CapEx for Brazil?

M. R. Ramasamy: No. See, there's a lead time for any capacity accommodation. So we need to plan that once we have commitments from the customer, we will add. So, all I am saying is, it's not going to be longer to add capacity when there's a demand. So capacity demand, we keep continuing to mark quarter-on-quarter. The moment we see an accelerated demand, we will act fast.

Anand Kripalu: But the current growth ambition, we have capacity for that in Brazil, just to be clear. As we get new orders or new commitments from customers, as we start coming in, then we will augment that with a fresh line. But everything else in the plant is ready, utilities, everything, we just have to put the line in place. That is how it's been designed.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil Upadhyay: Good evening and congratulations on a good set of numbers. I just have two questions. One is on the India part. You mentioned that we have taken a provision for the employee cost because of the higher growth. If I adjust for the India performance, and last full year we had seen Egypt was actually driving down the performance, but how's the performance at India? Are the things looking better for you? And can you quantify what is the amount of provisions we have taken in the employee cost?

Anand Kripalu: So, I am not going to tell you how much is provision for employee cost, but suffice to say that this is a provision. If we deliver the higher performance that we seek, then we will pay this out, right? Unfortunately, if we do not, then this will go back into the P&L, okay? So either which way, for you, it should be a win-win situation. If the higher performance comes and it has to be paid out, you are still going to see the higher performance, which is great. If not, this will flow back into the P&L, right? So, I do not think it should be any concern other than the fact that there is some accrual right now that has happened, right, in our P&L. I say this as you can see this probably as a positive, that here's the incentive that people will get if they deliver a higher growth or a higher performance target, okay? So that's as far as the people cost part is concerned. What was the other thing?

Nikhil Upadhyay: Ex-of India, how is the performance?

Anand Kripalu: Ex of India meaning?

Nikhil Upadhyay: Sir, in AMESA if I consider, if we remove India, last year because of Egypt and some of those countries the performance was always under pressure. So, are you seeing any changes in underlying economies or you believe the performance is not changing for you there?

Anand Kripalu: Other than India there is only Egypt really. And I think Egypt has largely sorted itself out now. And performance in Egypt now is largely coming back on track, both performance and the P&L itself. We took the hit, as you know, as an exceptional item last time for the currency loss. And now Egypt is largely back on track, so Egypt should not be a drag on our AMESA numbers or on the India numbers a year after.

Nikhil Upadhyay: Okay. Second question, see if I compare EAP versus Europe, the EAP growth has been better than Europe, but still there is a margin compression. Why is this difference of profitability when growth has been much higher but still margins are coming under pressure in EAP? Is there some one-off there?

Deepak Goyal: See, Nikhil, a 14% revenue growth and a close to 22% EBITDA margin and 16% EBIT margin I think is the kind of P&L that we believe is a very strong P&L. Now, 22% EBITDA margin is in the target zone for EAP. The team is working very hard to ensure that we keep growing or keep delivering a robust growth. Our B&C performance there is very, very strong. The margin is in the range. It's a combination of product mix, some pricing discussion, commodity mix, etc. So I think it's in the zone. So, I do not see a challenge in EBITDA margin there.

Nikhil Upadhyay: Okay. And just last question. It's very interesting that you said in India you are pushing for growth and you have created higher growth aspirations in creating an incentive system. But if you look at for all the four geographies, India is where the growth should be coming naturally, because the GDP growth and everything, all the tailwinds are much stronger. Is it competitive intensity has increased that's why we have pushed the team for higher growth and created a separate incentive system? Or is the incentive system across all the geographies similar?

Anand Kripalu: It's an incentive system across all geographies. And the incentive system, just so that it's clear, is about global EPL showing accelerated performance, and not only India or one region showing accelerated performance. Now, the reason why I called it out for India is that the corporate overheads and therefore the provision for this corporate people fits in the India standalone P&L. And their costs fit in the India standalone P&L and hence that explanation.

Moderator: Thank you. The next question is a follow-up from the line of Mihir P. Shah from Nomura. Please go ahead.

Mihir Shah: Most of my questions are answered. Just one bookkeeping question on TSA. If you can just jog my memory, when does this end? I thought it was ending in August '24. And does this quarter also have some TSA element? And the margin of 20% you are talking about includes or excludes the TSA part as well?

Deepak Goyal: So August '24, Mihir, Deepak here. You are right that the amortization of the cost ends in August 2024 and hence Q2 FY '25 will be the last quarter to have this. The 20% plus margin that we speak about is all-inclusive, right? But the cost is about Rs.16 crore a year, which is what, 40 bps. So the benefit is kind of included in the 20% plus margin, but obviously we are saying that's exclusive of margin, but it's included.

Mihir Shah: And for this quarter, it will be like Rs.13 million and next quarter it will be like Rs.15 million, sorry, how much? It will be, say Rs.20 million or something. Is that correct?

Deepak Goyal: The total cost is Rs.40 million per quarter.

Anand Kripalu: Yes, the total cost is about Rs.40 million per quarter.

Deepak Goyal: Next quarter it will come only for two months and after that it will not come.

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.

Pratik Tholiya: On behalf of Systematix Institutional Equities, I would like to once thank all the participants for logging into the call. And special thanks to the management for giving us the opportunity to host this call. Anand sir, would you like to make any closing comments?

Anand Kripalu: No, I just want to thank everybody for joining in and really asking some incisive questions, and I look forward to your continued support.

Pratik Tholiya: Thank you so much, sir.

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