

4th February 2021

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Quarterly Result Highlights

- **AMESA performance impacted topline** – EPL's Q3FY21 Revenue, EBITDA and net profit grew ~8%, 0.4% and 18% YoY to ₹7.7bn, ₹1.6bn and ₹709mn respectively. Topline saw subdued performance in AMESA region. Management highlighted weakness in beauty & cosmetics segment and temporary shifts from tubes to larger packs impacting overall volume performance despite most of the end-consumer companies reporting healthy volume growth. Personal care performance was however strong in other geographies aided by shift to laminated tubes across beauty and cosmetics and pharma segment. Personal care share of revenue as on 9MFY21 was at 45% largely due to impact of COVID along with travel restrictions impacting the volumes in travel tubes. Oral care grew +10% in AMESA and Americas region each driven by wallet share gains in leading oral care brand in Americas. On profitability front, benign raw material prices continue to aid gross profit margin (at 60.2%, +144bps YoY), however high SG&A expenses (+16.7% compared to 7.9% revenue growth) on investment behind building capabilities, R&D and one off COVID related costs adversely impacted margins which compressed 155bps YoY. Net profit growth was higher at +18% YoY/ +5.8% QoQ due to low corporate tax rate.
- **Europe witness sequential deceleration due to lockdown** – Barring **AMESA**, all other regions posted a healthy revenue growth trajectory but operating margin was impacted by investments behind capabilities and one-off COVID related costs. The revenue declined 6% on soft end-consumer demand for beauty and personal care (personal care declined 24%). Oral care did well posting a double-digit growth. EBIT decline was sharper at 15% due to scale deleverage and higher expenses. India's Personal care contribution dipped to 47.1% in 9MFY21 from 50.8% in 9MFY20. **EAP** revenue grew 17.4% as personal care sales nearly tripled on increased focus on regional players and an easy base. EBIT growth was surprisingly in line with revenue growth with no apparent benefits from operating leverage. Strong business pipeline and increased focus on fast-growing regional players drove revenue growth in China. **Americas** revenue grew 19%YoY on a favourable base but was also 13.5% higher sequentially due to new customer wins across categories; bottle to tube product conversions; cross-selling Personal Care products to existing Oral care customers. But the regions continued to be worst impacted by second wave of COVID increasing costs of operations. EBIT declined 11.6%. **Europe** grew 9% YoY which implies a continued sequential deceleration possibly on account of re-imposition of lockdowns across various countries in the region. EBIT was weak with mere 2.1% growth and EBIT margin is now tapering off to mid single digit compared to 7-8% seen in past two quarters.
- **New Products** – Hand wash, hand creams and hand sanitizers are the new products launches which offers secular growth. After hand sanitiser, the focus is on launch of hand creams. Platina, Platina Pro are under process of commercialization at various stages with various customers. Net Debt at ₹1.6bn as on Dec'20 compared to ₹2.76bn in Mar'20.
- **Acquisition of Creative Stylo Packs** – Subsidiary has been created w.e.f from 01 February 21 with EPL's shareholding of 72.5%

Important Statistics

MCAP (₹bn)	68.86
52 Week H/L (₹)	319/130
NSE Code	EPL
BSE Code	500135

Financials

	(₹ mn)		
Particulars	FY19	FY20	9MFY21
Revenues	27,069	27,601	22,781
EBITDA	4,991	5,575	4,713
EBITDA	18.4	20.2	20.7
Margin (%)	3.7	3.9	4.6
Net Profit	1,895	2,167	1,944
EPS (₹)	6	6.6	3.9
DPS (₹)	1.3	3.3	2.05
RoE (%)	14.4	14.8	
RoCE (%)	16.7	15.9	
P/E (x)	36.4	33.1	
EV/EBITDA (x)	14.5	12.6	
P/BV (x)	4.9	4.5	

Source: Company Filing, Way2wealth Research

Shareholding pattern (%)	Dec'20
Promoter	52.0
DII	15.5
FII	13.8
Public & Others	18.7

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EPL reported weak Q3FY21 attributable to AMESA region (largely India) which surprisingly posted a 6% revenue decline as the personal care segment continues to remain depressed in India which is getting further aggravated by some temporary shift towards larger packs on COVID related disruptions. With re-imposing of lockdown across geographies in Europe, revenue trajectory could possibly remain below the double-digit mark in the near-term, though, with vaccination gaining momentum, normalisation is expected within the next six months. With an expected weak revenue momentum in the immediate future and possible margin headwinds from raw material costs, it has fared well in tough times given its global operations compared to its FMCG clients or competitors with healthy margins. **Given the widening of product portfolio and foray in health and hygiene category it is likely to post lower double digit growth with improved capital efficiency, hence we view it as an Accumulate On Dips from a near to medium term perspective.**

Financial & Operating Performance

(₹mn)												
Particulars	Q1FY 20	Q2FY 20	Q3FY 20	Q4FY 20	Q1FY 21	Q2FY 21	Q3FY 21	YoY (%)	QoQ %	9MFY 21	9MFY 20	YoY (%)
Revenue	6,298	7,305	7,108	6,889	7,415	7,703	7,671	7.9	(0.4)	22,781	20,712	10.0
EBITDA	1,086	1,525	1,579	1,385	1,466	1,662	1,585	0.4	(4.6)	4,713	4,190	12.5
EBITDA Margin (%)	7.2	20.9	22.2	20.1	19.8	21.6	20.7			20.7	20.2	
Net Profit	283	796	601	486	565	670	709	18.0	5.8	1,944	1,679	

Source: Company Filing, Way2wealth Research

Segment-wise revenue

(₹bn)							
	FY17	FY18	FY19	FY20	9MFY21	9MFY20	YoY (%)
Oral care	13.8	14.3	15.6	15.2	11.3	10.4	9.2
Non-Oral care	9.2	10	11.5	12.4	9.4	8.5	9.8

Source: Company Filing, Way2wealth Research

Geography wise revenue mix (%)

Region	FY17	FY18	FY19	FY20	Q1FY21	Q2FY21	Q3FY21
AMESA	40	37	34	33	28	33	31
EAP	23	23	24	22	26	24	27
Americas	20	19	21	22	20	19	23
Europe	18	20	21	24	26	24	22

AMESA (India & Egypt); EAP (China, Philippines); Americas (US, Mexico & Columbia); Europe (Poland, Germany & Russia)

Source: Company Filing, Way2wealth Research

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Geography wise Performance

(₹mn)

AMESA	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue (₹mn)	2,251	2,433	2,516	2,153	2,190	2,590	2,362
Growth (%)	(4.0)	4.0	(1.0)	(9.0)	(2.7)	6.5	(6.1)
EBIT (₹mn)	208	258	369	241	160	384	315
Margin (%)	9.2	10.6	14.7	11.2	7.3	14.8	13.3
Growth (%)	(40.0)	(4.0)	1.0	(18.0)	(23.1)	48.8	(14.6)

EAP	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue (₹mn)	1,388	1,749	1,740	1,353	2,021	1,908	2,043
Growth (%)	-11	-5	1	-12	45.6	9.1	17.4
EBIT (₹mn)	179	343	327	149	438	395	385
Margin (%)	12.9	19.6	18.8	11	21.7	20.7	18.8
Growth (%)	(14.0)	(5.0)	2.0	(6.0)	144.7	15.2	17.7

Americas	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue (₹mn)	1,366	1,648	1,457	1,713	1,510	1,528	1,735
Growth (%)	3	15	-1	4	10.5	(7.3)	19.1
EBIT (₹mn)	131	245	215	297	155	155	201
Margin (%)	9.6	14.9	14.8	17.3	10.3	10.1	11.6
Growth (%)	(12.0)	27.0	30.0	(5.0)	18.3	(36.7)	(6.5)

Europe	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue (₹mn)	1,517	1,740	1,618	1,897	1,977	1,938	1,768
Growth (%)	17	18	12	16	30.3	11.4	9.3
EBIT (₹mn)	33	117	97	135	179	158	99
Margin (%)	2.2	6.7	6.0	7.1	9.1	8.2	5.6
Growth (%)	69.0	210.0	497.0	28.0	442.4	35.0	2.1

Source: Company Filing, Way2wealth Research

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Name of the Security	EPL Ltd
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	Yes
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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