

09<sup>th</sup> February 2024

CMP – ₹192.5/-

View – **ACCUMULATE**

## Q3FY24 Result Highlights

- **Broad based growth across all regions Ex-AMESA in Q3FY24** – EPL's Q3FY24 Revenue grew 3.2%YoY (-2.6% QoQ) to ₹10.01bn aided by broad based growth across regions. EAP/ Americas/ Europe reported revenue growth of 11.5%/ 11.9%/ 8.6% YoY respectively. AMESA Revenue declined -0.6 % YoY to ₹3.5bn as the EBIT margin declined by 27bps YoY to 11.2%, India standalone business grew 4.2% YoY in Q3FY24, despite that AMESA witnessed a decline due to challenges within Egypt (inflation and currency devaluation). EAP's EBIT margin grew 19bps YoY to 16.3%. Europe had a softer third quarter due to the holiday season (the second half of December does not generate much sales due to the Christmas holidays). EBIT margin saw turnaround from -1.9% to 1.1% on a YoY basis, reflecting the growth within the region.
- Volume growth in Q3FY24 was much better than revenue growth, as the company witnessed decline in realisations. As per the management the price difference between 50 diameter tubes in Europe and ~16 diameter tubes in India can be ~20-25x. Therefore, volume growth will not be a correct parameter to track growth. A decline in pricing does not affect the gross or EBITDA margins of the company. It just has an adverse impact on the revenue number. Accordingly, growth in absolute EBITDA will be the correct metrics to track growth of the company
- EBITDA at ₹1.83bn grew 23.0% YoY & 1.3% QoQ with margins at 18.8% expanded 304 bps/ 74 bps on YoY/ QoQ basis which was sixth straight quarter. Over the past few quarters, the company focused on margin recovery. The company monitors customer level gross margins on a monthly basis and has active discussions with the customers if required. Now it will focus on revenue growth and margin will improve naturally with operating leverage. PAT grew 39% YoY & 72.9% QoQ to ₹873mn.
- The Oral care/Personal care segments rose 5.3%/6.7% YoY in 9MFY24. Personal Care and beyond contributed ~48% of total sales in 9MFY24. The Pharma segment is performing very well. India witnessed the highest sales within Pharma segment in Dec'23.
- As per the management, the headroom for growth in beauty & personal care and Pharma segments is much higher than oral care.
- The company is actively targeting to sell its products to regional/smaller players, especially within the personal care segment. The cost of producing smaller quantities for regional players tends to be higher. However, the company charges more to these customers and therefore generates better margins. The EPL team in China has effectively utilized this strategy to acquire 'local kings' (key regional players with strong local presence) and accelerate sales growth.
- The company is on track to double its fully recyclable tube sales in FY24, with a mix of 20% of total volume, and targets 3x volume by FY26 v/s ~19% mix for 9MFY24.
- The Brazil plant, commissioned in the last quarter, has been stabilized in Q3FY24. The company is witnessing significant interest for products from its Brazil plant. The capacity utilisation will be ramped up over a period of time. Margins for the Brazil business are accretive as compared to the margins for the overall America business.
- The impact of Red Sea conflict on freight costs and in-turn on margins of EPL is not significant. However, the lead time has increased resulting in EPL carrying a higher inventory.

## Important Statistics

<b>Nifty</b>	21,650
<b>Sensex</b>	71,300
<b>MCAP (₹ bn)</b>	61.3
<b>52 Week H/L (₹)</b>	236/147
<b>NSE Code</b>	EPL
<b>BSE Code</b>	500135
<b>Bloomberg Code</b>	ESEL:IN

<b>Shareholding Pattern (%)</b>	<b>Dec'23</b>
Promoter	51.5
DII	14.5
FII	9.9
Public & Others	24.1

## Financials

	(₹ mn)		
<b>Particulars</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Revenues</b>	<b>30,916</b>	<b>34,328</b>	<b>36,941</b>
<b>EBITDA</b>	<b>6,111</b>	<b>5,761</b>	<b>5,778</b>
<b>EBITDA Margin (%)</b>	<b>19.8</b>	<b>16.8</b>	<b>15.6</b>
<b>Net Profit</b>	<b>2,391</b>	<b>2,144</b>	<b>2,278</b>
<b>EPS (₹)</b>	7.6	6.8	7.2
<b>DPS (₹)</b>	4.1	4.3	4.3
<b>RoE (%)</b>	15.8	12.2	11.9
<b>RoCE (%)</b>	16.8	13.6	9.1
<b>P/E (x)</b>	25.4	28.4	26.9
<b>EV/EBITDA (x)</b>	10.8	11.7	13.1
<b>P/BV (x)</b>	3.5	3.3	3.1

<b>Particulars</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Revenues</b>	<b>39,468</b>	<b>44,162</b>	<b>47,613</b>
<b>EBITDA</b>	<b>7,123</b>	<b>8,596</b>	<b>9,599</b>
<b>EBITDA Margin (%)</b>	<b>18.0</b>	<b>19.5</b>	<b>20.2</b>
<b>Net Profit</b>	<b>2,576</b>	<b>3,569</b>	<b>4,382</b>
<b>EPS (₹)</b>	8.2	11.3	13.9
<b>DPS (₹)</b>	5.0	5.5	6.0
<b>RoE (%)</b>	12.5	16.4	18.0
<b>RoCE (%)</b>	12.3	14.5	16.3
<b>P/E (x)</b>	23.6	17.0	13.9
<b>EV/EBITDA (x)</b>	9.0	7.2	6.1
<b>P/BV (x)</b>	3.0	2.6	2.3

Source: Company, Way2Wealth

## Relative Performance

<b>Return(%)</b>	<b>1Yr</b>	<b>3Yr</b>	<b>5Yr</b>
<b>EPL</b>	<b>27.4</b>	<b>(2.3)</b>	<b>95.9</b>
<b>Nifty 50</b>	21.0	43.3	97.8
<b>Sensex</b>	17.3	38.9	95.9

Source: Company, Way2Wealth

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09<sup>th</sup> February 2024

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View – **ACCUMULATE**

## View

The company had a strong Q3FY24 performance with growth across all geographies excluding AMESA (primarily due to Egypt). Soft commodity prices will continue to put pressure on revenue in the near term. However, the company maintains its long-term ambition of double-digit revenue growth. It is undertaking multiple steps to achieve the targeted margin of ~20%. Brazil's facility has stabilised and is expected to contribute going forward, which will be both growth- and margin-accretive for the company. The focus of customers to swiftly move to recyclable tubes is working in favour of the company. The company does actively look for M&A opportunities. However, the current conditions are not conducive for an acquisition. The major risk for the company is abnormal change in costs and the lag which it takes to revise prices with customers. Most of the headwinds across geographies have majorly faded away and strong thrust in providing sustainable product offerings, this should enable EPL sustain its revenue growth. **Hence, we continue to maintain our *ACCUMULATE* stance with the stock trading at *P/E 13.9x* FY26E EPS of ₹13.9.**

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**FINANCIAL & OPERATING PERFORMANCE**

(₹ mn)

Particulars	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY2 4	YoY%	QoQ%	9M FY24	9M FY23	YoY%
<b>Revenue</b>	7,713	7,671	8,102	7,991	8,702	8,834	8,802	8,318	9,481	9,449	9,693	9,102	10,016	9,751	3.2	(2.6)	28,869	27,248	5.9
<b>EBITDA</b>	1,662	1,585	1,398	1,449	1,594	1,387	1,331	1,256	1,544	1,490	1,546	1,590	1,810	1,834	23.1	1.3	5,234	4,232	23.7
<b>EBITDA Margin(%)</b>	21.5	20.7	17.3	18.1	18.3	15.7	15.1	15.1	16.3	15.8	15.9	17.5	18.1	18.8	304	74	18.1	15.5	260
<b>Net Profit</b>	670	709	568	579	507	571	487	350	482	630	843	662	505	873	39.0	72.9	2040	1440	41.7

Source: Company, Way2Wealth

**Segment-wise Revenue**

(₹ bn)

	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24	9MFY23	YoY (%)
<b>Oral care</b>	14.3	15.6	13.8	15.2	16.7	18.3	15.0	14.3	5.3
<b>Non-Oral care</b>	10.0	11.5	11.2	12.9	14.3	15.9	13.9	13.0	6.7

Source: Company, Way2Wealth

**Geography wise Revenue mix (%)**

Region	FY19	FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY2 4
<b>AMESA</b>	34	33	28	33	31	31	34	34	37	36	38	30	37	35	37	38	36
<b>EAP</b>	24	22	26	24	27	24	25	24	28	22	23	22	24	22	24	25	26
<b>Americas</b>	21	22	20	19	23	20	20	21	21	22	24	17	24	24	24	25	26
<b>Europe</b>	21	24	26	24	22	24	21	21	20	24	24	19	20	26	23	22	21

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

Source: Company, Way2Wealth

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## Geography-wise Performance

AMESA	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY24
Revenue (₹ mn)	2,590	2,362	2,766	2,819	3,075	3,225	3,140	3,197	3,595	3,521	3,379	3,358	3,791	3,500
YoY Growth (%)	6.5	(6.1)	28.5	28.7	18.7	36.5	13.5	13.4	16.9	9.2	7.6	5.0	5.5	(0.6)
EBIT (₹ mn)	384	315	224	311	352	353	277	309	333	404	423	365	446	392
Margin (%)	14.8	13.3	8.1	11.0	11.4	10.9	8.8	9.7	9.3	11.5	12.5	10.9	11.8	11.2
YoY Growth (%)	48.8	(14.6)	(7.1)	94.4	(8.3)	12.1	23.7	(0.6)	(5.4)	14.4	52.7	18.1	33.9	(3.0)

EAP	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY24
Revenue (₹ mn)	1,908	2,043	1,849	2,060	2,136	2,459	1,971	1,928	2,166	2,263	2,141	2,149	2,454	2,524
YoY Growth (%)	9.1	17.4	36.7	1.9	11.9	20.4	6.6	(6.4)	1.4	(8.0)	8.6	11.5	13.3	11.5
EBIT (₹ mn)	395	385	216	345	353	419	160	247	377	365	248	351	428	412
Margin (%)	20.7	18.8	11.7	16.7	16.5	17.0	8.1	12.8	17.4	16.1	11.6	16.3	17.4	16.3
YoY Growth (%)	15.2	17.7	45.0	(21.2)	(10.6)	8.8	(25.9)	(28.4)	6.8	(12.9)	55.0	42.1	13.5	12.9

Source: Company, Way2Wealth

Americas	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY24
Revenue (₹ mn)	1,528	1,735	1,749	1,639	1,860	1,899	1,964	1,973	2,226	2,260	2,299	2,178	2,519	2,528
YoY Growth (%)	(7.3)	19.1	2.1	8.5	21.7	9.5	12.3	20.4	19.7	19.0	17.1	10.4	13.2	11.9
EBIT (₹ mn)	155	201	202	119	168	53	189	105	106	109	59	24	91	175
Margin (%)	10.1	11.6	11.5	7.3	9.0	2.8	9.6	5.3	4.8	4.8	2.6	1.1	3.6	6.9
YoY Growth (%)	(36.7)	(6.5)	(32.0)	(23.2)	8.4	(73.6)	(6.4)	(11.8)	(36.9)	105.7	(68.8)	(77.1)	(14.2)	60.6

Europe	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY24
Revenue (₹ mn)	1,938	1,768	2,002	1,784	1,882	1,732	2,086	1,972	2,050	1,911	2,502	2,125	2,163	2,076
YoY Growth (%)	11.4	9.3	5.5	(9.8)	(2.9)	(2.0)	4.2	10.5	8.9	10.3	19.9	7.8	5.5	8.6
EBIT (₹ mn)	158	99	189	99	75	(22)	104	34	70	(36)	134	79	46	23
Margin (%)	8.2	5.6	9.4	5.5	4.0	(1.3)	5.0	1.7	3.4	(1.9)	5.4	3.7	2.1	1.1
YoY Growth (%)	35.0	2.1	40.0	(44.7)	(52.5)	(122.2)	(45.0)	965.7	(6.7)	63.6	28.8	132.4	(34.3)	163.9

Source: Company, Way2Wealth

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**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>27,069</b>	<b>27,601</b>	<b>30,916</b>	<b>34,329</b>	<b>36,941</b>	<b>39,468</b>	<b>44,162</b>	<b>47,613</b>
<b>EBITDA</b>	<b>4,991</b>	<b>5,575</b>	<b>6,111</b>	<b>5,761</b>	<b>5,778</b>	<b>7,123</b>	<b>8,596</b>	<b>9,599</b>
<b>EBITDA Margin (%)</b>	<b>18.4</b>	<b>20.2</b>	<b>19.8</b>	<b>16.8</b>	<b>15.6</b>	<b>18.0</b>	<b>19.5</b>	<b>20.2</b>
<b>Net Profit</b>	<b>1,925</b>	<b>2,073</b>	<b>2,391</b>	<b>2,144</b>	<b>2,278</b>	<b>2,576</b>	<b>3,569</b>	<b>4,382</b>
<b>EPS (₹)</b>	6.0	6.9	7.6	6.8	3.7	8.2	11.3	13.9
<b>DPS (₹)</b>	1.25	3.3	4.1	4.3	4.3	5.0	5.5	6.0
<b>P/E (x)</b>	32.1	27.9	25.4	28.4	26.9	23.6	17.0	13.9
<b>EV/EBITDA (x)</b>	13.3	11.5	10.8	11.7	13.1	9.0	7.2	6.1
<b>P/BV (x)</b>	4.4	3.9	3.5	3.3	3.1	3.0	2.6	2.3
<b>RoE (%)</b>	14.4	14.8	15.8	12.2	11.9	12.5	16.4	18.0
<b>RoCE (%)</b>	16.7	15.9	17.4	11.1	11.2	12.3	14.5	16.3
<b>Net Debt/Equity (x)</b>	0.4	0.2	0.2	0.3	0.3	0.2	0.1	0.1
<b>Debtor days</b>	65	66	71	68	64	65	64	64
<b>Inventory days</b>	49	49	50	63	60	57	55	53
<b>Creditor days</b>	32	74	79	48	49	48	47	47
<b>Cash Balances</b>	6,314	6,432	4,962	1,927	2,444	3,989	4,582	6,753
<b>FCF</b>	1,344	3,712	2,414	509	2,147	3,801	4,192	5,163

Source: Company, Way2Wealth

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## Disclosure of Interest Statement EPL Ltd. as on 09 February 2024

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