

10th August 2023

CMP – ₹206.9/-

View – **ACCUMULATE**

Q1FY24 Result Highlights

- **Revenue growth across all regions with double digit guidance maintained** – EPL's Q1FY24 Revenue grew 9.4%YoY (+6.1% QoQ) to ₹9.1bn driven by growth across all regions.AMESA/ EAP/ Americas/ Europe reported revenue growth of 5%/ 11.5%/ 10.4%/ 7.8% YoY, respectively. AMESA region growth was impacted by the devaluation of the Brazilian Pound. India business reported revenue growth of 7% YoY. While EAP is witnessing a revival of growth on a low base, there is some demand softness from MNCs reducing exports from China. Non-oral care/ oral care revenue grew 12.2%/ 7.8% YoY in Q1FY24. Mix improved with personal care contributing 49% of Q1FY24 revenue. The lag effect of passing RM inflation has been factored in to a large extent. Expect softening of realization with the passing benefits of softening RM costs. Brazil plant is steadily ramping up and evinces interest from new potential customers. Management maintained its guidance of delivering double-digit revenue growth.
- **Margin improvement due to subsiding cost pressures, mix improvement, and operational efficiencies expand margins** – EBITDA at ₹1.6bn grew 27% YoY &2.8% QoQ. EBITDA margin at 17.5% expanded 237 bps/ 152bps on YoY/ QoQ basis. Ocean freights and polymer & foil prices continued its downward trend during Q1. Americas' margins were impacted due to the one-time impact of health insurance. EBITDA margin for AMESA/ EAP/ Americas/ Europe grew 200 bps/ 335 bps/ -80 bps/ 260 bps YoY to 22%/ 23%/ 12%/ 11% respectively. Management expects price hikes, mix improvement, manufacturing location optimization, and cost efficiency focus to improve margins going forward. Lag effect of price hikes have been factored in. Going forward, expect pricing to be softer driven by pass through of RM price softening.The successful ramp-up of the Brazil region in FY24 is also expected to be margin accretive.
- **Brazil facility** – Brazil's performance is steadily ramping up. The plant is fully operational. Commercial production and delivery is underway. Q1 was relatively soft in terms of volume. Jul'23 has been positive. Confident of new business and market share gains on the back of interest from potential customers
- **Guidance** – To deliver double-digit revenue growth driven by continued growth momentum in India and China. Ramp-up of Brazil volume and expansion of Brazil's customer base. Targeting selective price hikes.Small customer wins in Beauty and Cosmetics segments. Mix improvement, manufacturing location optimization, and cost efficiency focus is expected to improve margins. Double sustainable tube volume in FY24 and continued focus on customer conversion to sustainable solutions. Capex growth in-line with depreciation growth. FY24 tax rate should range between 26–28%.
- Appointment of Mr. Deepak Goelas the new CFO. He as 22 years of experience across FMCG, financial services, and hospitality sectors spanning across companies like PepsiCo, GE, and OYO Vacation Homes is appointed as CFO replacing the exiting CFO Mr. Amit Jain.

Important Statistics

MCAP (₹ bn)	65.8
52 Week H/L (₹)	236/147
NSE Code	EPL
BSE Code	500135

Shareholding Pattern (%)	Jun'23
Promoter	51.5
DII	15.9
FII	12.2
Public &Others	20.4

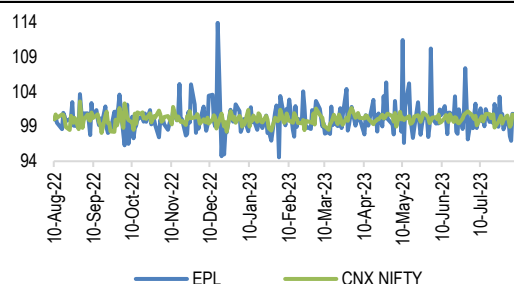
Financials

	(₹ mn)		
Particulars	FY20	FY21	FY22
Revenues	27,601	30,916	34,329
EBITDA	5,575	6,111	5,761
EBITDA Margin (%)	20.2	19.8	16.8
Net Profit	2,073	2,391	2,144
EPS (₹)	6.9	7.6	6.8
DPS (₹)	3.3	4.1	4.3
RoE (%)	14.8	15.8	12.2
RoCE (%)	15.9	17.4	11.0
P/E (x)	30.0	27.3	30.5
EV/EBITDA (x)	12.3	11.5	12.5
P/BV (x)	4.2	3.8	3.5

Particulars	FY23	FY24E	FY25E
Revenues	36,941	43,024	48,448
EBITDA	5,778	7,499	8,891
EBITDA Margin (%)	15.6	17.4	18.4
Net Profit	2,278	2,872	3,798
EPS (₹)	7.2	9.1	12.0
DPS (₹)	4.3	5.0	5.5
RoE (%)	11.9	13.9	16.8
RoCE (%)	11.2	12.1	15.6
P/E (x)	28.7	22.8	17.2
EV/EBITDA (x)	12.6	9.4	7.7
P/BV (x)	3.3	3.1	2.8

Source: Company, Way2Wealth

Relative Performance



Source: Company, Way2Wealth

Jayakanth Kasthuri
jayakanthk@way2wealth.com

Ph:022-4019 2914

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 View – **ACCUMULATE**
View

The company had a strong Q1FY24 performance with topline growing enabled by price hikes, falling RM costs and expansion across geographies. Multiple headwinds across geographies are gradually fading away. The recovery in margin witnessed in recent quarters is likely to continue going forward led by further softening in raw material prices and price hikes across regions. Further ramp up of Brazil facility will be both growth and margin accretive for the company. It continued focus on margin improvement through mix and cost efficiency, efficient capital allocation and manufacturing location optimisation will help the company achieve its cautiously optimistic guidance of double-digit growth. Given the strong thrust in providing sustainable product offerings, this should enable EPL to garner a higher wallet share from existing customers and sustain its revenue growth. **Hence, we continue to maintain our *ACCUMULATE* stance with the stock trading at P/E 17.2x FY25E EPS of ₹12.0.**

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 View – **ACCUMULATE**
FINANCIAL & OPERATING PERFORMANCE

(₹ mn)

Particulars	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	YoY%	QoQ%	FY23	FY22	YoY%
Revenue	7,415	7,713	7,671	8,102	7,991	8,702	8,834	8,802	8,318	9,481	9,449	9,693	9,102	9.4	(6.1)	36,941	34,329	7.6
EBITDA	1,466	1,662	1,585	1,398	1,449	1,594	1,387	1,331	1,256	1,544	1,490	1,546	1,590	26.6	2.8	5,778	5,761	0.3
EBITDA Margin(%)	19.8	21.5	20.7	17.3	18.1	18.3	15.7	15.1	15.1	16.3	15.8	15.9	17.5	237	152	15.6	16.8	(114)
Net Profit	444	670	709	568	579	507	571	487	350	482	630	843	662	89.1	(22.2)	2,278	2,144	6.3

Source: Company, Way2Wealth

Segment-wise Revenue

(₹ bn)

	FY18	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q1FY23	YoY (%)
Oral care	14.3	15.6	13.8	15.2	16.7	18.3	4.7	4.3	7.8
Non-Oral care	10.0	11.5	11.2	12.9	14.3	15.9	4.5	4.0	12.2

Source: Company, Way2Wealth

Geography wise Revenue mix (%)

Region	FY18	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
AMESA	37	34	33	28	33	31	31	34	34	37	36	38	30	37	35	37
EAP	23	24	22	26	24	27	24	25	24	28	22	23	22	24	22	24
Americas	19	21	22	20	19	23	20	20	21	21	22	24	17	24	24	24
Europe	20	21	24	26	24	22	24	21	21	20	24	24	19	20	26	23

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

Source: Company, Way2Wealth

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View – **ACCUMULATE**

Geography wise Performance

AMESA	Q4 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
Revenue (₹ mn)	2,153	2,190	2,590	2,362	2,766	2,819	3,075	3,225	3,140	3,197	3,595	3,521	3,379	3,358
YoY Growth (%)	(9.0)	(2.7)	6.5	(6.1)	28.5	28.7	18.7	36.5	13.5	13.4	16.9	9.2	7.6	5.0
EBIT (₹ mn)	241	160	384	315	224	311	352	353	277	309	333	404	423	365
Margin (%)	11.2	7.3	14.8	13.3	8.1	11.0	11.4	10.9	8.8	9.7	9.3	11.5	12.5	10.9
YoY Growth (%)	(18.0)	(23.1)	48.8	(14.6)	(7.1)	94.4	(8.3)	12.1	23.7	(0.6)	(5.4)	14.4	52.7	18.1

EAP	Q4 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
Revenue (₹ mn)	1,353	2,021	1,908	2,043	1,849	2,060	2,136	2,459	1,971	1,928	2,166	2,263	2,141	2,149
YoY Growth (%)	-12	45.6	9.1	17.4	36.7	1.9	11.9	20.4	6.6	(6.4)	1.4	(8.0)	8.6	11.5
EBIT (₹ mn)	149	438	395	385	216	345	353	419	160	247	377	365	248	351
Margin (%)	11	21.7	20.7	18.8	11.7	16.7	16.5	17.0	8.1	12.8	17.4	16.1	11.6	16.3
YoY Growth (%)	(6.0)	144.7	15.2	17.7	45.0	(21.2)	(10.6)	8.8	(25.9)	(28.4)	6.8	(12.9)	55.0	42.1

Source: Company, Way2Wealth

Americas	Q4 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
Revenue (₹ mn)	1,713	1,510	1,528	1,735	1,749	1,639	1,860	1,899	1,964	1,973	2,226	2,260	2,299	2,178
YoY Growth (%)	4	10.5	(7.3)	19.1	2.1	8.5	21.7	9.5	12.3	20.4	19.7	19.0	17.1	10.4
EBIT (₹ mn)	297	155	155	201	202	119	168	53	189	105	106	109	59	24
Margin (%)	17.3	10.3	10.1	11.6	11.5	7.3	9.0	2.8	9.6	5.3	4.8	4.8	2.6	1.1
YoY Growth (%)	(5.0)	18.3	(36.7)	(6.5)	(32.0)	(23.2)	8.4	(73.6)	(6.4)	(11.8)	(36.9)	105.7	(68.8)	(77.1)

Europe	Q4 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
Revenue (₹ mn)	1,897	1,977	1,938	1,768	2,002	1,784	1,882	1,732	2,086	1,972	2,050	1,911	2,502	2,125
YoY Growth (%)	16	30.3	11.4	9.3	5.5	(9.8)	(2.9)	(2.0)	4.2	10.5	8.9	10.3	19.9	7.8
EBIT (₹ mn)	135	179	158	99	189	99	75	(22)	104	34	70	(36)	134	79
Margin (%)	7.1	9.1	8.2	5.6	9.4	5.5	4.0	(1.3)	5.0	1.7	3.4	(1.9)	5.4	3.7
YoY Growth (%)	28.0	442.4	35.0	2.1	40.0	(44.7)	(52.5)	(122.2)	(45.0)	965.7	(6.7)	63.6	28.8	132.4

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	24,239	27,069	27,601	30,916	34,329	36,941	43,024	48,448
EBITDA	4,649	4,991	5,575	6,111	5,761	5,778	7,499	8,891
EBITDA Margin (%)	19.2	18.4	20.2	19.8	16.8	15.6	17.4	18.4
Net Profit	1,766	1,925	2,073	2,391	2,144	2,278	2,872	3,798
EPS (₹)	5.6	6.0	6.9	7.6	6.8	7.2	9.1	12.0
DPS (₹)	1.2	1.25	3.3	4.1	4.3	4.3	5.0	5.5
P/E (x)	36.9	34.5	30.0	27.3	30.5	28.7	22.8	17.2
EV/EBITDA (x)	15.5	14.2	12.3	11.5	12.5	12.6	9.4	7.7
P/BV (x)	5.2	4.7	4.2	3.8	3.5	3.3	3.1	2.8
RoE (%)	15.4	14.4	14.8	15.8	12.2	11.9	13.9	16.8
RoCE (%)	11.3	16.7	15.9	17.4	11.1	11.2	12.1	15.6
Net Debt/Equity (x)	0.4	0.4	0.2	0.2	0.3	0.3	0.2	0.1
Debtor days	67	65	66	71	68	64	65	63
Inventory days	44	49	49	50	63	60	59	55
Creditor days	28	32	74	79	48	49	48	44
Cash Balances	7,299	6,314	6,432	4,962	1,927	2,444	2,712	3,011
FCF	1,028	1,344	3,712	2,414	509	2,147	3,013	4,201

Source: Company, Way2Wealth

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Disclosure of Interest Statement EPL Ltd. as on 10 August 2023

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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