

Q2FY22 Result Highlights

- **Profitability impacted by raw material cost** – EPL's Q2FY22 Revenue grew 12.8%YoY to ₹8.7bn while EBITDA and Net profit declined 4.1%YoY and 24%YoY to ₹1.59bn and ₹507mn respectively. Excluding the acquisition of Creative Stylo, organic revenue growth was 10%. On profitability front, EPL has witnessed YoY decline for the fourth consecutive quarter as high RM inflation (most crude derivatives were 25-55% higher) and continued sharp increase in other expenses (+25.8% v/s 12.8% growth in sales) led to a 323bps EBITDA margin compression and a 4% decline in EBITDA, thereby resulting in GPM margin to decline 157bps YoY to 56.5%. Domestic revenue strength continued with organic growth at 10.4% for the AMESA region – third consecutive quarter of double-digit growth and achieved on a tougher base this time round. Performance of Europe was quite disappointing for the second consecutive quarter. Oral care sustained its double-digit growth journey clocking 10.3% growth. Personal Care reported a 14.4% growth but was aided by Creative Stylo acquisition; excluding acquisition, personal care would have seen a 7-8% growth. Sharp increase in losses from associates (₹67mn v/s ₹3mn) led to a 24% decline in overall profits.
- **Margin pressure felt across geographies** – **AMESA** continued its healthy growth trajectory clocking revenue increase of 18.7% YoY and 9.1% sequentially. EBIT though declined 8.3% YoY which was a function of RM cost pressures. On an organic basis (ex-Creative Stylo) revenue growth stood at 10% on our workings. In Q2FY22, EPL converted and commercialized two brands with sustainable Platina tubes for its biggest partner in India. **EAP** also reported a healthy 11.9% revenue growth but margin pressures led to 10.6% decline in EBIT. **AMERICAS** posted the best performance clocking a 21.7% growth in revenue driven by a pick-up in travel and sample tube sales, while EBIT also grew 8.4%. **EUROPE** was a disappointment as revenue declined 2.9% while EBIT was 52.5% lower. The subdued revenue performance was on account of plant closure in Russia. Personal Care performance has been affected due to COVID-related restrictions and lockdowns while Oral Care clocked a 15% growth in 1HFY22.

Important Statistics

MCAP (₹bn)	68.24
52 Week H/L (₹)	294/202
NSE Code	EPL
BSE Code	500135

Shareholding pattern (%)	Sep'21
Promoter	51.9
DII	14.8
FII	14.7
Public & Others	18.6

Financials

Particulars	(₹ mn)			
	FY19	FY20	FY21	1HFY22
Revenues	27,069	27,601	30,916	16,693
EBITDA	4,991	5,575	6,111	3,043
EBITDA Margin (%)	18.4	20.2	19.8	18.2
Net Profit	1,925	2,073	2,391	1,086
EPS (₹)	6.0	6.9	7.6	3.4
DPS (₹)	1.3	3.3	4.1	2.15
RoE (%)	14.4	14.8	15.8	
RoCE (%)	16.7	15.9	17.4	
P/E (x)	36.0	31.3	28.6	
EV/EBITDA (x)	14.5	13.9	15.2	
P/E (x)	4.9	4.4	4.0	

Source: Company, Way2wealth

View

Q2FY22 performance was impacted by sharp RM inflation adversely impacted gross margin while other expenses grew at 2x the rate of sales growth. While the RM inflation impact would have now been expected post the margin compression witnessed in consumer companies, higher growth in other expenses is a point of concern. The revenue growth being in double-digit across all geographies barring Europe is a good news going forward. The management sounded confident on maintaining the double-digit growth trajectory which is quite possible given high price hikes being implemented. Commentary on margin though implied that RM price pressure is likely to continue in the near-term. On a positive note, growing revenue contribution from Personal Care products, gradual shift to Platina tubes from Plastic/Aluminium tubes, a sharp recovery, with the lifting of travel restrictions across the globe, higher revenue sustainability owing to long-term contracts in the Oral Care segment and customer additions across geographies along with greater cross-selling opportunities is good for the business in the longer term. **Hence, we continue to maintain our ACCUMULATE on Dips stance with the stock trading at P/E 19.7x FY23E EPS of ₹11.**

12th November 2021

CMP – ₹216.1/-

View – **ACCUMUALTE** on **DIPS**

Financial & Operating Performance

(₹ mn)															
Particulars	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YoY	QoQ	1H	1H	YoY
	FY20	FY20	FY20	FY20	FY21	FY21	FY21	FY21	FY22	FY22	%	%	FY22	FY21	(%)
Revenue	6,298	7,305	7,108	6,889	7,415	7,713	7,671	8,102	7,991	8,702	12.8	8.9	16,693	15,128	10.3
EBITDA	1,086	1,525	1,579	1,385	1,466	1,662	1,585	1,398	1,449	1,594	(4.1)	10.0	3,043	3,128	(2.7)
EBITDA Margin (%)	17.2	20.9	22.2	20.1	19.8	21.5	20.7	17.3	18.1	18.3	(323)	18	18.2	20.7	(245)
Net Profit	283	796	601	486	444	670	709	568	579	507	(24.3)	(12.4)	1,086	1,114	(2.5)

Source: Company, Way2Wealth

Segment-wise Revenue

(₹ mn)									
	FY17	FY18	FY19	FY20	FY21	YoY (%)	1HFY22	1HFY21	YoY (%)
Oral care	12.7	14.3	15.6	13.8	15.2	9.9	9.0	8.0	12.4
Non-Oral care	9.2	10	11.5	13.8	15.7	14.0	7.7	7.1	8.0

Source: Company, Way2Wealth

Geography wise revenue mix (%)

(₹ mn)										
Region	FY17	FY18	FY19	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
AMESA	40	37	34	33	28	33	31	31	34	34
EAP	23	23	24	22	26	24	27	24	25	24
Americas	20	19	21	22	20	19	23	20	20	21
Europe	18	20	21	24	26	24	22	24	21	21

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

Source: Company, Way2Wealth

Geography wise Performance

(₹ mn)										
AMESA	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue (₹ mn)	2,251	2,433	2,516	2,153	2,190	2,590	2,362	2,766	2,819	3,075
Growth (%)	(4.0)	4.0	(1.0)	(9.0)	(2.7)	6.5	(6.1)	28.5	28.7	18.7
EBIT (₹ mn)	208	258	369	241	160	384	315	224	311	352
Margin (%)	9.2	10.6	14.7	11.2	7.3	14.8	13.3	8.1	11.0	11.4
Growth (%)	(40.0)	(4.0)	1.0	(18.0)	(23.1)	48.8	(14.6)	(7.1)	94.4	(8.3)

EAP	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue (₹ mn)	1,388	1,749	1,740	1,353	2,021	1,908	2,043	1,849	2,060	2,136
Growth (%)	-11	-5	1	-12	45.6	9.1	17.4	36.7	1.9	11.9
EBIT (₹ mn)	179	343	327	149	438	395	385	216	345	353
Margin (%)	12.9	19.6	18.8	11	21.7	20.7	18.8	11.7	16.7	16.5
Growth (%)	(14.0)	(5.0)	2.0	(6.0)	144.7	15.2	17.7	45.0	(21.2)	(10.6)

Americas	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue (₹ mn)	1,366	1,648	1,457	1,713	1,510	1,528	1,735	1,749	1,639	1,860
Growth (%)	3	15	-1	4	10.5	(7.3)	19.1	2.1	8.5	21.7
EBIT (₹ mn)	131	245	215	297	155	155	201	202	119	168
Margin (%)	9.6	14.9	14.8	17.3	10.3	10.1	11.6	11.5	7.3	9.0
Growth (%)	(12.0)	27.0	30.0	(5.0)	18.3	(36.7)	(6.5)	(32.0)	(23.2)	8.4

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 View – **ACCUMUALTE** on DIPS

Europe	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue (₹ mn)	1,517	1,740	1,618	1,897	1,977	1,938	1,768	2,002	1,784	1,882
Growth (%)	17	18	12	16	30.3	11.4	9.3	5.5	(9.8)	(2.9)
EBIT (₹ mn)	33	117	97	135	179	158	99	189	99	75
Margin (%)	2.2	6.7	6.0	7.1	9.1	8.2	5.6	9.4	5.5	4.0
Growth (%)	69.0	210.0	497.0	28.0	442.4	35.0	2.1	40.0	(44.7)	(52.5)

Source: Company, Way2Wealth

Past Performance & Forecasting

Particulars	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenue	24,239	27,069	27,601	30,916	33,654	37,365
EBITDA	4,649	4,991	5,575	6,111	6,291	7,614
EBITDA Margin (%)	19.2	18.4	20.2	19.8	18.7	20.4
Net Profit	1,766	1,925	2,073	2,391	2,491	3,471
EPS (₹)	5.6	6.0	6.9	7.6	7.9	11.0
DPS (₹)	1.2	1.25	3.3	4.1	4.5	5.0
P/E (x)	38.6	36.0	31.3	28.6	27.4	19.7
EV/EBITDA (x)	15.2	14.5	13.9	15.2	11.1	9.3
P/BV (x)	5.5	4.9	4.4	4.0	3.8	3.5
RoE (%)	15.4	14.4	14.8	15.8	16.1	18.2
RoCE (%)	11.3	16.7	15.9	17.4	18.0	21.1
Net Debt/Equity (x)	0.4	0.4	0.2	0.2	0.1	0.1
Debtor Days	67	65	66	71	69	68
Inventory days	44	49	49	50	44	40
Creditor days	28	32	74	79	80	79
Cash Balances	1,028	1,344	3,712	2,414	2,198	2,541

Source: Company, Way2Wealth

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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	
Financial Interest	
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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