

EPL LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.199.25 (As on 25^h Aug 2023)

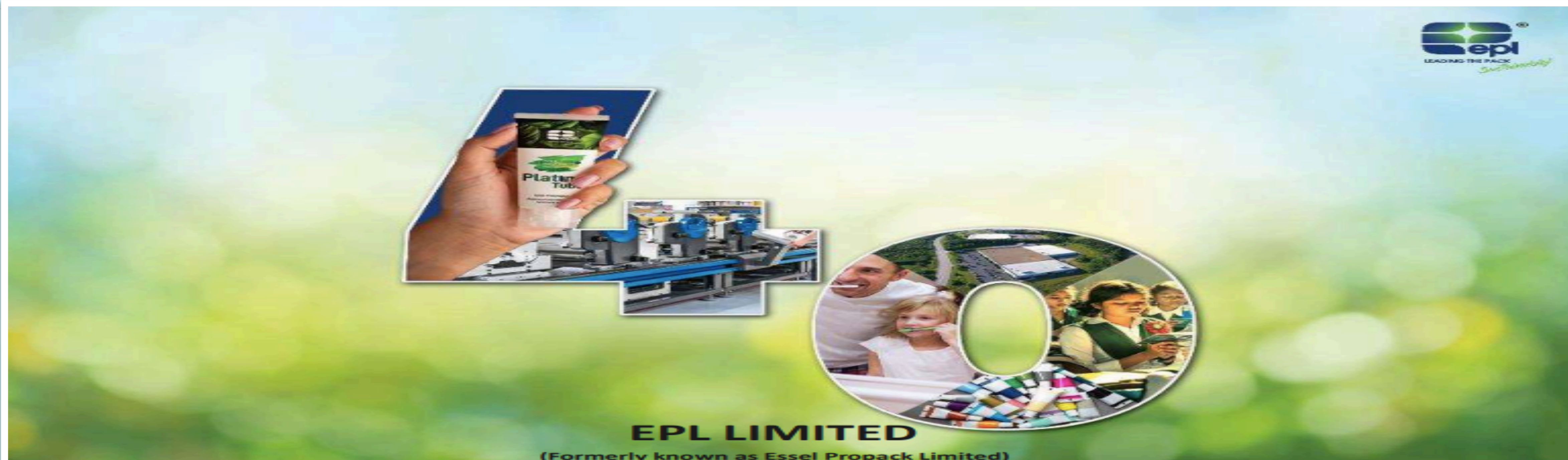
TARGET PRICE : Rs.250.00

FACE VALUE : Rs.2

BSE CODE : 500135

NSE CODE : EPL



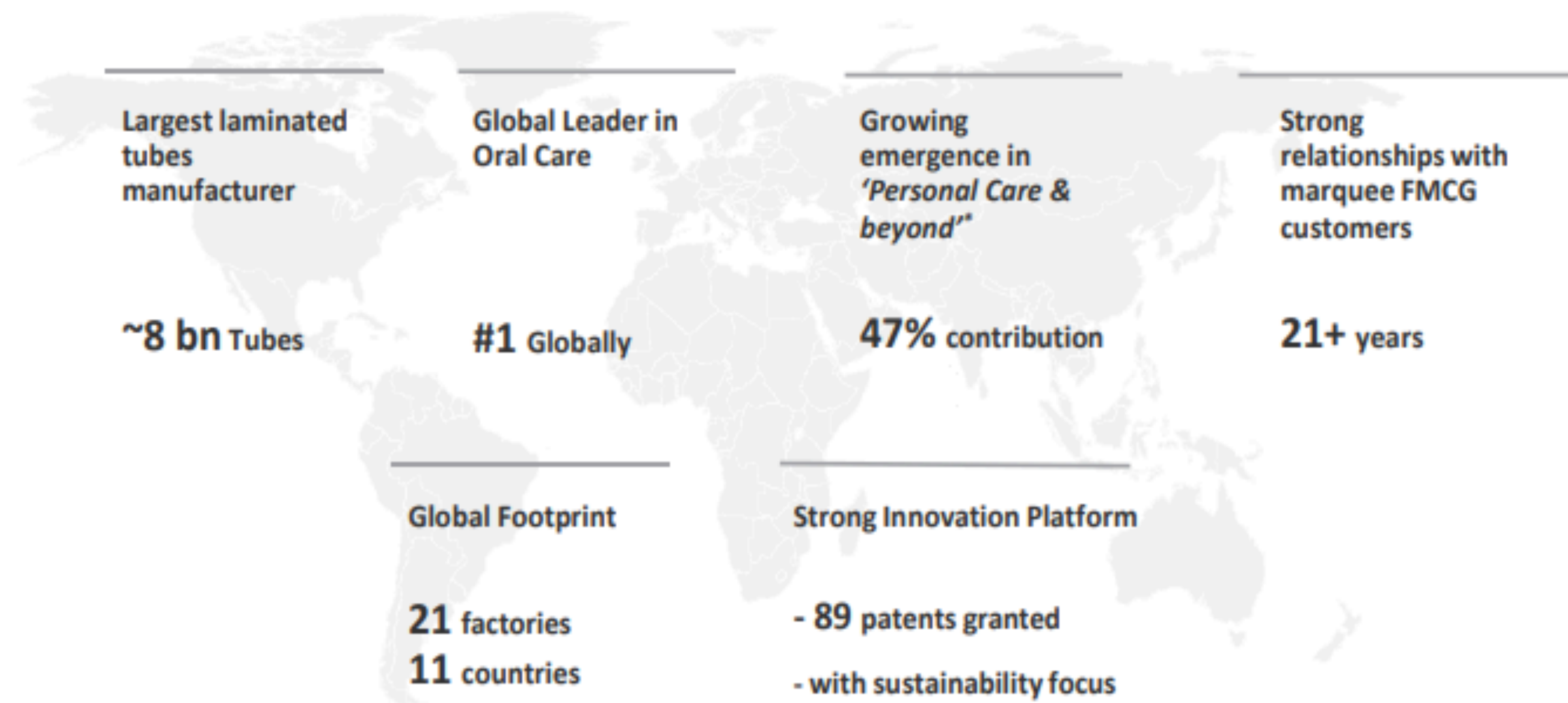


EPL Ltd. is the largest global specialty packaging company, manufacturing laminated plastic tubes catering to the FMCG and Pharma-space. Employing over 3,577 people representing over 25 different nationalities, EPL functions in eleven countries through 21 state of the art facilities, and is continuing to grow every year.

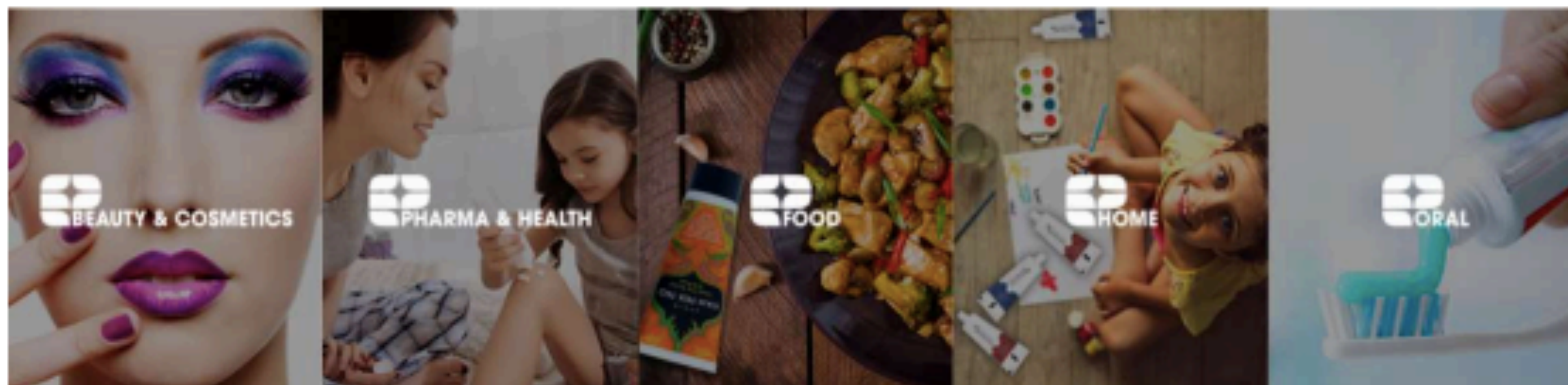
ABOUT THE COMPANY

EPL is the world's largest laminated tube manufacturer with units operating across countries such as USA, Mexico, Colombia, Brazil, Poland, Germany, Egypt, China, Philippines and India. These facilities cater to diverse categories that include brands in OralCare, Beauty & Cosmetics, Pharma & Health, Food and Home offering customised solutions through continuously pioneering first-in-class innovations in materials technology and processes.

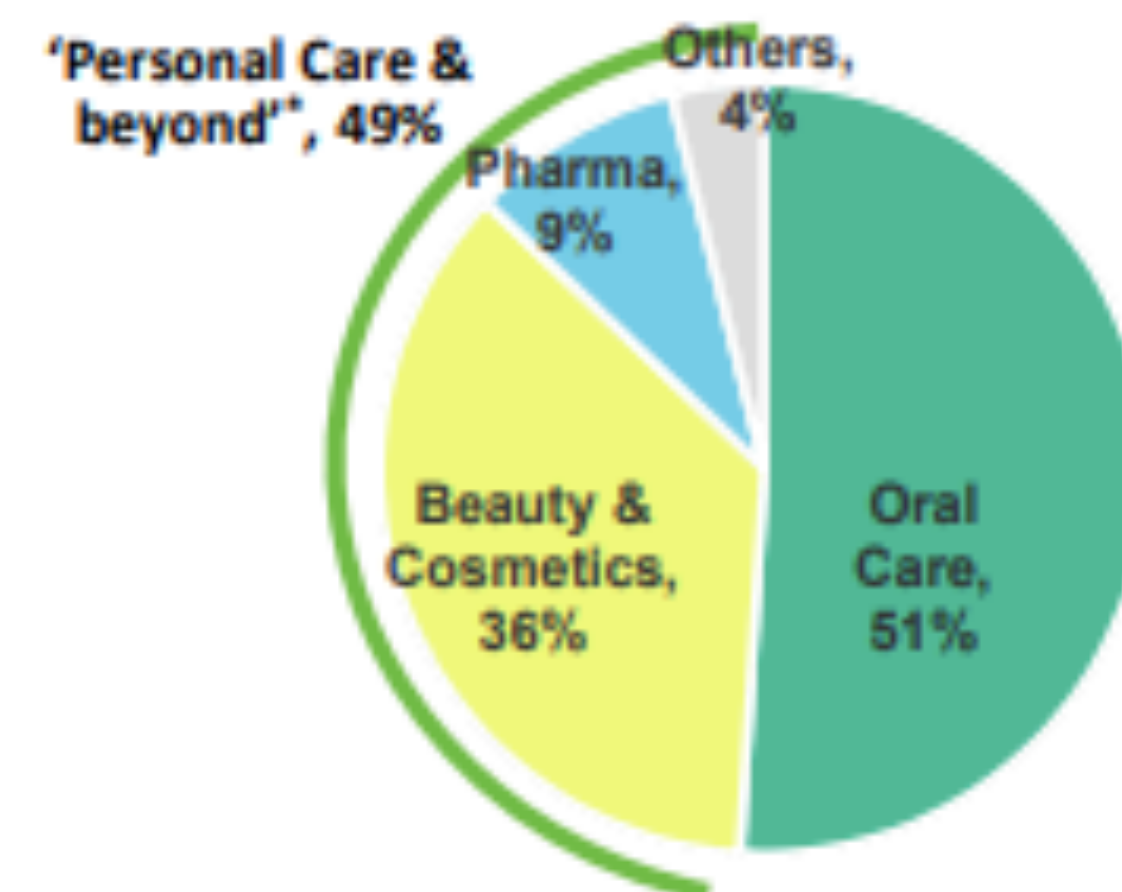
EPL: Company Overview



EPL Caters to Marquee Customers Across Trillion Dollar Categories



Tube revenue split (Q1FY24)



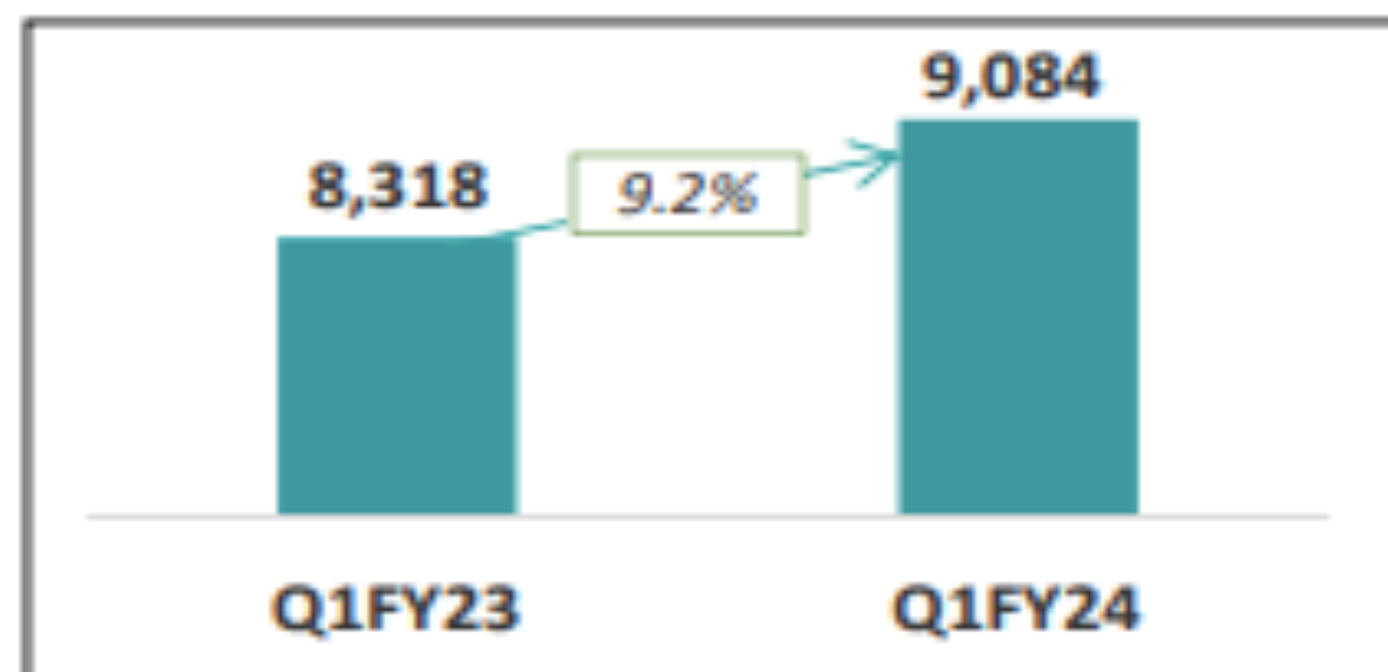
Q1FY24 Highlights – EBITDA margin improvement continues in Q1FY24

- 1 Solid revenue growth at 9.2%
- 2 Strong EBITDA margin in Q1FY24 at 17.9%¹; increase of 282 bps YoY and 69 bps sequentially. EBITDA grew by 29.6% YoY
- 3 PAT growth of 82.3% YoY
- 4 Strong cash flow generation leading to YoY and sequential reduction in Net debt, resulting into lower Net Debt/EBITDA at 0.43x
- 5 Return on Capital employed increased to 16.2% with YoY and sequential increase of 98 bps and 119 bps respectively
- 6 Brazil ramp-up underway

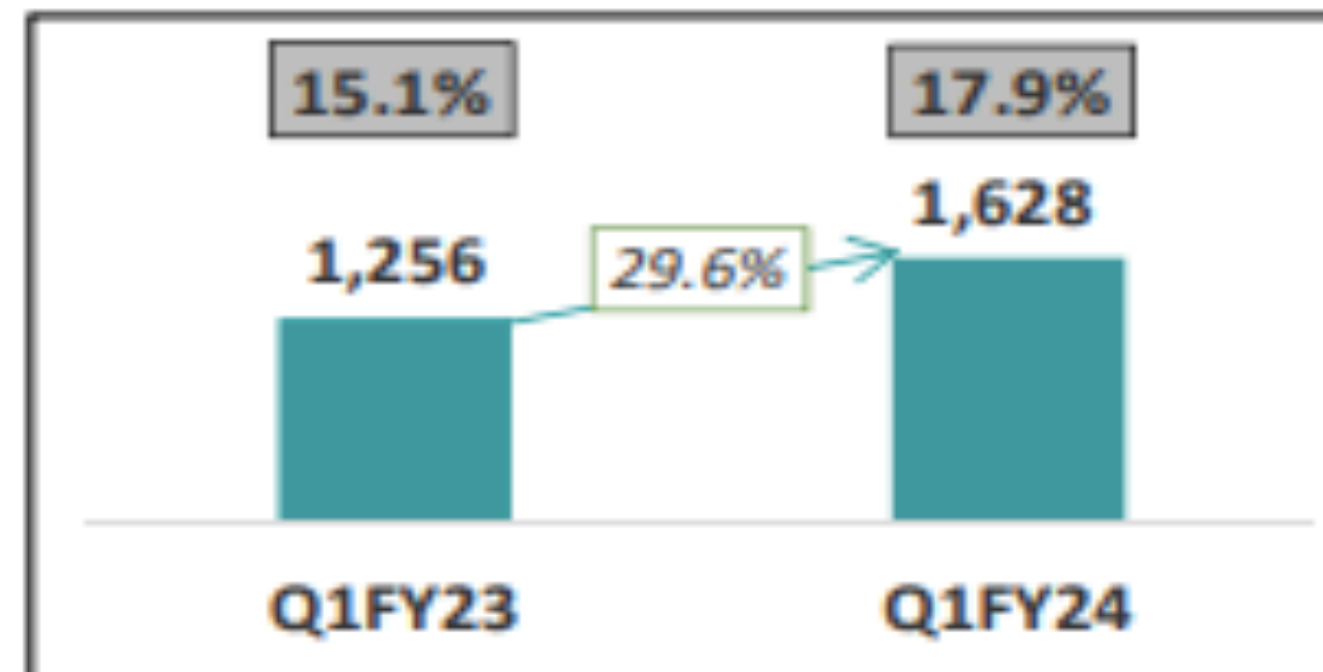
Q1FY24 Consolidated Financial Highlights

(INR million)

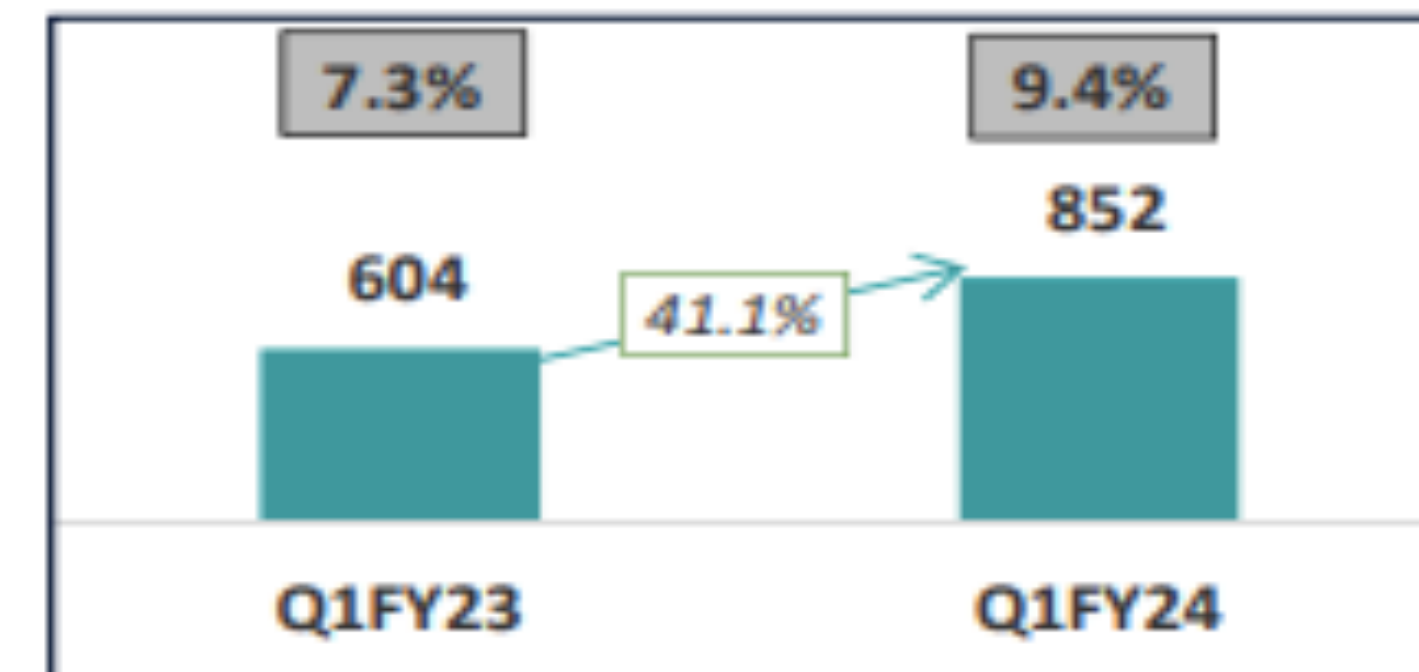
Revenue from Operations



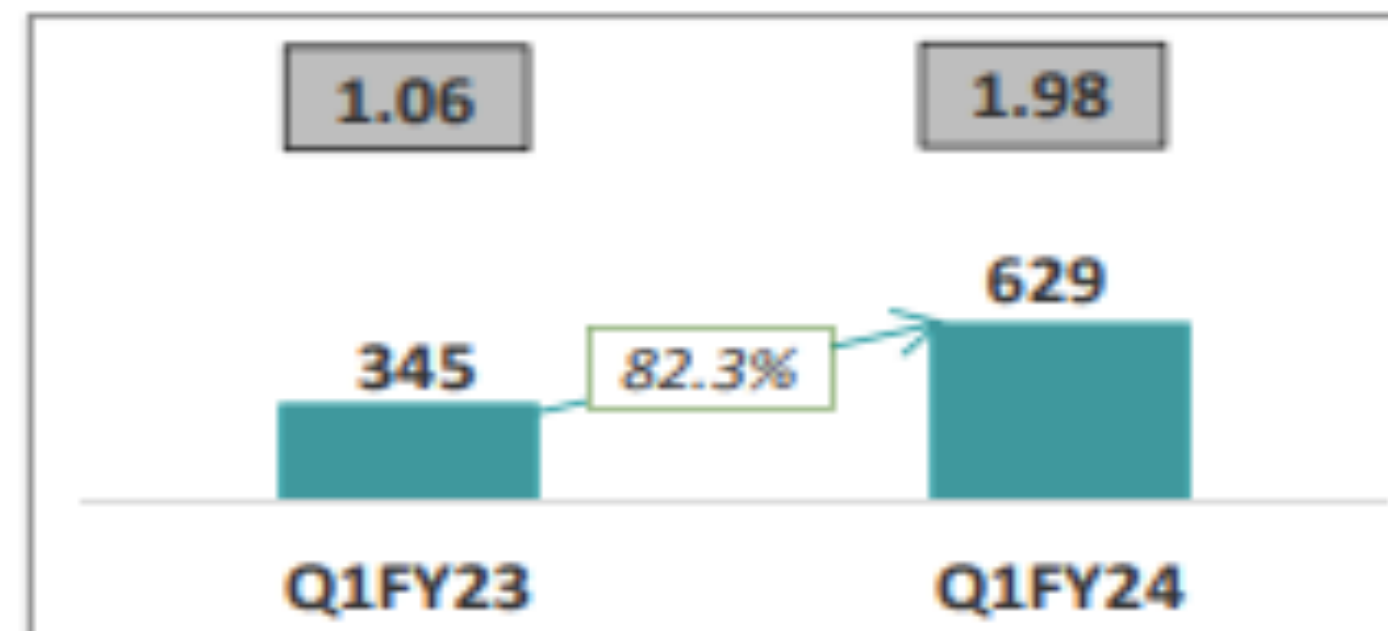
EBITDA and EBITDA Margins



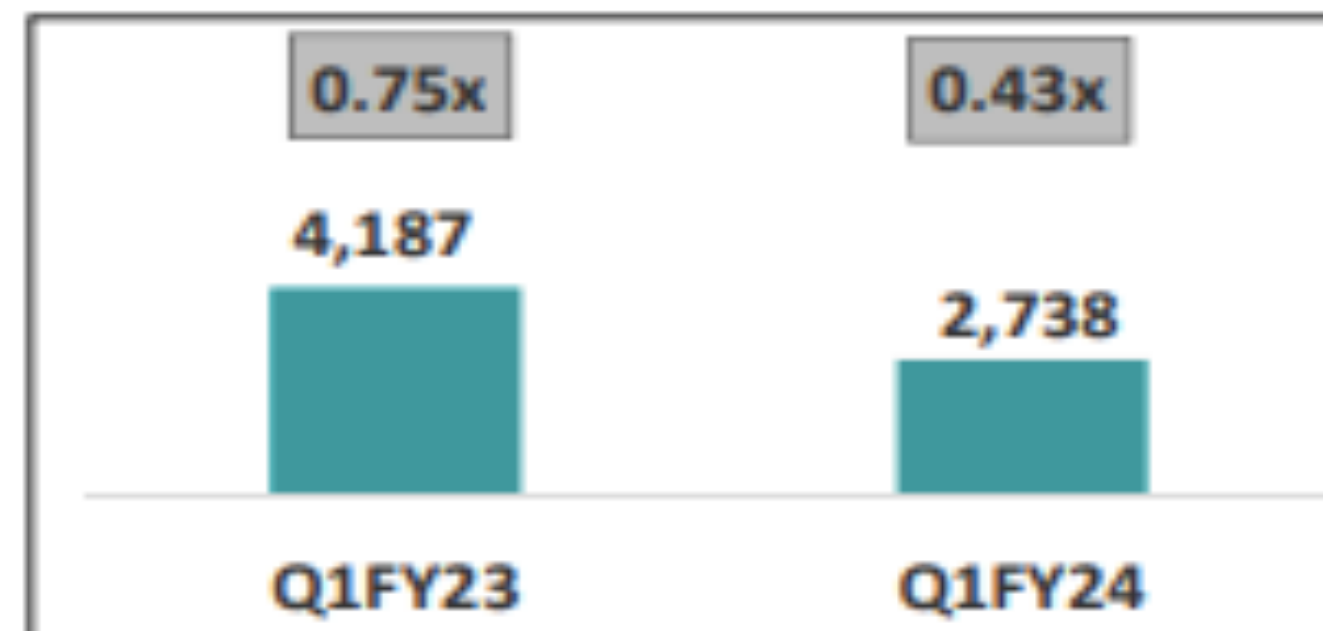
EBIT and EBIT Margins



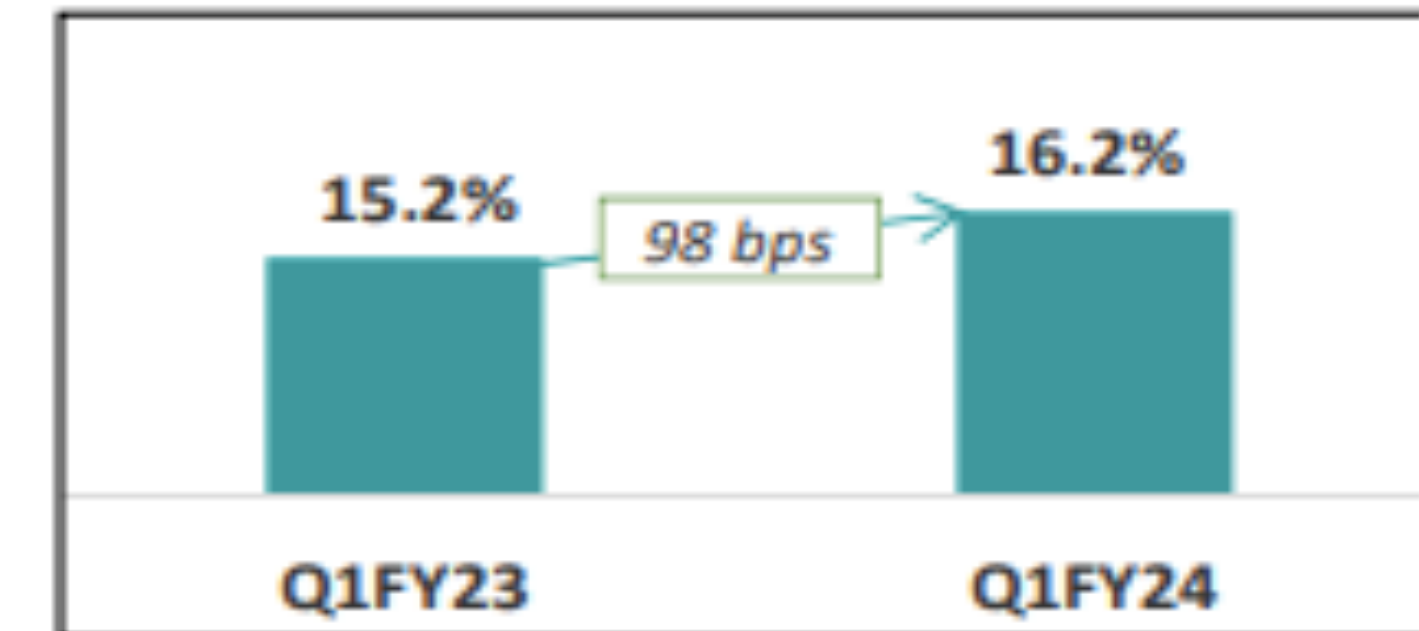
PAT¹ and EPS (INR)



Net Debt and Net Debt/ LTM EBITDA



ROCE²



- ▶ Good revenue growth across all regions. AMESA³ (+5.0%), EAP (+11.5%), Americas (+9.5%), Europe (+7.8)
- ▶ EBITDA margin at 17.9%; increase of 282 bps YoY and 69 bps sequentially

(1) Excluding exceptional items

(2) Return on Capital Employed, defined as EBIT / Average Capital Employed, on a trailing twelve month basis and adjusted for INR 160 mn for Jun 23 and Jun 22 of Transition Services Agreement (TSA) related expense and INR 90 mn for Jun 23 (INR 136 mn for Jun 22) of ESOP related expenses

(3) India Standalone YoY revenue grew at 6.9%

Going for Growth

- 1 Brazil ramp up has started. Plan to win additional customers in place**
- 2 Creating flexibility in supply chain to get small volume customers**
- 3 Enhanced segment focus on Beauty & Cosmetic category**
- 4 Launching of neo-seam technology across regions**
- 5 Working closely with multiple customers to support their sustainability goals**

Comprehensive plan for cost control and margin recovery

1 Active price management

- ▶ Selective price increases / retentions

2 Mix Improvement

- ▶ Focus on higher-profit segments and value-added offerings led to revenue growth mainly driven by *'Personal Care & beyond'**

3 Cost Productivity

- ▶ Operating expenses growth lower than revenue growth
- ▶ Increased in-house manufacturing of caps and closures across regions
- ▶ Global program for alternate material sourcing and scrap / waste reduction while improving manufacturing productivity

4 Organizational Review

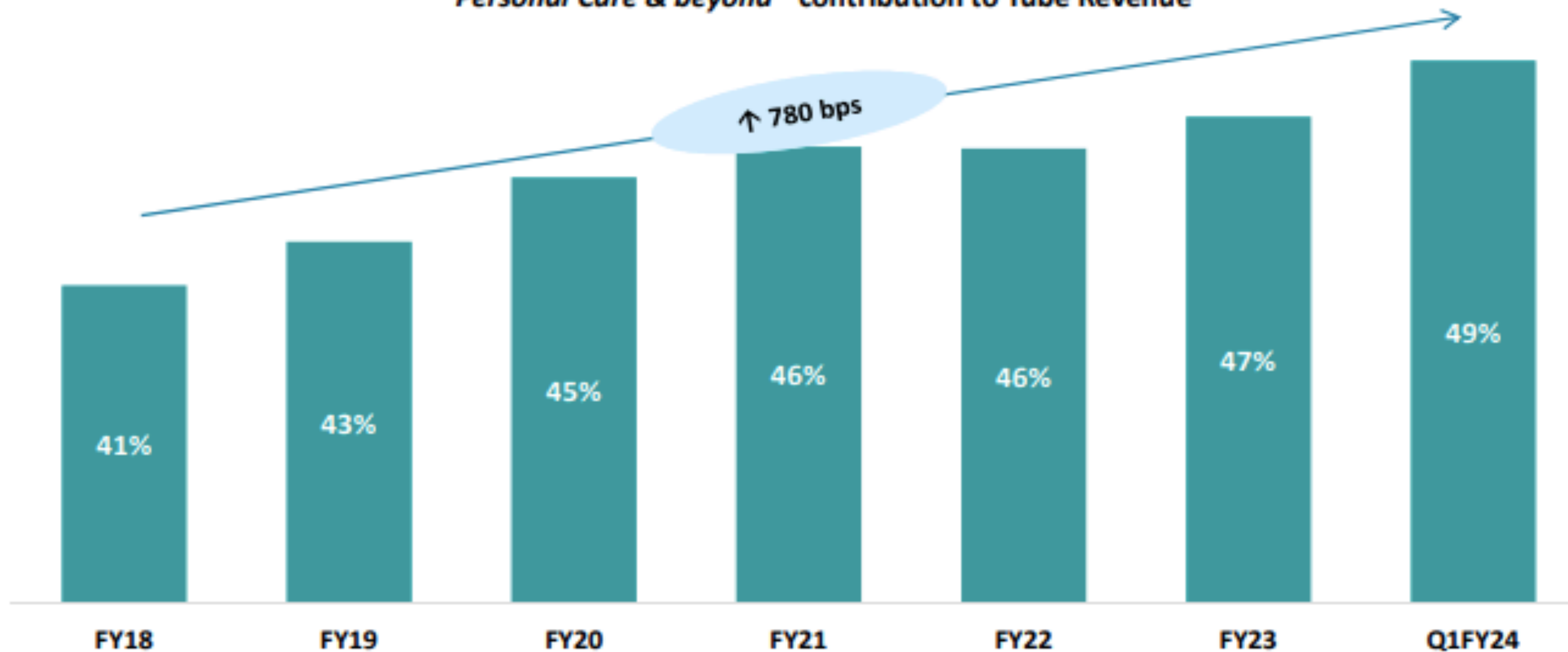
- ▶ Program to enhance organizational effectiveness and efficiency



Leading to quarter on quarter operating margin improvement

***'Personal Care & beyond'** category contribution stood at 49% in Q1FY24**

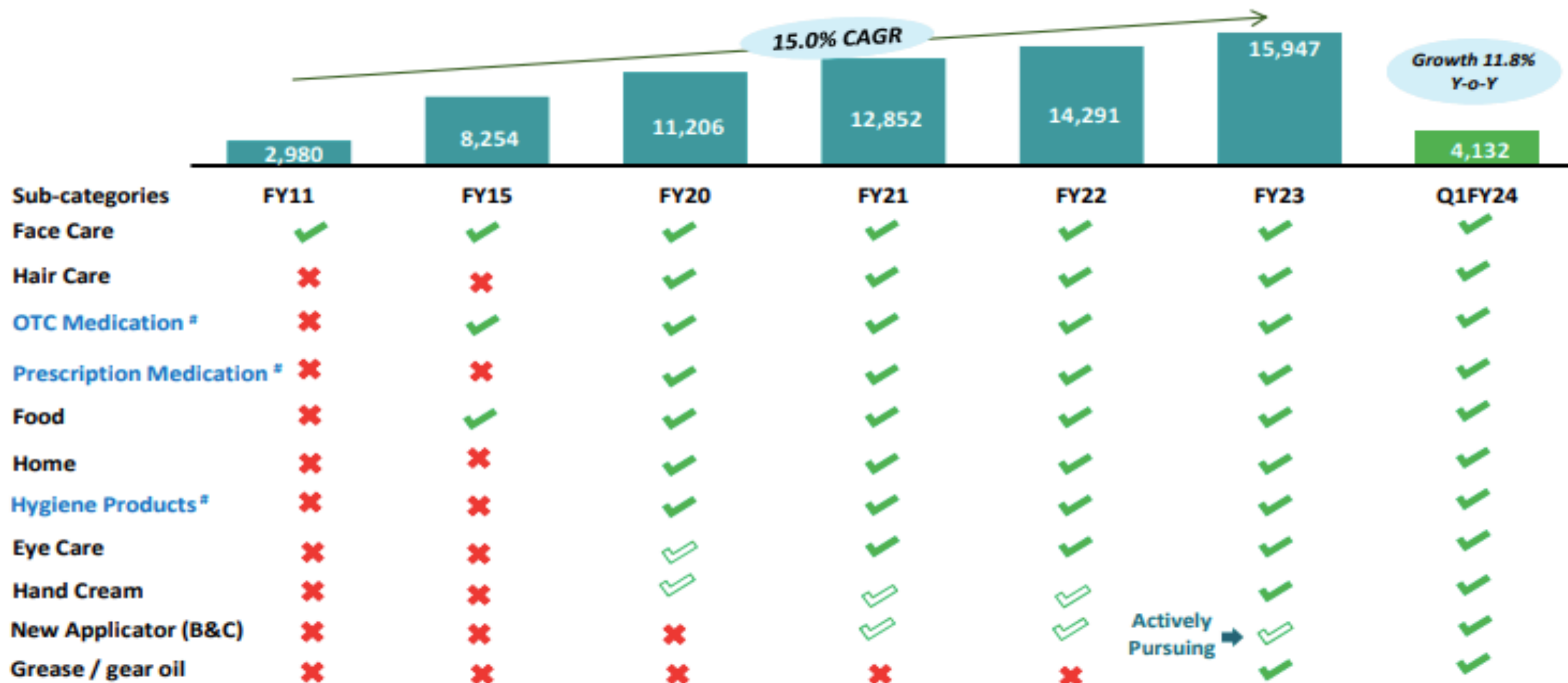
*'Personal Care & beyond'** contribution to Tube Revenue



***'Personal Care & beyond'** revenue growth higher than Oral Care**

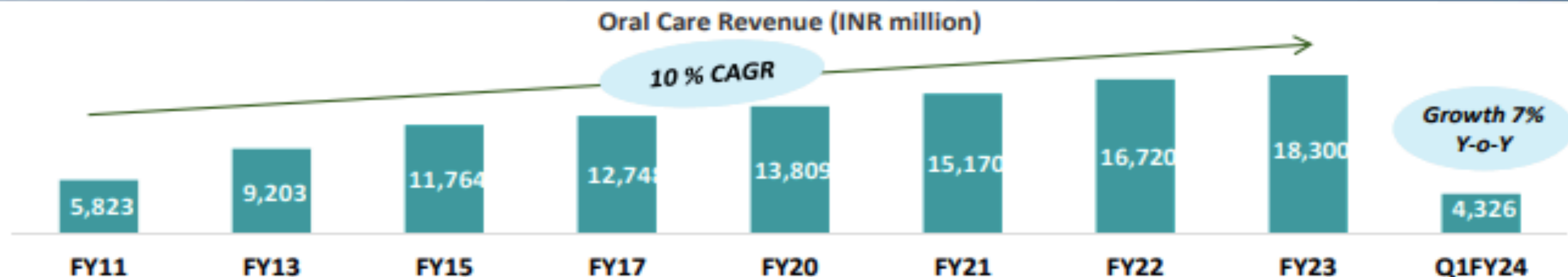
***'Personal Care & beyond'* * category has grown at a 15% CAGR over the last 13 years and continues to be the major growth driver for EPL in FY23**

'Personal Care & beyond' * Revenue (INR million)



'Personal Care & beyond' * revenue growth higher than Oral Care. Work in progress towards adding sub segments in B&C category.

Established Global Leadership in Oral Care with the segment demonstrating steady long-term revenue growth at a CAGR of 10.0%



Customers



Market Positioning

#1

1. Market leader across key markets
2. Long term relationships with customers
3. Continued leadership through product and process innovation
4. Unique, agile, and customer-specific supply chain models

Business highlights

1. Wallet share gain with marquee global consumer companies
2. Market share gain from regional players in India and China
3. Entry in Brazil will further increase Oral care business
4. Acceleration of commercialization of sustainable Platina tubes globally

Sustained momentum on new business wins through innovation and sustainable offerings

Venturing into new categories



India -
Pandharpuri
Chandan

China -
Shein
Sheglam Eye
base Cream



Lamitube Conversion



India - Polo
water colour
from
aluminum

China - GSK
Bactroban
ointment
from
aluminum



Strengthening Sustainability – Platina



Australia – Ensign Lab Comvita
Toothpaste



Thailand – J&J
Baby Cream

Japan – Meterra Oral
Tube



Disruption

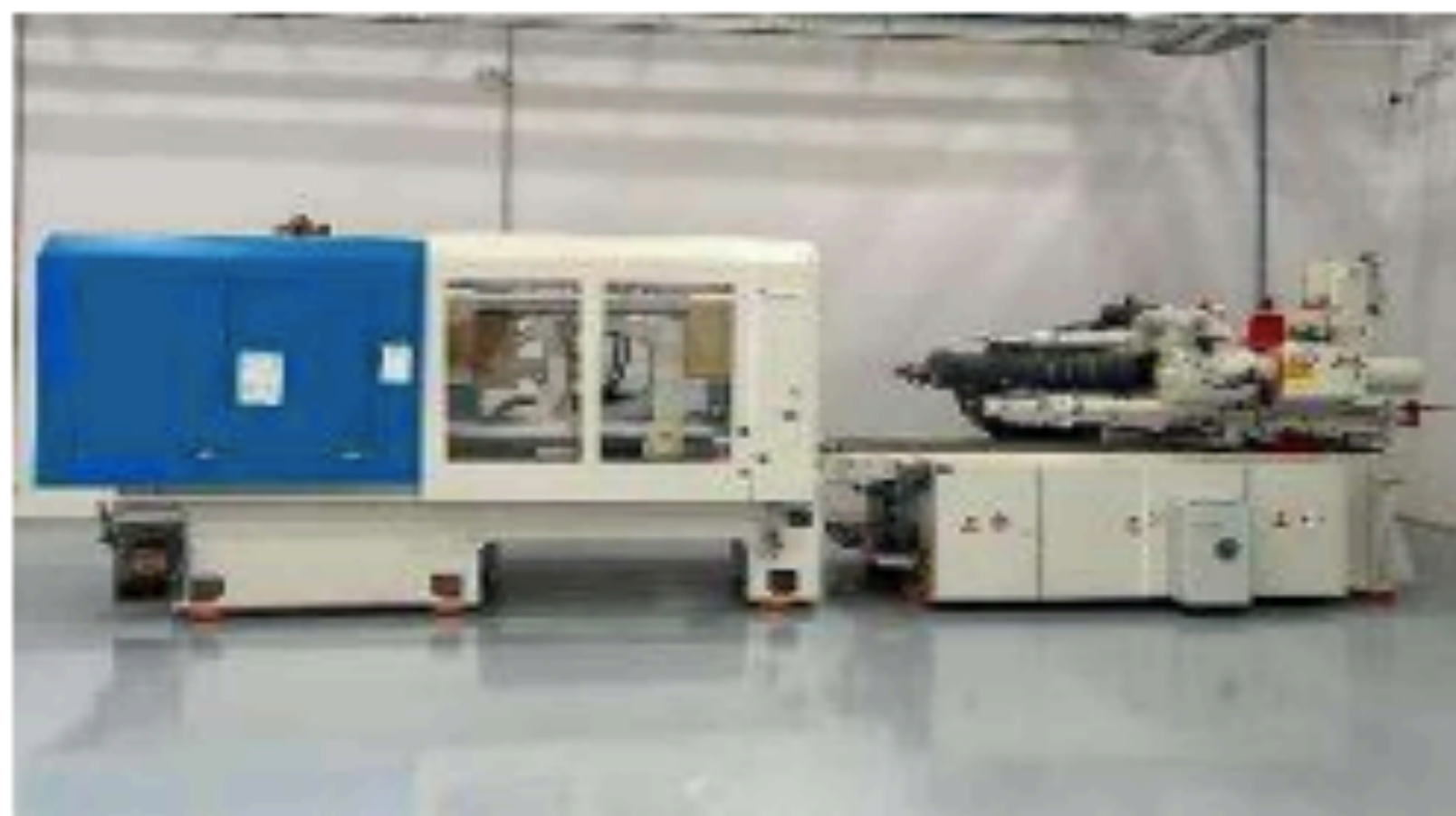
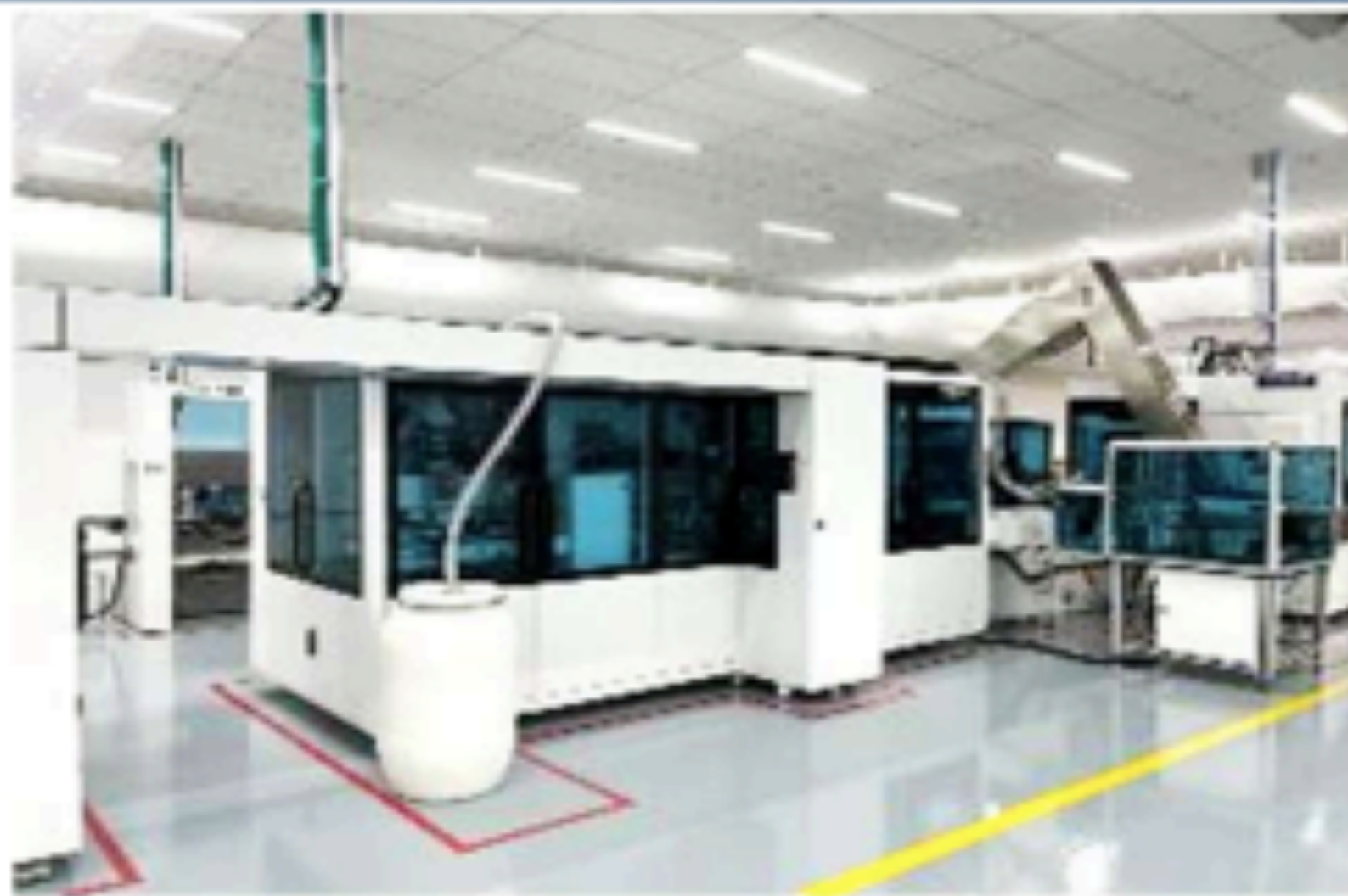


China - 943 D40 super
oval light sunscreen
cream Special-shaped
tail sealing



China -
Collgene-
D19 Eye
Cream with
ceramic
massage
head

Brazil update



Ramp up underway

Sustainability: Plan to double sustainable tubes volume in FY24 on track

Product Sustainability

- ▶ Emergence of Platina as a benchmark for Sustainable Solutions and a market success across all categories
- ▶ 2.5x sustainable tubes delivered in FY23; ~10% of total tubes
- ▶ Plan to double the sale of sustainable tubes in FY24



Process Sustainability

- ▶ EPL Limited awarded "Gold Medal" in 2023 EcoVadis Sustainability assessment
- ▶ Maintained CDP 'A' Leadership rating on supplier engagement; best in packaging industry and 'A-' on climate change (Leadership band).



Looking Ahead

- 1 Continue growth momentum in India and China; some demand softening in western geographies**
- 2 Accelerate Beauty and Cosmetics category by winning small customers**
- 3 Ramp up Brazil volume and expand customer base in Brazil**
- 4 Continued focus on (i) margin improvement through mix and cost efficiency (ii) efficient capital allocation (iii) manufacturing location optimization**
- 5 Double sustainable tubes volume with continued focus on customer conversion to sustainable solutions**

We remain focused on margin improvement while being cautiously optimistic about the future

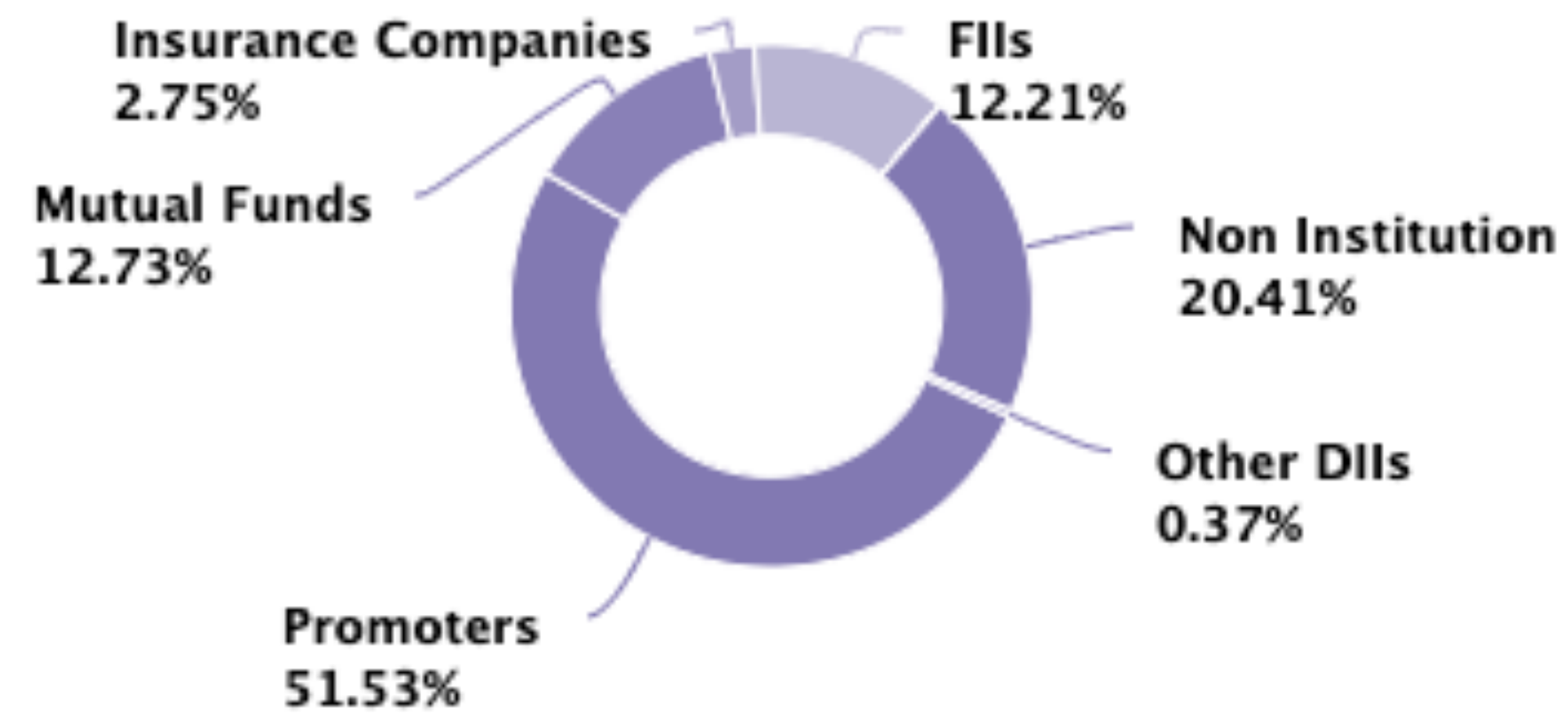
Yearly Results

YEARLY RESULTS OF EPL (in Rs. Cr.)	MAR '23	MAR '22	MAR '21	MAR '20	MAR '19
Net Sales/Income from operations	3,694.10	3,432.80	3,091.60	2,760.07	2,706.93
Total Income From Operations	3,694.10	3,432.80	3,091.60	2,760.07	2,706.93
EXPENDITURE					
Consumption of Raw Materials	1,704.80	1,574.40	1,288.60	1,180.06	1,168.71
Increase/Decrease in Stocks	-31.00	-56.80	4.80	-23.28	-3.90
Employees Cost	689.50	650.00	606.40	531.12	500.56
Depreciation	280.50	251.40	234.60	229.79	186.11
Other Expenses	753.00	689.10	580.70	514.73	542.44
P/L Before Other Inc., Int., Excpt. Items & Tax	297.30	324.70	376.50	327.65	313.01
Other Income	42.10	12.00	14.50	13.39	28.51
P/L Before Int., Excpt. Items & Tax	339.40	336.70	391.00	341.04	341.52
Interest	67.40	40.30	42.90	55.65	61.31
P/L Before Exceptional Items & Tax	272.00	296.40	348.10	285.39	280.21
Exceptional Items	-1.10	--	-16.10	-9.39	3.05
P/L Before Tax	270.90	296.40	332.00	276.00	283.26
Tax	37.30	67.50	86.80	63.79	93.19
P/L After Tax from Ordinary Activities	233.60	228.90	245.20	212.21	190.07
Net Profit/(Loss) For the Period	233.60	228.90	245.20	212.21	190.07
Minority Interest	-4.00	-6.90	-5.20	-4.33	-2.86
Share Of P/L Of Associates	-2.90	-7.60	-0.90	-0.63	5.32
Net P/L After M.I & Associates	226.70	214.40	239.10	207.25	192.53
Equity Share Capital	63.60	63.20	63.10	63.09	63.05
Reserves Excluding Revaluation Reserves	1,893.00	1,738.60	1,620.60	1,469.17	1,324.11
EPS BEFORE EXTRA ORDINARY					
Basic EPS	7.15	6.79	7.58	6.57	6.12
Diluted EPS	7.15	6.77	7.57	6.57	6.11
EPS AFTER EXTRA ORDINARY					
Basic EPS.	7.15	6.79	7.58	6.57	6.12
Diluted EPS.	7.15	6.77	7.57	6.57	6.11

Key Financial Ratios

KEY FINANCIAL RATIOS OF EPL (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	7.15	6.79	7.58	6.57	6.12
Diluted EPS (Rs.)	7.15	6.77	7.57	6.57	6.11
Cash EPS (Rs.)	16.17	15.20	15.21	14.01	11.93
Book Value [ExclRevalReserve]/Share (Rs.)	62.67	58.80	54.88	48.85	44.18
Book Value [InclRevalReserve]/Share (Rs.)	62.67	58.80	54.88	48.85	44.18
Revenue from Operations/Share (Rs.)	116.17	108.63	97.99	87.48	85.85
PBDIT/Share (Rs.)	19.49	18.61	19.83	18.09	16.73
PBIT/Share (Rs.)	10.67	10.66	12.39	10.81	10.83
PBT/Share (Rs.)	8.52	9.38	10.52	8.75	8.98
Net Profit/Share (Rs.)	7.35	7.24	7.77	6.73	6.03
NP After MI And SOA / Share (Rs.)	7.13	6.78	7.58	6.57	6.11
PROFITABILITY RATIOS					
PBDIT Margin (%)	16.78	17.13	20.23	20.68	19.49
PBIT Margin (%)	9.18	9.80	12.64	12.35	12.61
PBT Margin (%)	7.33	8.63	10.73	9.99	10.46
Net Profit Margin (%)	6.32	6.66	7.93	7.68	7.02
NP After MI And SOA Margin (%)	6.13	6.24	7.73	7.50	7.11
Return on Networth/Equity (%)	11.39	11.75	14.08	13.52	13.87
Return on Capital Employed (%)	12.71	14.05	17.46	16.91	17.54
Return on Assets (%)	6.24	6.51	7.93	7.38	7.63
Total Debt/Equity (X)	0.39	0.36	0.29	0.34	0.42
Asset Turnover Ratio (%)	0.52	0.47	102.66	98.36	107.41
LIQUIDITY RATIOS					
Current Ratio (X)	1.69	1.71	1.74	1.70	1.90
Quick Ratio (X)	1.05	1.05	1.20	1.23	1.34
Inventory Turnover Ratio (X)	1.69	1.83	7.45	7.52	8.37
Dividend Payout Ratio (NP) (%)	60.12	61.84	54.11	38.04	19.59
Dividend Payout Ratio (CP) (%)	26.87	28.46	27.31	18.03	9.96
Earnings Retention Ratio (%)	39.88	38.16	45.89	61.96	80.41
Cash Earnings Retention Ratio (%)	73.13	71.54	72.69	81.97	90.04
COVERAGE RATIOS					
Interest Coverage Ratios (%)	9.20	14.59	9.11	6.13	5.57
Interest Coverage Ratios (Post Tax) (%)	9.20	14.59	9.11	6.13	5.57
VALUATION RATIOS					
Enterprise Value (Cr.)	5,676.22	6,614.28	7,722.86	5,040.09	4,133.81
EV/Net Operating Revenue (X)	1.54	1.93	2.50	1.83	1.53
EV/EBITDA (X)	9.16	11.25	12.34	8.83	7.83
MarketCap/Net Operating Revenue (X)	1.39	1.78	2.40	1.77	1.36
Retention Ratios (%)	39.87	38.15	45.88	61.95	80.40
Price/BV (X)	2.59	3.35	4.38	3.18	2.65
Price/Net Operating Revenue	1.39	1.78	2.40	1.77	1.36
Earnings Yield	0.04	0.04	0.03	0.04	0.05

Shareholding Pattern an on Jun'23



Summary

- ❖ On quarterly basis, the Company delivered robust performance in Q1 of FY'24, with Net Sales up by 9.42% i.e. Rs.910.20 crs in Jun'23 as compared to Rs.831.80 crs in Jun'22. However, the Net Profits jumped by 62.57% i.e. Rs.54.30 crs in Jun'23 versus Rs.33.40 crs in Jun'22. Additionally, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.63.60 crs in Jun'23 juxtapose to Rs.63.20 crs in Jun'22.
- ❖ As per fine financials and fair fundamentals, the Company is available at a good price of Rs.199.25 with its 52 week low of Rs.147.00 and 52 week high of Rs.236.15.
- ❖ Since the Promoters are holding majority stake around 51.53% as well as its consistent performance, it is fair to assume that the Management is working efficiently and is growth oriented.
- ❖ In Public Shareholding as on Jun'23, the FIIs and the Other DIIs cumulatively stood with 12.58% stake. Whilst, the Mutual Fund Houses own 12.73% holdings in the Company.
- ❖ EPL Ltd. is held by MIRAE MF, ICICI PRU MF, CANARA ROBECO MF, FRANKLIN TEMPLETON MF, AXIS MF, MAHINDRA MANULIFE MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 11.39% & 12.71% respectively as on Mar'23.
- ❖ For the year ending Mar'23, EPL Ltd. has declared an equity dividend of 215.00% i.e. Rs.4.30 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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