

Q1FY25 Result Highlights

- **Strong Q1FY25 performance across geographies with market share gains in oral care segment** – EPL's Q1FY25 Revenue grew 10.7% YoY (-2.1% QoQ) to ₹10.1bn with good performance across all its four geographies (strong growth in America, up 18.9% YoY), market share gains in oral care segment and partly aided by its Brazil greenfield expansion. Brazil has delivered 100% supplies to its anchor customer, and has onboarded two MNCs and a local customer. Capacity utilisation at 75%, and as per the management it has enough steam to further increase capacity for future growth.
- Employee expenses were up 12.3% YoY to ₹2.1bn, as the company introduced performance-based incentive. Further, it started accounting for cost; and other expenses were up 13.3% YoY to ₹2bn. EBITDA grew 16.9% YoY to ₹1.9bn, and was impacted by forex loss of ₹63mn. Accounting rule requires forex gain to be accounted in other income; while forex losses are part of other expenses. Interest cost +23.4% YoY/ declined 9.7% QoQ to ₹290mn due to capitalisation of Brazil operations. PAT grew 18.2% YoY to ₹642mn; effective tax rate was at 17.4% in Q1FY25.
- Despite softness in China, **EAP** revenue has jumped 13.9% YoY to ₹2.4bn with EBIT at ₹392mn and margin at 16% v/s16.3% YoY. **AMESA** revenue rose 9.5% YoY to ₹3.7bn; EBIT grew 9.5 % YoY to ₹430mn, and EBIT margin was 11.7% v/s 10.9% YoY. Revenue from the **Americas** increased 18.9% YoY to ₹2.6bn, EBIT rose 6.5% YoY to ₹169mn. EBIT margin was at 6.5% v/s 2.6% YoY. **Europe** revenue rose 9% YoY to ₹2.3bn; EBIT rose 5.8% YoY to ₹135mn. EBIT margin was at 5.8% v/s 3.7% YoY.
- India margins are impacted by investments (aggressive go-to-market strategy) to drive growth and performance based incentives. Corporate capability building cost is incorporated into the standalone business. The management expects margins for India to improve, Europe's margin to further improve to mid teens, operating leverage and cost optimisation helping to drive overall margins.
- The company has started growing in early teens as guided previously and enabled by stabilisation in raw material prices, though customer prices had some tail price reduction. Oral care segment noted a sharp jump in revenue, growing 16.1% YoY to ₹5.3bn, aided by sustainable tubes, which has helped market share gain to be stable at 35% for a few years. Personal care segment rose 5.2% YoY to ₹4.7bn which remains a focus area and continues to expect mix to improve towards personal care. Gross profit grew (a proxy to volume) 14% YoY/1.4% QoQ to ₹6bn (margin at ~59%), implying strong underlying performance.
- The management focus is on push towards tubes in the beauty and cosmetics segment with emphasis on sustainability. Recyclable tubes to drive revenues which is likely to contribute ~60% of revenue in FY26 (29% in Q1FY25, up 500bp YoY) and win more market share. Ramp-up Brazil operations is being planned with the addition of new customers and strong focus towards cost optimisation in US/Europe geography.

Important Statistics

Nifty	24,144
Sensex	79,106
MCAP (₹bn)	77.7
52 Week H/L (₹)	253/170
NSE Code	EPL
BSE Code	500135
Bloomberg Code	ESEL:IN

Shareholding Pattern (%) Jun'24	
Promoter	51.5
DII	11.6
FII	11.4
Public & Others	25.6

Financials

Particulars	₹ mn		
	FY21	FY22	FY23
Revenues	30,916	34,328	36,941
EBITDA	6,111	5,761	5,778
EBITDA Margin (%)	19.8	16.8	15.6
Net Profit	2,391	2,144	2,267
EPS (₹)	7.5	6.7	7.1
DPS (₹)	4.1	4.3	4.3
RoE (%)	13.8	11.5	11.4
RoCE (%)	16.8	13.6	11.1
P/E (x)	32.2	35.9	34.0
EV/EBITDA (x)	13.4	14.5	14.6
P/BV (x)	4.5	4.1	3.9

Particulars	FY24			FY25E			FY26E		
Revenues	39,161	43,561	46,933						
EBITDA	7,143	8,834	9,797						
EBITDA Margin (%)	18.2	20.3	20.9						
Net Profit	2,060	3,413	4,411						
EPS (₹)	6.5	10.8	14.0						
DPS (₹)	4.5	5.0	5.5						
RoE (%)	9.9	15.8	18.0						
RoCE (%)	14.0	14.4	15.7						
P/E (x)	37.4	22.4	17.3						
EV/EBITDA (x)	11.8	9.5	8.4						
P/BV (x)	3.7	3.2	2.8						

Source: Company, Way2Wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
EPL	24.6	10.2	166.3
Nifty 50	24.0	45.8	118.5
Sensex	20.7	42.3	111.8

Source: Company, Way2Wealth

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16th August 2024

CMP – ₹244.0/-

View – **ACCUMULATE**

View

The company had a positive start to FY25 with market share wins in oral care segment, which has been stable for few years, driven by sustainable tubes. Pricing reduction at tail-end with revenue growth is reflecting on the underlying performance. Customer additions in Brazil are likely to help Americas to sustain high growth rate as Europe margins is witnessing showing sharp improvement. We expect the company to achieve its intended growth on the back of continued focus on personal care segment and leveraging sustainable products to increase wallet share of customers. **Hence, we continue to maintain our ACCUMULATE stance with the stock trading at P/E 17.3x FY26E EPS of Rs13.9.**

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FINANCIAL & OPERATING PERFORMANCE

(₹ mn)

Particulars	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	YoY%	QoQ%	FY24	FY23	YoY%
Revenue	7,991	8,702	8,834	8,802	8,318	9,481	9,449	9,693	9,102	10,016	9,751	10,292	10,074	10.7	(2.1)	39,161	36,941	6.0
EBITDA	1,449	1,594	1,387	1,331	1,256	1,486	1,490	1,546	1,590	1,810	1,834	1,909	1,858	16.9	(2.7)	7,143	5,778	23.6
EBITDA Margin(%)	18.1	18.3	15.7	15.1	15.1	15.7	15.8	15.9	17.5	18.1	18.8	18.5	18.4	97	(10)	18.2	15.6	260
Net Profit	579	507	571	487	350	462	628	851	543	505	861	151	642	18.2	325.2	2060	2291	(10.1)

Source: Company, Way2Wealth

Segment-wise Revenue

(₹ bn)

	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY25	Q1FY24	YoY (%)
Oral care	15.6	13.8	15.2	16.7	18.3	20.8	5.3	4.6	16.1
Non-Oral care	11.5	11.2	12.9	14.3	15.9	18.4	4.7	4.5	5.2

Source: Company, Way2Wealth

Geography wise Revenue mix (%)

Region	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	Q3 FY24	Q4 FY24	Q1 FY25
AMESA	33	31	31	34	34	37	36	38	30	37	35	37	38	36	34	36
EAP	24	27	24	25	24	28	22	23	22	24	22	24	25	26	22	24
Americas	19	23	20	20	21	21	22	24	17	24	24	24	25	26	26	26
Europe	24	22	24	21	21	20	24	24	19	20	26	23	22	21	25	23

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

Source: Company, Way2Wealth

Geography-wise Performance

AMESA	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Revenue (₹mn)	2,819	3,075	3,225	3,140	3,197	3,595	3,521	3,379	3,358	3,791	3,500	3,536	3,677
YoY Growth(%)	28.7	18.7	36.5	13.5	13.4	16.9	9.2	7.6	5.0	5.5	(0.6)	4.6	9.5
EBIT (₹mn)	311	352	353	277	309	333	404	423	365	446	392	414	430
Margin (%)	11.0	11.4	10.9	8.8	9.7	9.3	11.5	12.5	10.9	11.8	11.2	11.7	11.7
YoY Growth(%)	94.4	(8.3)	12.1	23.7	(0.6)	(5.4)	14.4	52.7	18.1	33.9	(3.0)	(2.1)	17.8

EAP	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Revenue(₹mn)	2,060	2,136	2,459	1,971	1,928	2,166	2,263	2,141	2,149	2,454	2,524	2,229	2,448
YoY Growth(%)	1.9	11.9	20.4	6.6	(6.4)	1.4	(8.0)	8.6	11.5	13.3	11.5	4.1	13.9
EBIT (₹mn)	345	353	419	160	247	377	365	248	351	428	412	271	392
Margin (%)	16.7	16.5	17.0	8.1	12.8	17.4	16.1	11.6	16.3	17.4	16.3	12.2	16.0
YoY Growth(%)	(21.2)	(10.6)	8.8	(25.9)	(28.4)	6.8	(12.9)	55.0	42.1	13.5	12.9	9.3	11.7

Source: Company, Way2Wealth

Americas	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Revenue (₹mn)	1,639	1,860	1,899	1,964	1,973	2,226	2,260	2,299	2,178	2,519	2,528	2,664	2,589
YoY Growth(%)	8.5	21.7	9.5	12.3	20.4	19.7	19.0	17.1	10.4	13.2	11.9	15.9	18.9
EBIT (₹mn)	119	168	53	189	105	106	109	59	24	91	175	240	169
Margin (%)	7.3	9.0	2.8	9.6	5.3	4.8	4.8	2.6	1.1	3.6	6.9	9.0	6.5
YoY Growth(%)	(23.2)	8.4	(73.6)	(6.4)	(11.8)	(36.9)	105.7	(68.8)	(77.1)	(14.2)	60.6	306.8	604.2

Europe	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Revenue (₹mn)	1,784	1,882	1,732	2,086	1,972	2,050	1,911	2,502	2,125	2,163	2,076	2,563	2,316
YoY Growth(%)	(9.8)	(2.9)	(2.0)	4.2	10.5	8.9	10.3	19.9	7.8	5.5	8.6	2.4	9.0
EBIT (₹mn)	99	75	(22)	104	34	70	(36)	134	79	46	23	99	135
Margin (%)	5.5	4.0	(1.3)	5.0	1.7	3.4	(1.9)	5.4	3.7	2.1	1.1	3.9	5.8
YoY Growth(%)	(44.7)	(52.5)	(122.2)	(45.0)	965.7	(6.7)	63.6	28.8	132.4	(34.3)	163.9	(26.1)	70.9

Source: Company, Way2Wealth

16th August 2024

CMP – ₹244.0/-

 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)								
Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenue	27,069	27,601	30,916	34,328	36,941	39,161	43,561	46,933
EBITDA	4,991	5,575	6,111	5,761	5,778	7,143	8,834	9,797
EBITDA Margin (%)	18.4	20.2	19.8	16.8	15.6	18.2	20.3	20.9
Net Profit	1,925	2,073	2,391	2,144	2,267	2,060	3,413	4,411
EPS (₹)	6.0	6.5	7.5	6.7	7.1	6.5	10.8	14.0
DPS (₹)	1.25	3.3	4.1	4.3	4.3	4.5	5.0	5.5
P/E (x)	40.0	37.2	32.2	35.9	34.0	37.4	22.4	17.3
EV/EBITDA (x)	16.5	14.3	13.4	14.5	14.6	11.8	9.5	8.4
P/BV (x)	5.5	5.0	4.5	4.1	3.9	3.7	3.2	2.8
RoE (%)	13.8	13.5	13.8	11.5	11.4	9.9	15.8	18.0
RoCE (%)	16.1	16.3	16.8	13.6	11.1	14.0	14.4	15.7
Net Debt/Equity (x)	0.4	0.2	0.3	0.3	0.3	0.3	0.2	0.1
Debtor days	65	66	71	68	64	65	65	64
Inventory days	49	49	50	63	60	57	56	54
Creditor days	32	74	79	48	49	48	48	47
Cash Balances	1,344	3,712	2,414	1,937	2,444	2,073	3,897	6,163
FCF	561	2,833	1,828	449	2,147	2,119	4,241	4,983
PEG	4.4	4.8	2.1	(3.5)	5.9	(4.1)	0.3	0.6

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	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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