Stock Update

EPL Ltd.

February 22, 2023

RETAILRESEARCH

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Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Packaging	Rs. 161.4	Buy in Rs. 158-164 band and add on dips in Rs. 138-142 band	Rs. 180	Rs. 192	2-3 quarters

HDFC Scrip Code	EPLLTDEQNR
BSE Code	500135
NSE Code	EPL
Bloomberg	EPLL:IN
CMP (Feb 21, 2023)	161.4
Equity Capital (RsCr)	63.2
Face Value (Rs)	2
Equity Share O/S (Cr)	31.6
Market Cap (RsCr)	5130
Book Value (Rs)	60
Avg. 52 Wk Volumes	504030
52 Week High	198
52 Week Low	147

Share holding Pattern % (December, 2022)	
Promoters	51.53
Institutions	26.84
Non Institutions	21.63
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

EPL Limited (EPL) is the leading manufacturer of laminated plastic tubes in the world, with ~37% market share in oral care and catering to companies like Unilever, Colgate, P&G etc. In the Personal care market, its global share stands at ~8%, and with opportunity 3x as big as oral-care, the runway for growth is long. Moreover, its increasing share of higher-value personal care tubes will help improve margins. The tubes industry is predominantly concentrated between few global players like ALBEA S.A., CCL Industries and EPL. The company is engaged in a very niche business considering its products are an integral part of the FMCG and Pharma space with packaging being one of the four key P's of marketing mix that underpin the success of any brand. The opportunity in the business is quite evident by the fact that opportunity for oral care tubes is 14 bn p.a. while for beauty & cosmetics is 12bn p.a. and pharmaceuticals is 10bn p.a. EPL sells ~8bn tubes annually. EPL's integrated and vast operations make it a preferred one stop solution for its big clients who form long term partnership with EPL. Its existing capacity can meet 2x the current demand and hence need for large capex is ruled out for the near term. Replacement of aluminium/ plastic tubes by laminated tubes continues at a good pace across the globe due to better aesthetics, lower cost, higher plastic-barrier properties, product and design flexibility and higher sustainability. The unique business model, extensive reach, excess capacity and management focus will help the company to gain market share.

Valuation & Recommendation:

EPL is a market leader that is set to continue gaining market share in an industry which is undergoing structural shift owing to innovative product introduction. EPL's strong innovation pipeline and a plethora of sustainable solutions is expected to be quickly adopted by larger personal care brands given their commitment to sustainability goals. A constant look out for establishing presence in white spaces and driving higher share of customer wallets brightens the company's prospects. EPL's management has committed to deliver double-digit revenue growth and formulated a comprehensive margin recovery plan, including ongoing pricing success which is expected to improve margins. Softening of raw material prices and lifting of Covid curbs should further cushion the margins. Going ahead, we expect revenue and PAT CAGR of 11% and 18%, respectively, over FY22-25E and EBITDA margin improvement of 72 bps over same time frame. RoCE and RoE are expected to increase further from 14.2% and 12.2%, respectively in FY22 to 19.6% and 16.4% by FY25.

We think the base case fair value of the stock is Rs 180 (16x Dec'23E EPS) and the bull case fair value of is Rs 192 (17x Dec'23E EPS). Investors can buy the in stock Rs 158-164 band (14.5x Dec'23E EPS) and add more on dips in Rs. 138-142 band (12.5x Dec'23E EPS).

Financial Summary

Particulars (in Rs Cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Operating Income	945	883	7%	948	0%	3,092	3,433	3,786	4,199	4,674
EBITDA	149	139	7%	149	0%	611	576	591	710	818
APAT	63	57	10%	46	36%	240	214	216	298	376
Diluted EPS (Rs)	2.0	1.8	10%	1.5	36%	7.6	6.8	6.8	9.4	11.9
RoE-%						14.9	12.2	11.4	14.4	16.4
P/E (x)						21.2	23.8	23.6	17.1	13.6
EV/EBITDA						8.9	9.7	9.2	7.4	6.1

(Source: Company, HDFC sec)

Geographical revenue and EBIT mix

	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue (in Rs Cr)																			
AMESA	236	234	254	237	225	243	252	215	219	259	236	277	282	308	323	314	320	360	352
EAP	156	185	172	154	139	175	174	135	202	191	204	185	206	214	246	197	193	217	226
Americas	133	144	148	165	137	165	146	171	151	153	174	175	164	186	190	196	197	223	191
Europe	129	148	144	164	152	174	162	190	198	194	177	200	178	188	173	209	197	205	206
EBIT (in Rs Cr.)																			
AMESA	35	27	37	29	21	26	37	24	16	38	32	22	31	35	35	28	31	33	40
EAP	21	36	32	16	18	34	33	15	44	40	39	22	35	35	42	16	25	38	37
Americas	15	19	17	31	13	25	22	30	16	16	20	20	12	17	5	19	11	11	11
Europe	2	4	2	11	3	12	10	14	18	16	10	19	10	8	-2	10	3	7	-4
EBIT Margin																			
AMESA	*14.7%*	*11.5%*	*14.4%*	*12.4%*	*9.2%*	*10.6%*	*14.7%*	*11.2%*	*7.3%*	*14.8%*	*13.3%*	*8.1%*	*11.0%*	*11.4%*	*10.9%*	*8.8%*	*9.7%*	*9.3%*	*11.5%*
EAP	*13.3%*	*19.5%*	*18.6%*	*10.3%*	*12.9%*	*19.6%*	*18.8%*	*11.0%*	*21.7%*	*20.7%*	*18.8%*	*11.7%*	*16.7%*	*16.5%*	*17.0%*	*8.1%*	*12.8%*	*17.4%*	*16.1%*
Americas	*11.3%*	*13.4%*	*11.2%*	*18.9%*	*9.6%*	*14.9%*	*14.8%*	*17.3%*	*10.3%*	*10.1%*	*11.6%*	*11.5%*	*7.3%*	*9.0%*	*2.8%*	*9.6%*	*5.3%*	*4.8%*	*5.7%*
Europe	*1.5%*	*2.6%*	*1.1%*	*6.5%*	*2.2%*	*6.7%*	*6.0%*	*7.1%*	*9.1%*	*8.1%*	*5.6%*	*9.4%*	*5.5%*	*4.0%*	*-1.3%*	*5.0%*	*1.7%*	*3.4%*	*-1.7%*

(Source: Company, HDFC sec)

Q3FY23 Result Highlights

In Q3FY23, company's performance was broadly in-line with estimates. Consolidated revenue grew by 7% with decent growth all regions except EAP which reported de-growth of 8%. Revenue growth excluding EAP stood at 12.1% (12.7% at constant currency). AMESA (+9.2%), Americas (+19%), Europe (+10%) and EAP (-8%). Gross Margin contracted 20 bps YoY to 54.7%, due to volatility in raw material prices. EBITDA margin expanded marginally by 10 bps YoY to 15.8% on account of a drag in margins from EAP and Europe, which was offset by AMESA and America. EBITDA grew 7% YoY to Rs 149 Cr. Adjusted PAT grew 10% YoY to Rs 63 Cr. Management maintained that its working towards normalising margins, amid the macroeconomic challenges it faces across geographies.

The Brazil project is on track and trial run is already in progress, benefit from Brazil will accrue from Q1FY24 onwards.

Costs:

- Polymer and foil prices still higher than pre-pandemic level in dollar terms and further impacted by exchange rate
- Decline in polymer and foil prices seen in dollar and landed cost terms starting Q2FY23
- Ocean freight rates started declining

Plan to control costs:

- It has undertaken continuous price increase efforts for non-contracted customers while there's a pass-through with 3-month lag for contractual consumers
- Focus on higher-profit segments and value-added offerings
- Increased in-house manufacturing of caps and closures – implemented for India; benefit has started to accrue in FY23
- Global program to further reduce scrap and wastage
- Dynamic sourcing strategy and manufacturing location optimization

Capex: For FY23, capex will be around the average of last three-to-four year's depreciation. Its Brazil capex will be over and above its normal capex guidance.

Updates on company's key markets

Americas

EPL has a strong market presence in both North and South America through its wholly-owned subsidiaries in USA, Mexico, and Colombia. In FY22, it reported an improved performances compared to Covid levels and the region delivered 12.9% revenue growth. Oral Care grew by 11.3% and Personal Care by 11.6%. However, commodity inflation, high freight costs, and higher personnel costs due to absenteeism and overtime impacted bottom-line delivery. Americas is focusing on the enlargement of the customer base and also expansion into new territories, like Brazil. This strategy is expected to deliver strong growth.

In Q3FY23, Americas region recorded 19% YoY growth to a record Rs 226 Cr on the back of growth across oral care with recovery in travel and sample tubes. However, operational challenges and higher wages impacted profitability.

Entry into Brazilian markets: In line with its global vision, EPL has entered into the Brazilian market under the Oral Care segment with support from its anchor customers. EPL aims to win over the customers, which have shifted to local manufacturing companies, post-exit of Albea from the Brazilian market.

According to the management, the Brazil project is going on as per schedule. The company expects the commercialisation of the project by the end of FY23 with the estimated capital of Rs 140 Cr phase-I. The company has started the trial production and EPL indicated that demand for this opportunity is picking up, and it already has customers on the ground.

Europe

It has units in Poland and Germany, from where laminated tubes and extruded plastic tubes are manufactured and sold. In FY22, Europe revenue declined by 2.6 % (adjusted for Russia the growth was 1%) mainly impacted by lower Beauty & Cosmetics revenue given the continued Covid challenges. The oral care category grew strongly at 14.9%. Commodity inflation along with supply chain disruption, and reverse operating leverage impacted margins significantly.

In Q3FY23, the company reported 10.3% YoY growth in revenues as Europe was adversely impacted by general softening of demand witnessed in the Christmas quarter and postponement of an order by a key customer. EPL witnessed higher losses during the quarter, due to operating de-leverage. Additionally, price hikes in Europe have been steepest amongst all regions due to rising costs.

AMESA (Africa, Middle East and South Asia)

EPL serves AMESA region through seven units across India, and its subsidiary in Egypt. In FY22, AMESA revenue grew strongly by 23.4%, mainly due to personal care category growth. Personal Care grew by 30.2% and Oral Care grew by 8.9%. Despite input cost increases, supply chain disruption, etc., the EBIT grew by 19.3%.

In Q3FY23, revenue from AMESA grew 9.2% YoY to Rs 352 Cr and the company is confident of continuing its growth momentum in AMESA on the back of the current demand trend in the region.

EAP (East Asia Pacific)

EPL operates out of 5 units in China and 1 unit in the Philippines. In FY22, EAP revenue grew at 10.3%. Personal Care grew by 14.2% and Oral Care by 7.1% on the back of innovation, opening up new categories, and servicing emerging brands in China.

In Q3FY23, EAP witnessed an 8% YoY degrowth in revenues primarily impacted due to lockdowns in China. However, with reopening of China, the management believes the EAP region to improve going forward and expects the company to get a huge operating leverage once the region normalizes.

Continued thrust on R&D and innovation gives an edge

EPL has a strong client base for both oral and non-oral care product categories across the world. EPL's client list includes the world's biggest oral and non-oral care players such as Colgate, Unilever Plc, P&G, GSK etc. We believe the FMCG space across the world is poised for rapid growth driven by changes in demographics, lifestyles and growing disposable incomes. EPL's distinct competitive advantage lies in its continuous effort to launch innovative products in the oral and non-oral categories.

In the recent past, the company has successfully launched range of products including Platina 250, Green Maple Leaf, Organic Green Maple leaf and Etain which are eco-friendly laminated tube designed in line with "RECYCLE" as the sustainability theme. EPL's Platina, for instance, is the first fully sustainable and completely recyclable tube in the world, including shoulder and cap, to get this recognition. It has converted the likes of domestic and international giants such as Vicco, Hella, Colgate, etc into using 100% recyclable tubes.

EPL has an IP portfolio of 75 granted active patents and 54 filings pending grants. According to EPL, 80% of its machines are capable of manufacturing sustainable tubes (vs.10% for its competitors). We believe this provides EPL with a strong competitive advantage and enables it to grow the share of wallet among customers who are increasingly adopting a more sustainable product packaging objective. The company has converted and commercialised two brands with sustainable Platina Tubes for its biggest partner in India, and thereby gained wallet share with marquee global consumer companies.

New business wins – including conversion from aluminium to laminated tubes

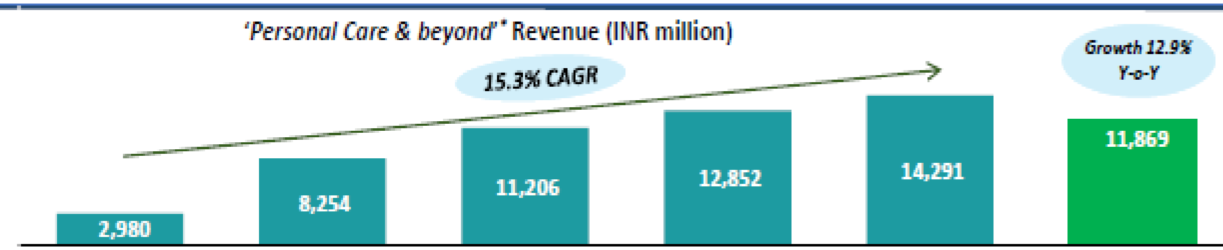
(Source: Company, HDFC sec)

Accelerate growth in Beauty & Cosmetics and Pharma

Having established a strong presence in the oral category, EPL is now increasingly focused on tapping the new market opportunities in non-oral category comprising of beauty & cosmetics, food, pharmaceuticals & healthcare etc. Non-oral market is ~2.5x the size of oral care market in terms of volume and has better realizations (2.5x-3x). At present, the company has a global market share of ~3-5% in the non-oral category. As packaging tube is more critical in terms of aesthetic value and brand appeal and given its lower cost as a % of sales of final product, non-oral care tubes has higher scope of margin improvement compared to oral care.

As of FY22, 42% of revenue for the company comes from non-oral which has further increased to ~47% in 9MFY23 due to higher growth in non-oral care coupled with subdued performance of oral care in EAP. Management is focused on improving the oral vs. non-oral category mix to 50:50 in the near future. There is a major shift happening in non-oral category which offers huge opportunities (for EPL) to scale up its presence in this segment. Further, owing to a strong global presence and marquee clientele of the company, EPL is in a sweet spot to address the huge market opportunity. EPL expects improved pricing policy and shift in product mix would further increase the share of personal care and improve margins going forward.

Non-oral care category has grown at a 15.3% CAGR over the last 12 years and continues to be the major growth driver for EPL in FY23



Sub-categories	FY11	FY15	FY20	FY21	FY22	YTD FY23
Face Care	✔	✔	✔	✔	✔	✔
Hair Care	✖	✖	✔	✔	✔	✔
OTC Medication*	✖	✔	✔	✔	✔	✔
Prescription Medication*	✖	✖	✔	✔	✔	✔
Food	✖	✔	✔	✔	✔	✔
Home	✖	✖	✔	✔	✔	✔
Hygiene Products*	✖	✖	✔	✔	✔	✔
Eye Care	✖	✖	✓	✔	✔	✔
Hand Cream	✖	✖	✓	✓	✓	✔
New Applicator (B&C)	✖	✖	✖	✓	✓	Actively Pursuing ➡ ✓
Grease / gear oil	✖	✖	✖	✖	✖	✔

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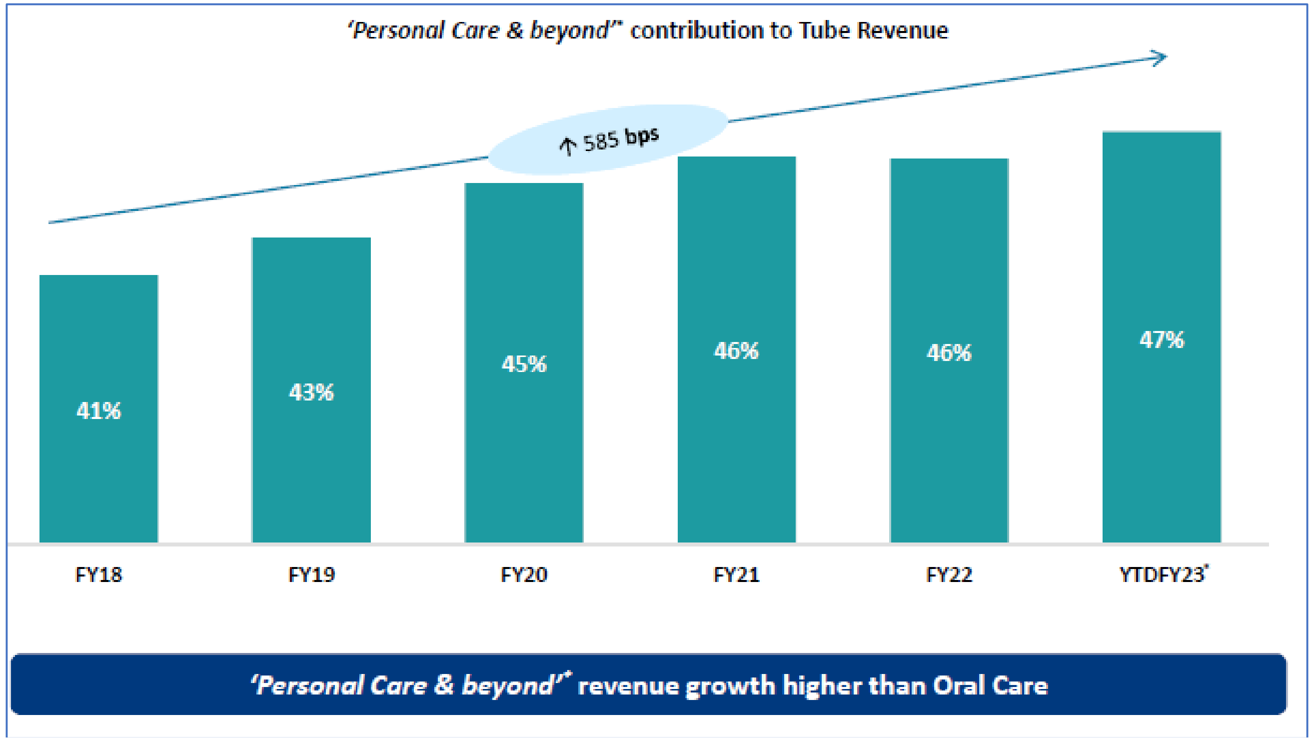
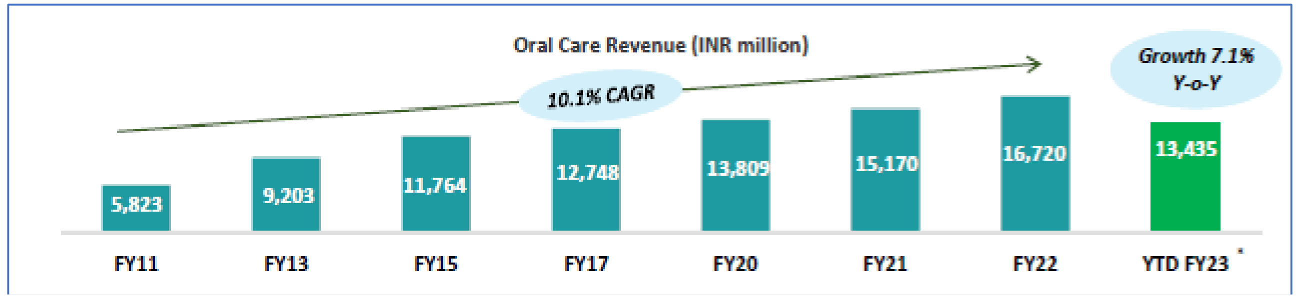
Increasing contribution of non-oral care business



(Source: Company, HDFC sec)

Steady growth in oral care segment

EPL is a global leader in laminated tubes for oral category commanding ~37% of market share. The tubes industry is predominantly concentrated between few global players (Albea, CCL Industries, EPL). Major focus area for EPL has been in the laminated tubes whereas Albea is mostly focused on plastic tubes. EPL has a leadership position in oral category which has been driven by its focus on product innovation and value addition supported by strong R&D capabilities. Toothpaste being an essential consumer product is largely penetrated and offers stable demand in adverse economic environment. Going ahead, EPL is focused on gaining wallet share with companies where it has lower presence and increasing market share where in geographies where it has limited presence (China, Brazil).



(Source: Company, HDFC sec)

Oral Care segment has witnessed a CAGR of 10.1% since FY11. H1FY23 revenue was impacted by decline in EAP business; excluding EAP growth stood at 12.3% YoY.

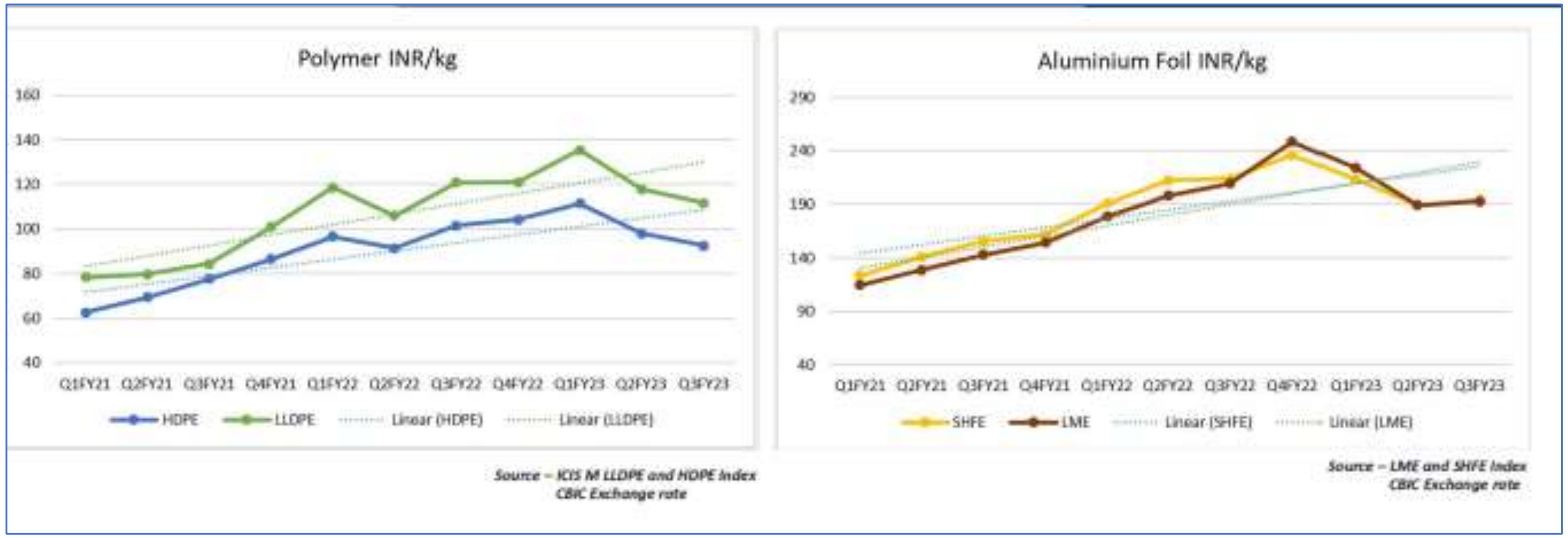
Oral care vs Non-Oral care

The revenue contribution from the non-oral care segment stood at 47% in 9MFY23 as against 46% in FY22 led by increased traction in Beauty and Cosmetics and growth in Pharma tubes, boosted by the Creative Stylo acquisition. In Q1FY23, under non-oral healthcare segment contribution from Beauty & Personal Care/ Pharma/ others stood at 71%/21%/8% respectively. The management stated that EPL is actively scouting opportunities to add new products like Hand Cream and New Applicator (B&C) to its packaging portfolio. In the oral care segment, it witnessed a wallet share gain from players in China. Additionally, with lifting of Covid related curbs, the travel and sample tubes market have largely recovered. In Oral Care, the company converted and commercialized two brands with sustainable Platina Tubes for its biggest partner in India. Further, the company commercialized five brands with sustainable Platina tubes globally

What could go wrong?

Volatility in raw material prices as they are highly correlated to the movement in crude prices. The principal raw material consumed is polymer granules which is a derivative of crude oil and is highly sensitive to any volatility in crude oil prices. Though the company has a pass through mechanism in place but a significant increase in crude/polymer prices can result in contraction of margins as the company may not be in a position to pass on the entire rise in prices in one go.

RM prices have been stabilizing



(Source: Company, HDFC sec)

Apart from polymer and foil prices, ocean freight rates have decreased and stabilized in Q2FY23. However, significant currency devaluation has largely offset the impact of softening raw material prices. Cooling freight and input costs should enable better margins, going forward. But the company could face some challenges from currency devaluation in the near term.

Volume growth in the global oral care market is 3-4% p.a.. Globally, toothpaste is a consolidated segment with 77% of market share held by top four brands with Colgate holding 42% share. This could mean slow growth in oral care segment and lower bargaining power with customers in case capacity increase happens in laminated packaging segment.

Management is very buoyant on the growth prospects of its European business going forward. In case of continued slowdown in the European business, the overall growth momentum could be impacted.

Globally, regulations require that all packaging materials have to be recyclable by 2025 (for India it is 2022). The regulation requires packaging materials to be sustainable, which means packaging companies / reusers should be able to recycle the product without doing any intermediate process and it should go into a recycling chain 100% without any alterations. This could present challenges and opportunities for EPL.

Company Background

EPL Limited (formerly known as Essel Propack Ltd.) is the world's largest specialty packaging company specializing in the manufacture of laminated plastic tubes for the FMCG and pharmaceutical industries. With its 3,000 employees from 25 nations, EPL operates 20 state-of-the-art manufacturing facilities in eleven countries and sells approximately 8 billion tubes per year. With a 37% global market share in oral care, EPL has facilities in the U.S., Mexico, Colombia, Poland, Germany, Egypt, Russia, China, the Philippines and India. These facilities cater to the five core categories of Oral Care, Beauty & Cosmetics, Pharma & Health, Food & Nutrition and Home Care, providing customized solutions driven by continuous innovation in materials, technology, design and processes.

Epsilon Bidco, an affiliate of Blackstone group, owns 51.5% stake in EPL Ltd. Mr Anand Kripalu was appointed as MD and CEO of EPL Ltd. in Aug 2021 after the new owners took over. Mr Kripalu is a 30 year veteran of FMCG industry with stints at Unilever, Diageo, Mondelez etc in the past. Presence of Blackstone and Mr Kripalu has helped EPL and could help it even in future to grow revenues, market share and margins.

EPL's global presence

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Revenue (in Rs Cr)												
Africa Middle East and South Asia	671.81	306.04	277.83	958.62	1060.61	929.63	960.96	916.16	927.6	897.7	940.7	1146.9
YoY Growth	*-2.1%*	*-54.4%*	*-9.2%*	*245.0%*	*10.6%*	*-12.3%*	*3.4%*	*-4.7%*	*1.2%*	*-3.2%*	*4.8%*	*21.9%*
East Asia and Pacific	277.83	299.46	335.62	400.36	425.99	459.91	509.17	532.21	606.47	570.6	731.6	803.1
YoY Growth	*-9.2%*	*7.8%*	*12.1%*	*19.3%*	*6.4%*	*8.0%*	*10.7%*	*4.5%*	*14.0%*	*-5.9%*	*28.2%*	*9.8%*
Americas	327.91	357.94	403.98	456.86	478.12	471.9	482.77	488.46	587.69	616.1	650.7	734.4
YoY Growth	*-38.3%*	*9.2%*	*12.9%*	*13.1%*	*4.7%*	*-1.3%*	*2.3%*	*1.2%*	*20.3%*	*4.8%*	*5.6%*	*12.9%*
Europe	130.79	172.12	237.21	310.78	358.24	344.18	435.04	509.59	585.17	677	768.6	748.4
YoY Growth	*-17.0%*	*31.6%*	*37.8%*	*31.0%*	*15.3%*	*-3.9%*	*26.4%*	*17.1%*	*14.8%*	*15.7%*	*13.5%*	*-2.6%*
EBIT (in Rs Cr) and EBIT Margin												
Africa Middle East and South Asia	95.69	96.42	114.41	129.23	133.3	129.29	128.4	141.23	127.21	107.6	108.3	129.3
% of revenues	*14.2%*	*31.5%*	*41.2%*	*13.5%*	*12.6%*	*13.9%*	*13.4%*	*15.4%*	*13.7%*	*12.0%*	*11.5%*	*11.3%*
East Asia and Pacific	68.6	71.23	81.44	80.79	68.75	85.54	78.08	90.61	104.73	99.8	143.4	127.7
% of revenues	*24.7%*	*23.8%*	*24.3%*	*20.2%*	*16.1%*	*18.6%*	*15.3%*	*17.0%*	*17.3%*	*17.5%*	*19.6%*	*15.9%*
Americas	3.38	14.83	26.29	31.8	48.61	58.31	52.65	61.12	81.8	88.8	71.2	52.9
% of revenues	*1.0%*	*4.1%*	*6.5%*	*7.0%*	*10.2%*	*12.4%*	*10.9%*	*12.5%*	*13.9%*	*14.4%*	*10.9%*	*7.2%*
Europe	-21.94	-25.28	-28.08	-8.79	18.58	20.96	24.47	12	17.9	38.2	62.5	25.6
% of revenues	*-16.8%*	*-14.7%*	*-11.8%*	*-2.8%*	*5.2%*	*6.1%*	*5.6%*	*2.4%*	*3.1%*	*5.6%*	*8.1%*	*3.4%*
RoCE - %												
Africa Middle East and South Asia	*26.1%*	*17.8%*	*19.4%*	*21.7%*	*21.4%*	*24.8%*	*23.9%*	*24.9%*	*19.1%*	*14.4%*	*15.4%*	*16.0%*
East Asia and Pacific	*25.2%*	*20.4%*	*23.4%*	*20.5%*	*16.8%*	*20.2%*	*19.9%*	*20.5%*	*22.6%*	*20.4%*	*26.2%*	*22.4%*
Americas	*2.1%*	*7.2%*	*12.3%*	*13.9%*	*18.9%*	*22.5%*	*17.2%*	*17.9%*	*20.2%*	*19.1%*	*15.8%*	*9.5%*
Europe	*-22.1%*	*-18.4%*	*-15.8%*	*-3.3%*	*7.8%*	*8.3%*	*5.8%*	*2.6%*	*4.0%*	*7.8%*	*13.1%*	*5.4%*

(Source: Company, HDFC sec)

Financials

Income Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**2761**	**3092**	**3433**	**3786**	**4199**	**4674**
Growth (%)	***2.0***	***12.0***	***11.0***	***10.3***	***10.9***	***11.3***
Operating Expenses	2204	2481	2857	3196	3489	3856
EBITDA	**558**	**611**	**576**	**591**	**710**	**818**
Growth (%)	***11.7***	***9.6***	***-5.7***	***2.5***	***20.1***	***15.3***
EBITDA Margin (%)	***20.2***	***19.8***	***16.78***	***15.60***	***16.90***	***17.50***
Depreciation	230	235	251	272	298	318
Other Income	13	15	12	23	21	23
EBIT	**341**	**391**	**337**	**341**	**433**	**523**
Interest expenses	56	43	40	62	46	34
PBT	**276**	**332**	**296**	**279**	**387**	**489**
Tax	64	87	68	63	89	113
PAT	**212**	**245**	**229**	**216**	**298**	**376**
Share of Asso./Minority Int.	-4	-5	-15	0	0	0
Adj. PAT	**208**	**240**	**214**	**216**	**298**	**376**
Growth (%)	***20.2***	***15.4***	***-10.6***	***0.7***	***38.0***	***26.1***
EPS	6.6	7.6	6.8	6.8	9.4	11.9

Balance Sheet

Particulars (in Rs Cr) - As at March	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	63	63	63	63	63	63
Reserves	1470	1635	1761	1898	2101	2358
Shareholders' Funds	**1533**	**1698**	**1824**	**1961**	**2164**	**2421**
Minority Interest	9	33	34	34	34	34
Total Debt	525	554	657	667	487	262
Net Deferred Taxes	48	54	62	62	62	62
Total Sources of Funds	**2114**	**2340**	**2577**	**2724**	**2747**	**2779**
APPLICATION OF FUNDS						
Net Block & Goodwill	1238	1477	1424	1472	1455	1366
CWIP	31	23	145	145	145	145
Investments	16	15	7	7	7	7
Other Non-Curr. Assets	51	94	129	145	165	167
Total Non Current Assets	**1335**	**1608**	**1705**	**1769**	**1772**	**1685**
Inventories	369	415	594	643	690	768
Debtors	490	589	637	685	748	832
Cash & Equivalents	372	241	193	329	309	369
Other Current Assets	109	98	113	142	155	180
Total Current Assets	**1340**	**1343**	**1537**	**1799**	**1901**	**2149**
Creditors	354	422	455	498	552	615
Other Current Liab & Provisions	338	249	261	368	384	425
Total Current Liabilities	**692**	**672**	**715**	**866**	**936**	**1039**
Net Current Assets	648	672	821	933	965	1110
Total Application of Funds	**2114**	**2340**	**2577**	**2724**	**2747**	**2779**

EPL Ltd.

Cash Flow Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	275	331	289	279	387	489
Non-operating & EO items	3	50	39	-6	-12	9
Interest Expenses	42	32	32	62	46	34
Depreciation	230	235	251	272	298	318
Working Capital Change	-4	-38	-222	44	-49	-70
Tax Paid	-75	-87	-78	-63	-89	-113
OPERATING CASH FLOW (a)	**471**	**522**	**312**	**588**	**581**	**667**
Capex	-107	-172	-267	-320	-280	-230
Free Cash Flow	364	350	45	268	301	437
Investments	0	1	0	0	0	0
Non-operating income	-1	-107	0	0	0	0
INVESTING CASH FLOW (b)	**-108**	**-278**	**-266**	**-320**	**-280**	**-230**
Debt Issuance / (Repaid)	15	-122	103	10	-180	-225
Interest Expenses	-47	-39	-36	-62	-46	-34
FCFE	331	83	113	215	75	178
Share Capital Issuance	1	1	5	0	0	0
Dividend	-89	-134	-138	-79	-95	-118
FINANCING CASH FLOW (c)	**-120**	**-295**	**-66**	**-131**	**-321**	**-377**
NET CASH FLOW (a+b+c)	**243**	**-51**	**-20**	**136**	**-20**	**60**

One-year Share Price Data

Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profitability Ratios (%)						
EBITDA Margin	20.2	19.8	16.8	15.6	16.9	17.5
EBIT Margin	12.3	12.6	9.8	9.0	10.3	11.2
APAT Margin	7.5	7.8	6.2	5.7	7.1	8.0
RoE	14.2	14.9	12.2	11.4	14.4	16.4
RoCE	16.9	18.1	14.2	13.4	16.4	19.6
Solvency Ratio (x)						
Net Debt/EBITDA	0.3	0.5	0.8	0.6	0.3	-0.1
Net D/E	0.1	0.2	0.3	0.2	0.1	0.0
PER SHARE DATA (Rs)						
EPS	6.6	7.6	6.8	6.8	9.4	11.9
CEPS	13.9	15.0	14.7	15.4	18.8	22.0
BV	48.6	53.8	57.7	62.1	68.5	76.6
Dividend	2.5	2.1	2.2	2.5	3.0	3.8
Turnover Ratios (days)						
Debtor days	65	64	65	64	62	62
Inventory days	46	46	54	60	58	57
Creditors days	37	46	47	46	46	46
VALUATION						
P/E	24.5	21.2	23.8	23.6	17.1	13.6
P/BV	3.3	3.0	2.8	2.6	2.4	2.1
EV/EBITDA	9.4	8.9	9.7	9.2	7.4	6.1
EV / Revenues	1.9	1.8	1.6	1.4	1.3	1.1
Dividend Yield (%)	1.5	1.3	1.3	1.5	1.9	2.3
Dividend Payout	37.9	27.0	31.7	36.6	31.8	31.5

(Source: Company, HDFC sec)

HARSH RAJENDRA SHETH

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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