

Estimate change	↔
TP change	↔
Rating change	↔



Bloomberg	EPLL IN
Equity Shares (m)	316
M.Cap.(INRb)/(USD\$)	69.9 / 0.8
52-Week Range (INR)	236 / 147
1, 6, 12 Rel. Per (%)	0/33/20
12M Avg Val (INR M)	159

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	36.9	41.8	45.9
EBITDA	5.8	7.8	9.2
PAT	2.3	3.1	4.1
EBITDA (%)	15.6	18.7	20.0
EPS (INR)	7.2	9.8	12.9
EPS Gr. (%)	6.3	35.5	32.2
BV/Sh. (INR)	62.9	67.7	75.6

Ratios

Net D/E	0.3	0.2	0.0
RoE (%)	11.9	15.0	18.0
RoCE (%)	11.2	13.4	15.9
Payout (%)	59.9	51.2	38.7

Valuations

P/E (x)	30.5	22.5	17.0
EV/EBITDA (x)	12.9	9.4	7.6
Div Yield (%)	2.0	2.3	2.3
FCF Yield (%)	3.1	5.2	6.7

Shareholding pattern (%)

	Jun-23	Mar-23	Jun-22
Promoter	51.5	51.5	51.9
DII	15.9	16.3	13.9
FII	12.2	12.0	14.7
Others	20.4	20.1	19.5

Note: FII includes depository receipts

CMP: INR220 TP: INR270 (+23%) Buy

Positive Momentum continues in operating performance

EBITDA in line with our estimate

- EPLL's operating performance continued to improve with EBITDA growth of 27%YoY (margins expanded 240bp YoY), led by better product mix and softening of raw material prices. EAP recorded the highest margins expansion of 350bp YoY followed by Europe/AMESA of 200bp/120bp, while Americas contracted by 420bp led by one-time health insurance expenses.
- We maintain our earnings estimates for FY24/FY25 and reiterate our **Buy** rating on the stock.

Broad based revenue growth drive sales

- Revenue grew 9% YoY to INR9.1b (est. INR9.7b), on the back of broad-based growth across all regions. Gross Margin grew 170bp YoY at 57.8%. EBITDA margin expanded by 240bp YoY to 17.5% (est. 16.9%) led by expansion across all the geographies except Americas. EBITDA grew 27% YoY to INR1.6b (in-line with est.).
- Adjusted PAT grew 57% YoY to INR543m (est. INR473m). Adj. PAT was higher than estimate on account of lower tax rate of 16.2% during the quarter (est. 27%)
- Revenue from AMESA/EAP/Americas/Europe grew 5%/11%/10%/8% YoY to INR3.4b/INR2.1b/INR2.2b/INR2.1b, respectively. EBIT margin expanded 120bp/350bp/200bp YoY to 10.9%/16.3%/3.7% for AMESA/EAP/Europe, respectively, while the same for Americas declined by 420bp to 1.1%.
- The Oral Care/Personal care segment grew 7%/12% YoY, respectively, in 1QFY24, with the share of Personal care segment standing at ~48.9% for 1QFY24 v/s ~47.8% in 1QFY23.

Highlights from the management commentary

- **Demand Outlook:** Global environment is looking more stable going ahead. However, there is some softening of demand in western geographies (US and Europe). Company is cautiously optimistic about delivering double digit revenue growth.
- **Margins:** The sequential recovery in margin witnessed in recent quarters is likely to continue going ahead led by active price management, mix improvement and cost productivity.
- **AMESA:** The revenue growth in the region was comparatively lower (~5% YoY) on account of short term challenges in Egypt coupled with devaluation of Egyptian pound.

Valuation and view

- We expect the recovery in margin witnessed in recent quarters to continue going forwards led by further softening of raw material prices and cost rationalization measures. Further Brazil facility has is gradually ramping up and will be both growth and margin accretive for the company.
- We expect a revenue/EBITDA/adjusted PAT CAGR of 11%/26%/34%, respectively, over FY23-25.
- We maintain our earnings estimates for FY24/FY25 and value the stock at 21x FY25 EPS to arrive at our TP of INR270. We reiterate our **Buy** rating.

Consolidated: Quarterly Earning

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	%
Gross Sales	8,318	9,481	9,449	9,693	9,102	10,858	10,703	11,096	36,941	41,758	9,656	-6
YoY Change (%)	4.1	9.0	7.0	10.1	9.4	14.5	13.3	14.5	7.6	13.0	16.1	
Total Expenditure	7,062	7,995	7,959	8,147	7,512	8,855	8,621	8,980	31,163	33,967	8,021	
EBITDA	1,256	1,486	1,490	1,546	1,590	2,003	2,082	2,116	5,778	7,791	1,635	-3
Margins (%)	15.1	15.7	15.8	15.9	17.5	18.4	19.5	19.1	15.6	18.7	16.9	
Depreciation	652	664	699	790	800	810	820	830	2,805	3,260	800	
Interest	122	157	189	206	235	210	200	180	674	825	190	
Other Income	42	68	43	268	100	115	125	140	421	480	59	
PBT before EO expense	524	733	645	818	655	1,098	1,187	1,246	2,720	4,186	704	
Extra-Ord expense	11	0	0	0	0	0	0	0	11	0	0	
PBT	513	733	645	818	655	1,098	1,187	1,246	2,709	4,186	704	
Tax	141	249	10	-27	106	297	320	336	373	1,059	190	
Rate (%)	27.5	34.0	1.6	-3.3	16.2	27.0	27.0	27.0	13.8	25.3	27.0	
MI & Profit/Loss of Asso. Cos.	-38	-22	-7	-2	-6	-24	-8	-2	-69	-40	-41	
Reported PAT	334	462	628	843	543	778	859	907	2,267	3,087	473	
Adj PAT	345	462	628	843	543	778	859	907	2,278	3,087	473	15
YoY Change (%)	-40.4	-8.9	10.0	73.1	57.4	68.3	36.8	7.6	6.3	35.5	37.0	
Margins (%)	4.1	4.9	6.6	8.7	6.0	7.2	8.0	8.2	6.2	7.4	4.9	

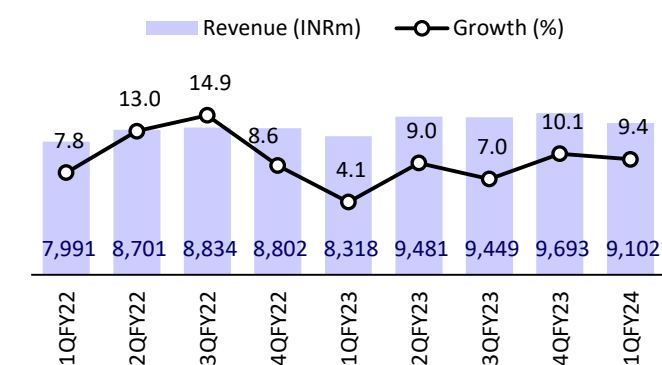
Exhibit 1: Key performance indicators

Y/E March	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Segment Revenue Gr. (%)									
AMESA	29	19	36	14	13	17	9	8	5
EAP	2	12	20	7	-6	1	-8	9	11
Americas	9	22	9	12	20	20	19	17	10
Europe	-10	-3	-2	4	11	9	10	20	8
Segment EBIT Margin (%)									
AMESA	11	11	11	9	10	9	11	13	11
EAP	17	17	17	8	13	17	16	12	16
Americas	7	9	3	10	5	5	5	3	1
Europe	6	4	-1	5	2	3	-2	5	4
Cost Break-up (%)									
RM Cost (% of sales)	42	43	45	46	44	46	45	46	42
Employee Cost (% of sales)	19	19	19	18	20	18	19	18	20
Other Cost (% of sales)	20	19	20	20	21	20	21	20	20
Gross Margins (%)	58	57	55	54	56	54	55	54	58
EBITDA Margins (%)	18	18	16	15	15	16	16	16	17
EBIT Margins (%)	10	11	8	8	7	9	8	8	9

Source: Company, MOFSL

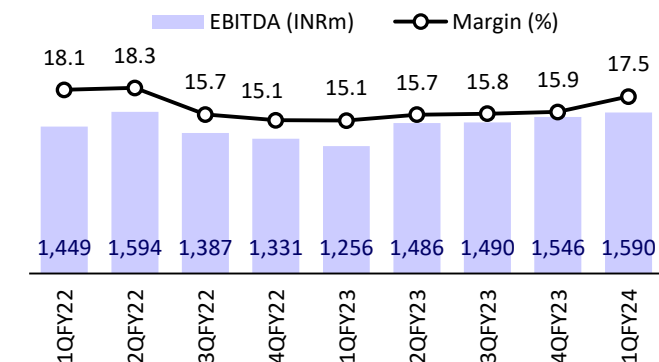
Key exhibits

Exhibit 2: Consolidated revenue trend



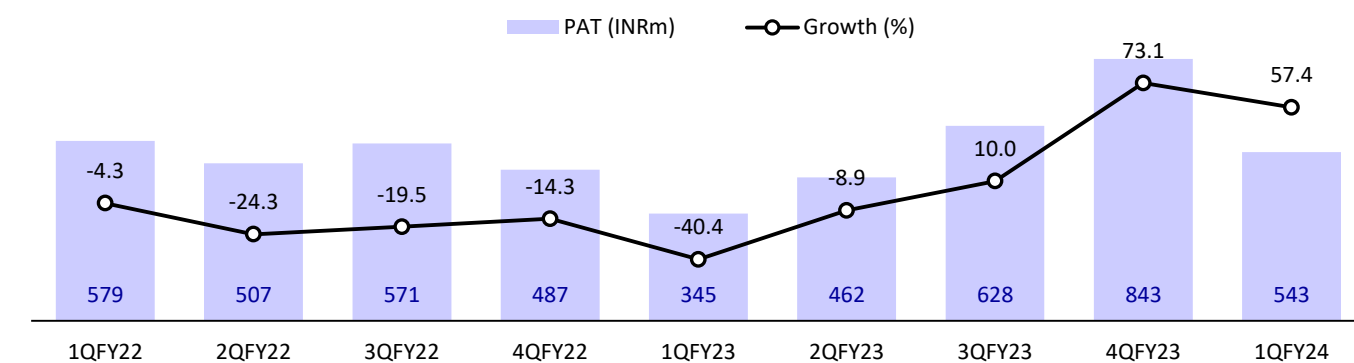
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



Source: Company, MOFSL

Exhibit 4: Consolidated adjusted PAT trend



Source: Company, MOFSL

Exhibit 5: AMESA region

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue (INR m)	2,819	3,075	3,225	3,140	3,197	3,595	3,521	3,379	3,358
Growth (%)	29	19	36	14	13	17	9	8	5
EBIT (INR m)	311	352	353	277	309	333	404	423	365
Margin (%)	11	11	11	9	10	9	11	13	11
Growth (%)	94	-8	12	24	-1	-5	14	53	18

Source: Company, MOFSL

Exhibit 6: EAP region

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue (INR m)	2,060	2,136	2,459	1,971	1,928	2,166	2,263	2,141	2,149
Growth (%)	2	12	20	7	-6	1	-8	9	11
EBIT (INR m)	345	353	419	160	247	377	365	248	351
Margin (%)	17	17	17	8	13	17	16	12	16
Growth (%)	-21	-11	9	-26	-28	7	-13	55	42

Source: Company, MOFSL

Exhibit 7: Americas region

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue (INR m)	1,639	1,860	1,899	1,964	1,973	2,226	2,260	2,299	2,178
Growth (%)	9	22	9	12	20	20	19	17	10
EBIT (INR m)	119	168	53	189	105	106	109	59	24
Margin (%)	7	9	3	10	5	5	5	3	1
Growth (%)	-23	8	-74	-6	-12	-37	106	-69	-77

Source: Company, MOFSL

Exhibit 8: Europe region

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Revenue (INR m)	1,784	1,882	1,732	2,086	1,972	2,050	1,911	2,502	2,125
Growth (%)	-10	-3	-2	4	11	9	10	20	8
EBIT (INR m)	99	75	-22	104	34	70	-36	134	79
Margin (%)	6	4	-1	5	2	3	-2	5	4
Growth (%)	-45	-53	-122	-45	-66	-7	64	29	132

Source: Company, MOFSL

**Highlights from the management commentary****Operating performance**

- Company witnessed broad based growth across all regions during the quarter
- Personal care and beyond contributed to ~49% of total sales in 1QFY24
- This was the fourth straight quarter of improvement in margins sequentially
- Region wise, margins cannot be compared on QoQ basis due to seasonality and change in product mix.

Outlook

- Demand within India remained strong while company continues to remain watchful regarding demand scenario in China.
- Global environment is looking more stable going ahead. However, there is some softening of demand in western geographies (US and Europe)
- Company is cautiously optimistic about delivering double digit growth with margin improvement
- The sequential recovery in margin witnessed in recent quarters is likely to continue going ahead led by active price management, mix improvement and cost productivity

AMESA

- The demand growth was little subdued (~5% YoY) on account of short term challenges in Egypt. Further, devaluation of Egyptian pound is also impacting the revenues.
- India has grown by ~7% YoY during the quarter. Management do not think that company is losing market share in India.

America

- Company has witnessed loss of margin in the region due to high inflation. However, it is confident of increasing the margins on back of cost optimization, growing sales and few structural changes undertaken by company.
- Also, there was a one off impact of health insurance on margins in 1QFY24.

Brazil Plant

- EPLL's brazil plant is now fully operational and is steadily ramping up
- Several potential customer has shown keen interest for the products from the region
- There is small delay in ramping up of plant as 1QFY24 was relatively softer in terms of volume.
- However, the region has witnessed strong traction from Jul'23.

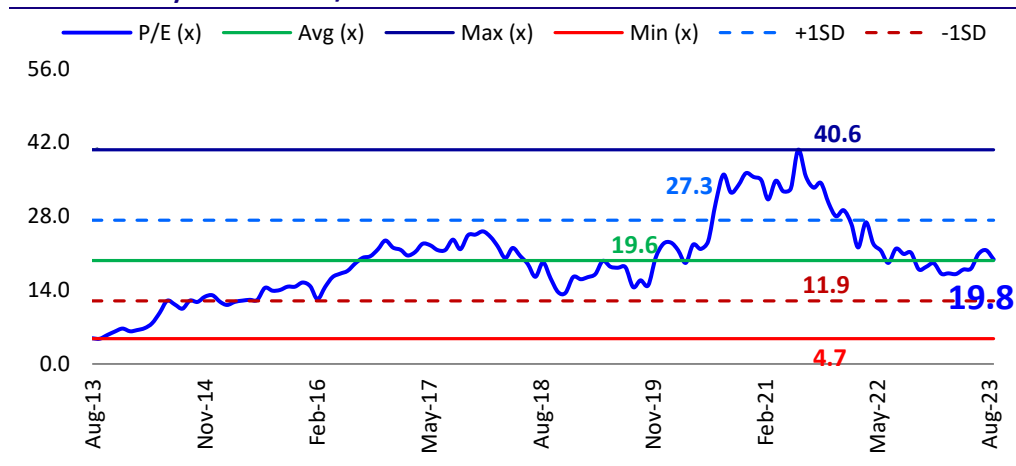
Other key highlights

- EPL continues its efforts on innovation and has won 3 awards for the same
- Company focused on margin reduction and cost optimization during past few quarters.
- Price hikes are majorly completed. Going ahead, there can be tampering of prices, especially for contracted customers
- Effective tax rate for FY24 is expected to be ~27%.
- Revenue growth is driven by volume, price and mix. Company is trying to accelerate the growth through all three verticals.
- EPLL is creating flexibility in supply chain to get small volume customers
- Company will also be launching neo-seam technology across regions
- EPLL is working closely with multiple customers to support their sustainability goals

Valuation and view

- We expect the recovery in margin witnessed in recent quarters to continue going forwards led by further softening of raw material prices and cost rationalization measures. Further Brazil facility has is gradually ramping up and will be both growth and margin accretive for the company.
- We expect a revenue/EBITDA/adjusted PAT CAGR of 11%/26%/34%, respectively, over FY23-25.
- We maintain our earnings estimates for FY24/FY25 and value the stock at 21x FY25 EPS to arrive at our TP of INR270. We reiterate our **Buy** rating on the stock.

Exhibit 9: One year forward P/E



Source: MOSL

Exhibit 10: Change in our estimates

(INRm)	Old		New		Change	
	FY24E	FY25E	FY24E	FY24E	FY24E	FY25E
Revenue	42,320	46,319	41,758	45,924	-1%	-1%
EBITDA	7,836	9,128	7,791	9,172	-1%	0%
Adj. PAT	3,005	4,014	3,087	4,080	3%	2%

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	23,023	24,239	27,069	27,614	30,916	34,328	36,941	41,758	45,924
Change (%)	8.2	5.3	11.7	2.0	12.0	11.0	7.6	13.0	10.0
Raw material cost	10,079	10,366	11,648	11,581	12,934	15,176	16,738	18,128	19,747
Employees Cost	4,052	4,338	5,006	5,311	6,064	6,500	6,895	7,710	8,266
Other Expenses	4,673	4,886	5,424	5,147	5,807	6,891	7,530	8,129	8,738
Total Expenditure	18,804	19,590	22,078	22,039	24,805	28,567	31,163	33,967	36,752
% of Sales	81.7	80.8	81.6	79.8	80.2	83.2	84.4	81.3	80.0
EBITDA	4,219	4,649	4,991	5,575	6,111	5,761	5,778	7,791	9,172
Margin (%)	18.3	19.2	18.4	20.2	19.8	16.8	15.6	18.7	20.0
Depreciation	1,415	1,671	1,861	2,298	2,346	2,514	2,805	3,260	3,442
EBIT	2,804	2,978	3,130	3,277	3,765	3,247	2,973	4,531	5,730
Int. and Finance Charges	581	550	613	556	429	403	674	825	540
Other Income	353	264	285	133	145	120	421	480	459
PBT bef. EO Exp.	2,576	2,691	2,802	2,854	3,481	2,964	2,720	4,186	5,650
EO Items	157	-50	31	-94	-161	0	-11	0	0
PBT after EO Exp.	2,732	2,642	2,833	2,760	3,320	2,964	2,709	4,186	5,650
Total Tax	787	889	932	638	868	675	373	1,059	1,525
Tax Rate (%)	28.8	33.7	32.9	23.1	26.1	22.8	13.8	25.3	27.0
Profit/loss from associates	10.5	-10.4	53.2	-6.0	-9.0	-76	-29	-1	-1
Minority Interest	53	26	29	43	52	69	40	39	43
Reported PAT	1,903	1,716	1,925	2,073	2,391	2,144	2,267	3,087	4,080
Adjusted PAT	1,747	1,766	1,895	2,167	2,552	2,144	2,278	3,087	4,080
Change (%)	4.1	1.1	7.3	14.4	17.8	-16.0	6.3	35.5	32.2
Margin (%)	7.6	7.3	7.0	7.8	8.3	6.2	6.2	7.4	8.9

Consolidated - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	314	315	631	631	631	632	636	636	636
Total Reserves	10,076	12,191	13,249	14,695	16,350	17,613	19,256	20,763	23,263
Net Worth	10,390	12,506	13,880	15,326	16,981	18,245	19,892	21,399	23,899
Minority Interest	57	43	52	86	333	336	36	36	36
Total Loans	7,924	7,299	6,313	6,432	5,536	6,572	7,686	6,686	4,686
Deferred Tax Liabilities	317	357	510	475	543	619	632	632	632
Capital Employed	18,688	20,204	20,754	22,319	23,393	25,772	28,246	28,753	29,253
Gross Block	15,637	17,691	20,495	22,434	25,500	27,236	32,147	35,077	37,377
Less: Accum. Deprn.	3,984	5,992	7,564	9,862	12,208	14,722	17,527	20,787	24,228
Net Fixed Assets	11,652	11,699	12,931	12,572	13,292	12,514	14,620	14,290	13,148
Goodwill on Consolidation	142	142	142	142	1,159	1,159	1,159	1,159	1,159
Capital WIP	193	417	413	352	273	1,466	1,780	1,150	1,150
Total Investments	153	131	168	160	149	72	193	193	193
Current Investments	0	0	0	0	0	0	150	150	150
Curr. Assets, Loans&Adv.	10,254	12,032	11,547	14,833	15,241	17,715	18,552	20,655	22,931
Inventory	2,460	2,864	3,234	3,692	4,149	5,941	6,079	6,514	6,746
Account Receivables	3,766	4,590	4,934	4,903	5,891	6,367	6,430	7,322	8,052
Cash and Bank Balance	1,028	1,735	1,344	3,715	2,414	1,927	2,444	3,061	3,999
Loans and Advances	3,000	2,843	2,035	2,523	2,787	3,480	3,599	3,758	4,133
Curr. Liability & Prov.	3,707	4,217	4,447	5,740	6,721	7,154	8,058	8,695	9,328
Account Payables	1,473	1,884	2,065	3,538	4,222	4,547	4,999	5,398	5,840
Other Current Liabilities	1,834	2,037	2,113	1,942	2,163	2,268	2,728	2,923	3,077
Provisions	400	295	269	260	336	339	331	374	411
Net Current Assets	6,547	7,815	7,100	9,093	8,520	10,561	10,494	11,961	13,602
Appl. of Funds	18,688	20,204	20,754	22,319	23,393	25,772	28,246	28,753	29,253

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)									
EPS	5.5	5.6	6.0	6.9	8.1	6.8	7.2	9.8	12.9
Cash EPS	10.0	10.9	11.9	14.1	15.5	14.7	16.1	20.1	23.8
BV/Share	32.9	39.6	43.9	48.5	53.7	57.7	62.9	67.7	75.6
DPS	1.1	1.2	1.2	3.3	4.1	4.2	4.3	5.0	5.0
Payout (%)	21.8	26.4	23.6	56.7	54.2	61.9	59.9	51.2	38.7
Valuation (x)									
P/E	39.8	39.3	36.6	32.0	27.2	32.4	30.5	22.5	17.0
Cash P/E	22.0	20.2	18.5	15.6	14.2	14.9	13.7	10.9	9.2
P/BV	6.7	5.6	5.0	4.5	4.1	3.8	3.5	3.2	2.9
EV/Sales	3.3	3.1	2.8	2.6	2.4	2.2	2.0	1.7	1.5
EV/EBITDA	18.1	16.1	14.9	13.0	11.9	12.9	12.9	9.4	7.6
Dividend Yield (%)	0.5	0.5	0.5	1.5	1.9	1.9	2.0	2.3	2.3
FCF per share	5.1	6.5	1.8	9.0	5.8	1.4	6.8	11.3	14.7
Return Ratios (%)									
RoE	17.4	15.4	14.4	14.8	15.8	12.2	11.9	15.0	18.0
RoCE	12.9	11.3	11.5	12.5	13.0	11.0	11.2	13.4	15.9
RoIC	12.2	11.2	11.4	13.6	14.4	11.7	11.1	14.0	17.3
Working Capital Ratios									
Fixed Asset Turnover (x)	1.5	1.4	1.3	1.2	1.2	1.3	1.1	1.2	1.2
Asset Turnover (x)	1.2	1.2	1.3	1.2	1.3	1.3	1.3	1.5	1.6
Inventory (Days)	39	43	44	49	49	63	60	57	54
Debtor (Days)	60	69	67	65	70	68	64	64	64
Creditor (Days)	23	28	28	47	50	48	49	47	46
Leverage Ratio (x)									
Current Ratio	2.8	2.9	2.6	2.6	2.3	2.5	2.3	2.4	2.5
Interest Cover Ratio	4.8	5.4	5.1	5.9	8.8	8.1	4.4	5.5	10.6
Net Debt/Equity	0.7	0.4	0.4	0.2	0.2	0.3	0.3	0.2	0.0

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	2,743	2,631	2,886	2,854	3,311	2,888	2,680	4,186	5,650
Depreciation	1,415	1,671	1,861	2,298	2,346	2,514	2,805	3,260	3,442
Interest & Finance Charges	284	277	380	423	381	355	674	345	81
Direct Taxes Paid	-764	-816	-901	-638	-866	-776	-449	-1,059	-1,525
(Inc)/Dec in WC	494	-488	-404	-127	-380	-2,217	136	-850	-704
CF from Operations	4,172	3,276	3,821	4,811	4,792	2,764	5,846	5,882	6,943
Others	-485	159	-257	-100	432	353	172	-1	-1
CF from Operating incl EO	3,687	3,435	3,564	4,711	5,224	3,117	6,018	5,881	6,942
(Inc)/Dec in FA	-2,069	-1,375	-3,003	-1,878	-3,396	-2,668	-3,871	-2,300	-2,300
Free Cash Flow	1,618	2,060	561	2,833	1,828	449	2,147	3,581	4,642
(Pur)/Sale of Investments	98	1	2	8	5	4	-147	0	0
Others	-769	184	1,122	680	586	22	126	480	459
CF from Investments	-2,740	-1,189	-1,879	-1,190	-2,805	-2,642	-3,892	-1,820	-1,841
Issue of Shares	7	510	53	0	7	50	0	0	0
Inc/(Dec) in Debt	546	-1,199	-1,028	119	-1,219	1,031	1,386	-1,000	-2,000
Interest Paid	-392	-372	-485	-556	-321	-278	-575	-825	-540
Dividend Paid	-414	-478	-478	-1,176	-1,341	-1,380	-1,362	-1,580	-1,580
Others	-508	-1	-138	469	-317	-377	-832	-39	-43
CF from Fin. Activity	-762	-1,539	-2,076	-1,143	-3,191	-954	-1,383	-3,444	-4,164
Inc/Dec of Cash	184	706	-391	2,377	-772	-479	743	617	938
Opening Balance	844	1,028	1,735	1,344	3,116	2,414	1,927	2,444	3,061
Closing Balance	1,028	1,735	1,344	3,715	2,414	1,927	2,444	3,061	3,999

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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