

BSE SENSEX

53,177

S&P CNX

15,850

CMP: INR157
TP: INR226 (+44%)
Buy

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Stock Info

	EPLL IN
Bloomberg	EPPL IN
Equity Shares (m)	316
M.Cap.(INRb)/(USD\$b)	49.7 / 0.6
52-Week Range (INR)	294 / 148
1, 6, 12 Rel. Per (%)	-1/-15/-44
12M Avg Val (INR M)	75
Free float (%)	48.1

Financials Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	34.3	37.9	41.1
EBITDA	5.8	7.0	8.2
Adj. PAT	2.1	2.8	3.6
EBITDA margin (%)	16.8	18.4	19.9
Cons. Adj. EPS (INR)	6.8	8.8	11.3
EPS Gr. (%)	-16.0	30.2	27.8
BV/Sh. (INR)	57.7	62.1	68.4

Ratios

Net D:E	0.3	0.1	-0.0
RoE (%)	12.2	14.7	17.3
RoCE (%)	11.0	13.2	16.3
Payout (%)	63.4	50.9	44.3

Valuations

P/E (x)	23.1	17.8	13.9
EV/EBITDA (x)	9.5	7.5	6.0
Div. Yield (%)	2.7	2.9	3.2
FCF Yield (%)	0.9	8.5	9.3

Achieving growth sustainably

EPLL hosted its investor meet to discuss the near- and long-term outlook with utmost focus on sustainability. The management:

- Highlighted the key industrial trends beneficial for EPLL such as: a) the shift towards sustainability, b) the shift from aluminum tubes to laminated tubes, c) the shift from rigid packaging to tubes, d) carton-less packaging, and e) premiumization through design.
- Laid out its long-term strategy to become the most sustainable packaging company by offering the most sustainable packaging solutions.
- Focused on growth and margin improvement through customer acquisitions and cost control measures in the near term.

Global shift to laminated tubes bodes well for EPLL

- The global tube market volume is around 42b of which, the laminated and extruded tubes account for 81% share i.e. 34b tubes. Of this 34b tubes, laminated accounts for two-thirds volume share. Aluminum tubes volume is ~8b globally. The global tube market, excluding in-house tubes, is 36b.
- EPLL is a major global player with around 20% market share on blended basis, selling ~8b tubes annually. Category wise, it has 33% market share in oral tubes; 10% in beauty & cosmetics (B&C) and pharma; and 8% in food, home and industrial tubes segment.
- Over the years, the industry has witnessed a shift from traditional tubes such as aluminum and rigid to laminated tubes. Following are the key industry trends highlighted by the management
 - **Recycle, Reduce and Reuse** - Majority of the customers is converting into recyclable tubes. Overtime, the percentage of Post Consumption Recycling (PCR) in EPLL's tubes will increase.
 - **Shift from aluminum tubes to laminated ones** – Despite having the best barrier properties, aluminum tubes lack collapsibility, which is a critical characteristic for a tube. While, laminated tubes have better appearance and qualities of both metal and plastic, also offers collapsibility.
 - **Shift from rigid packaging to tubes** – Tube consumes less plastic than a rigid packaging and with growing sustainability, companies are moving towards tubes. For instance, Pantene has shifted from bottles to tubes for its hair products.
 - **Carton-less packaging** – Companies are saving costs by removing the cartons and focusing more on improving the look of the tubes.
 - **Premiumization through design** – Premiumization is being focused through launch of innovative products such as oval tubes, fluorescent tubes and improving the quality of printing to make products more attractive. EPLL aspires to be in the value added products (VAP) in tubes.

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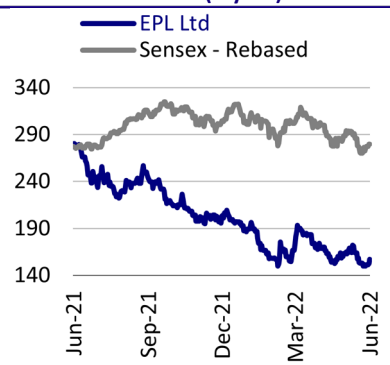
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	51.9	51.9	52.0
DII	13.9	14.1	13.5
FII	14.6	15.0	14.9
Others	19.6	19.1	19.6

FII Includes depository receipts

Stock Performance (1-year)**Long-term focus on sustainability**

- The company has laid out its long-term roadmap with an aspiration to become the world's most sustainable packaging company. EPLL also has modified its logo by adding '**Sustainably**' at the bottom.
- The company will follow the 4x4 mantra with four Cs and four enablers:
 - Management will drive profitable growth and enable product sustainability by focusing on four Cs which are: 1) Category – growth in B&C and Pharma will be faster than Oral care; 2) Customer – EPLL will serve both the large global MNCs and regional players; it will intensify its focus on regional and local customers through customer segmentation; 3) Country – build wallet share in all key countries – Brazil, Sub-Saharan Africa, South East Asia, and EU; and 4) Cost – EPLL is working on various cost saving activities such as caps and laminates insourcing, reducing the waste and improving organizational effectiveness.
 - To drive Process and People sustainability, EPLL has laid down four enablers which are: 1) Innovation – ambition-driven program; 2) Sales & Marketing – hunt down growth; 3) Digital Transformation – becoming future ready and driving automation using IOT on shop floor as well as other initiatives to improve efficiencies; and 4) One EPLL – enable horizontal working.
- Both these strategies will offer the most sustainable packaging solutions and will help EPLL to become the most sustainable packaging company.

Short-term focus on growth and margin improvement

- The management indicated that raw material inflation is still having pressure on the margins.
- EPLL is aiming to grow faster by capturing higher market share, acquiring small customers, aggressively gaining market share from small competitors, doubling down on sustainable offerings and continuing its excellence on service and quality. **The management expects high single-digit growth in the Oral care segment while B&C and Pharma to register a high double-digit growth** as EPLL has low market share and wider room to grow in those areas.
- Price increase – EPLL will pass on raw material, freight, packaging and other cost inflation to its customers. It will look for one time top-up with all the contracted customers. Further, it is looking forward for proactive price increases with non-contacted customers. The management is ensuring that the new business wins are margin accretive.
- Control Costs – The company is ensuring cost control across all line items in the financials. EPLL has an ongoing cost rationalization program known as Phoenix. It is working on various costs saving initiatives such as insourcing of caps & laminates, reducing wastages, improving working capital and organizational efficiencies.

Other key highlights from the investor meet

- EPLL has faced significant challenges over the last two years such as inflation, unpredictability of prices, supply chain disruption, increase in freight charges, container shortage and Russia-Ukraine crisis that impacted its margins adversely. The challenges were further aggravated by serious shortage of labor

during the pandemic along with shortage of key raw materials. However, management has stated that the margins will improve once things normalize.

- **Sustainability:** EPLL continues to invest in R&D for developing products, which are thinner or are having less weight. Further, it is looking for alternative material such as paper or bio-degradable product to make its product more sustainable.
- **Platina:** EPLL has launched 'Platina', which is fully recyclable – this will help the company to move towards its goal of sustainability. Platina is the most superior 100% recyclable tube. EPLL sold 300m tubes of Platina in FY22 and is aiming to double the sales. Such products give a competitive advantage to the company.
- EPLL faced competitive intensity from regional and local players as the company faced huge resistance from customers for price increase.
- All the mass brands have already shifted from plastics or rigid packaging to laminates. Further, there is a lot of opportunity from emerging brands as they have lower volumes and customers are willing to pay higher prices. This resulted in faster growth in laminated tubes than the extruder tubes.
- The company will continue to focus on tubes business only, as the management believes that the business has tremendous growth opportunity in the long term.
- EPLL's global category mix between Oral and B&C/Pharma: AMESA – 50:50; Europe - 60:40; EAP - 65:35; and Americas - 75:25.
- The B&C and Pharma segment is bigger than Oral in terms of value. Average selling price of B&C/Pharma is 2-3x of Oral with margins of the former being better.

Valuation and View

- We expect EPLL's earnings momentum to improve, driven by: a) growing revenue contribution from B&C and Pharma segment, b) a gradual shift to laminated tubes from aluminum tubes and rigid packaging, c) customer additions across geographies as well as greater cross-selling opportunities, and d) focus on sustainability, which will propel double-digit profitable growth.
- We expect a revenue/EBITDA/PAT CAGR of 9%/19%/29% over FY22-24, respectively. We value the stock at 20x FY24E EPS to arrive at our TP of INR226. We retain our **BUY rating** on the stock.

Exhibit 1: EPLL’s customer portfolio



Source: Company, MOFSL

Exhibit 2: Global tube market

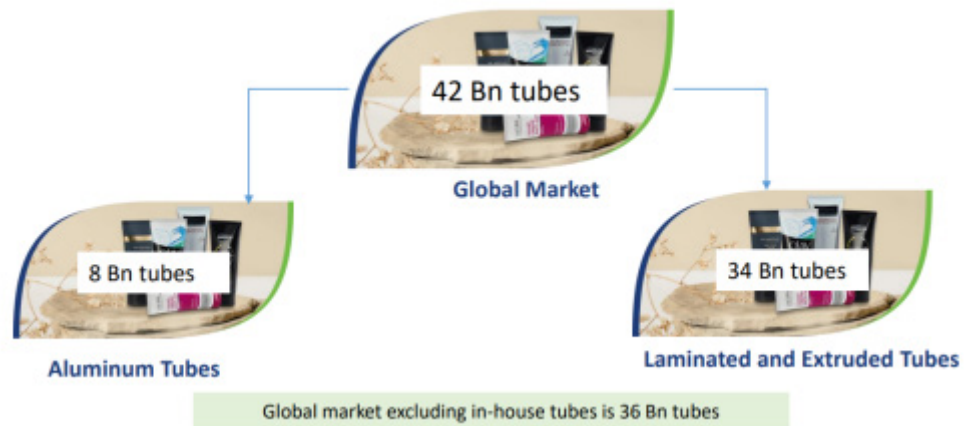


Exhibit 3: Global tube market – category overview



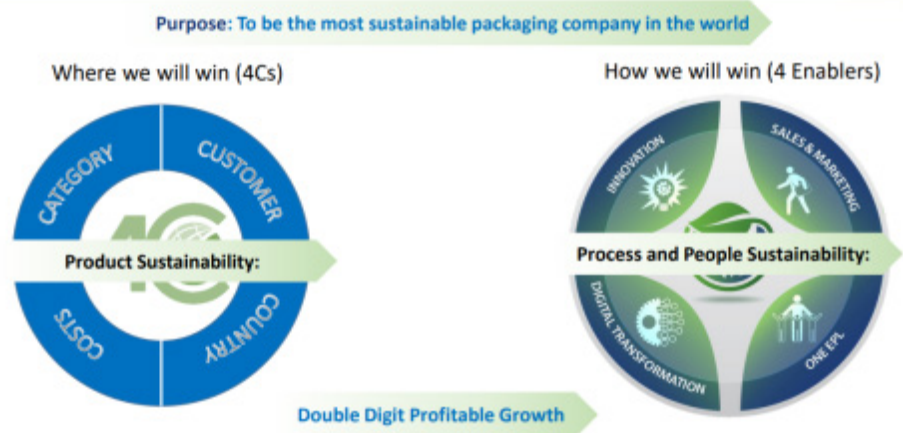
Source: Company, MOSL

Exhibit 4: Modification of the company logo to align with EPL's long-term aspiration



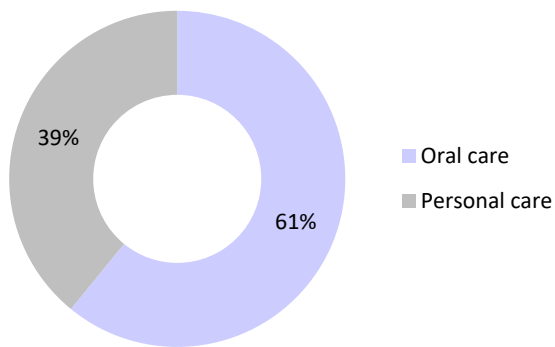
Source: MOSL, Company

Exhibit 5: Adopting 4x4 mantra for long-term growth



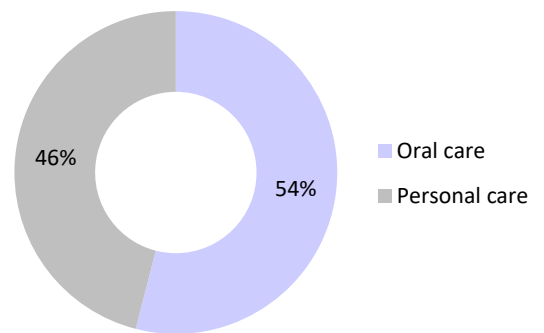
Source: Company, MOSL

Exhibit 6: Product mix (as of FY14)



Source: Company, MOFSL

Exhibit 7: Product mix (as of FY21)



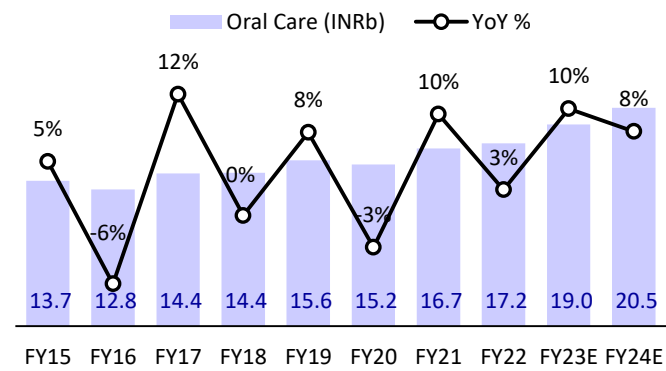
Source: Company, MOFSL

Exhibit 8: EPL's cross-segment presence



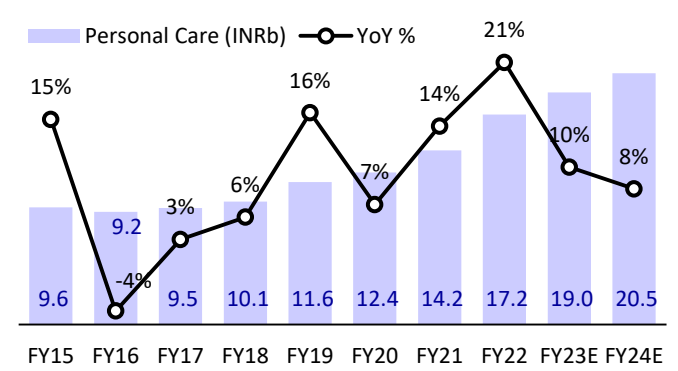
Source: MOFSL, Company

Exhibit 9: Expect Oral Care to post 7% CAGR over FY21-24



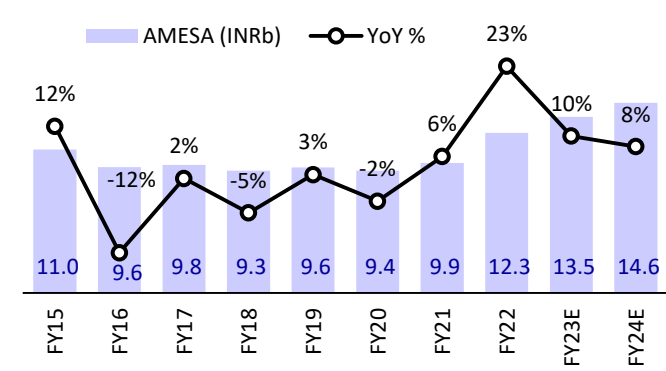
Source: MOFSL, Company

Exhibit 10: Expect Personal Care to post 13% CAGR over FY21-24



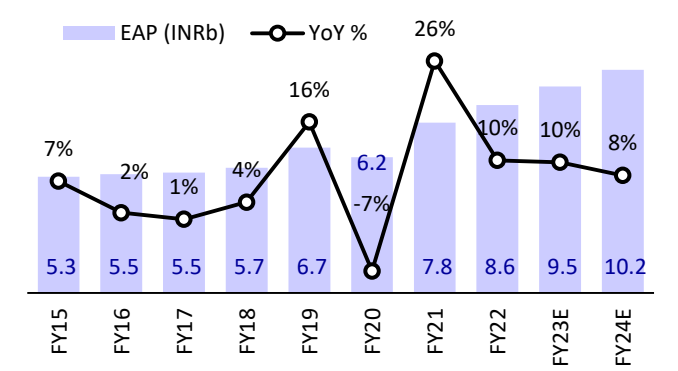
Source: MOFSL, Company

Exhibit 11: Expect AMESA to post 14% CAGR over FY21-24



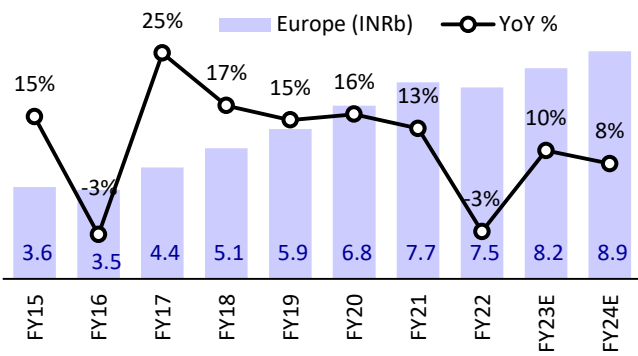
Source: MOFSL, Company

Exhibit 12: Expect EAP to post 9% CAGR over FY21-24



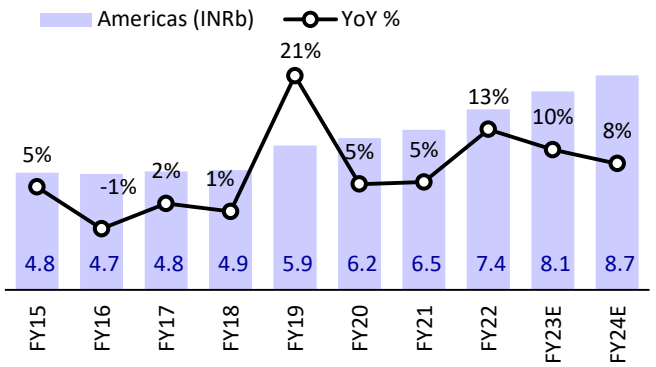
Source: MOFSL, Company

Exhibit 13: Expect Europe to post 5% CAGR over FY21-24



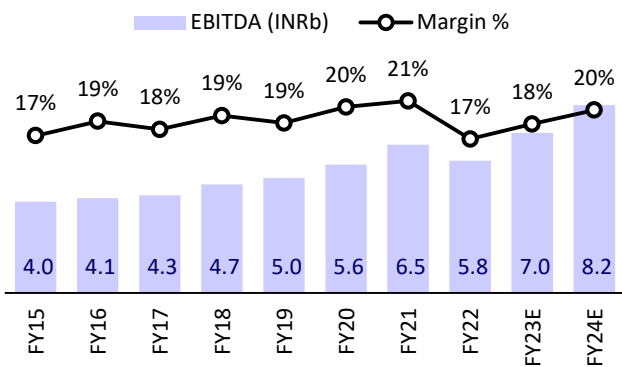
Source: Company, MOFSL

Exhibit 14: Expect America to post 10% CAGR over FY20-24



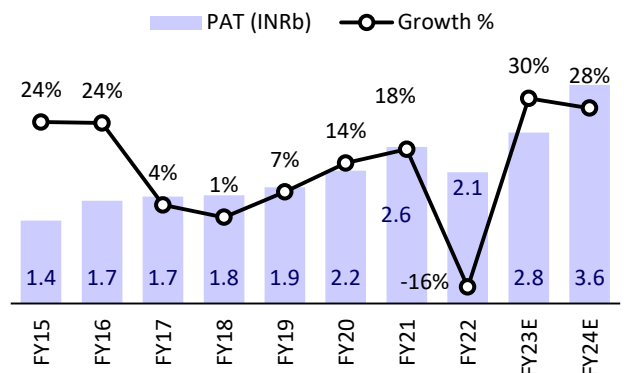
Source: Company, MOFSL

Exhibit 15: EBITDA to post 9% CAGR over FY21-FY24E



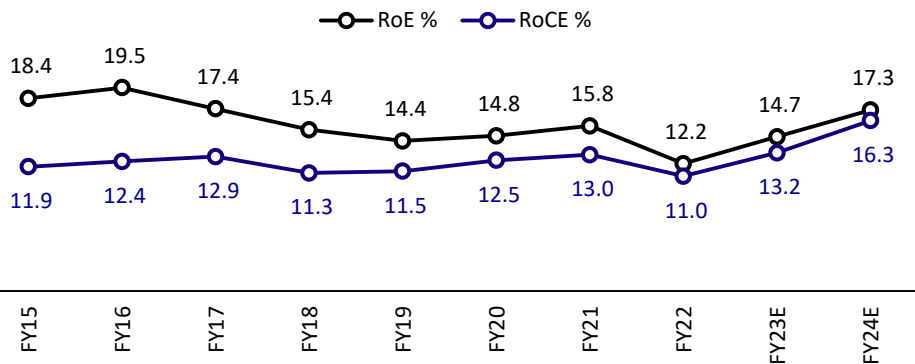
Source: Company, MOFSL

Exhibit 16: PAT to post 14% CAGR over FY21-24E



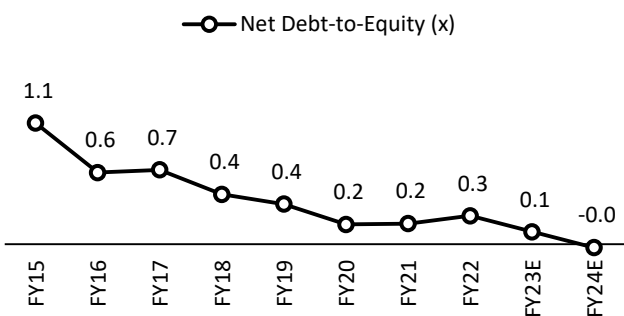
Source: Company, MOFSL

Exhibit 17: Return ratios to improve going forward



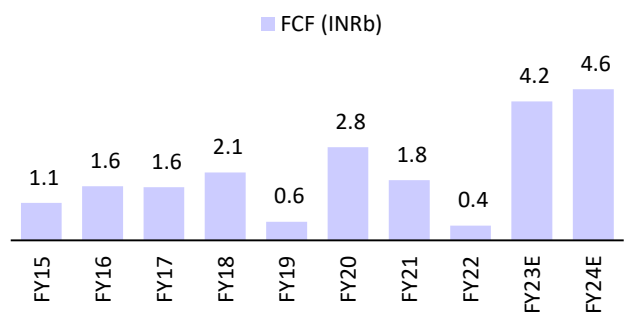
Source: Company, MOFSL

Exhibit 18: Net debt-to-equity to contract further



Source: Company, MOFSL

Exhibit 19: Increase in FCF to reduce leverage



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INRm)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	21,275	23,023	24,239	27,069	27,614	30,916	34,328	37,908	41,053
Change (%)	-8.4	8.2	5.3	11.7	2.0	12.0	11.0	10.4	8.3
Raw material cost	9,235	10,079	10,366	11,648	11,581	12,934	15,176	16,311	17,653
Employees Cost	3,744	4,052	4,338	5,006	5,311	6,064	6,500	6,860	7,307
Other Expenses	4,258	4,673	4,886	5,424	5,147	5,807	6,891	7,753	7,903
Total Expenditure	17,237	18,804	19,590	22,078	22,039	24,805	28,567	30,924	32,863
% of Sales	81.0	81.7	80.8	81.6	79.8	80.2	83.2	81.6	80.1
EBITDA	4,038	4,219	4,649	4,991	5,575	6,111	5,761	6,984	8,190
Margin (%)	19.0	18.3	19.2	18.4	20.2	19.8	16.8	18.4	19.9
Depreciation	1,232	1,415	1,671	1,861	2,298	2,346	2,514	2,682	2,933
EBIT	2,806	2,804	2,978	3,130	3,277	3,765	3,247	4,302	5,257
Int. and Finance Charges	609	581	550	613	556	429	403	390	268
Other Income	238	353	264	285	133	145	120	133	144
PBT bef. EO Exp.	2,435	2,576	2,691	2,802	2,854	3,481	2,964	4,045	5,133
EO Items	23	157	-50	31	-94	-161	0	0	0
PBT after EO Exp.	2,459	2,732	2,642	2,833	2,760	3,320	2,964	4,045	5,133
Total Tax	776	787	889	932	638	868	675	1,092	1,386
Tax Rate (%)	31.6	28.8	33.7	32.9	23.1	26.1	22.8	27.0	27.0
Profit/loss from associates	48.4	10.5	-10.4	53.2	-6.0	-9.0	-76	-84	-92
Minority Interest	30	53	26	29	43	52	69	77	86
Reported PAT	1,701	1,903	1,716	1,925	2,073	2,391	2,144	2,792	3,568
Adjusted PAT	1,678	1,747	1,766	1,895	2,167	2,552	2,144	2,792	3,568
Change (%)	24.2	4.1	1.1	7.3	14.4	17.8	-16.0	30.2	27.8
Margin (%)	7.9	7.6	7.3	7.0	7.8	8.3	6.2	7.4	8.7

Consolidated - Balance Sheet

(INRm)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	314	314	315	631	631	631	632	632	632
Total Reserves	9,334	10,076	12,191	13,249	14,695	16,350	17,613	18,983	20,971
Net Worth	9,648	10,390	12,506	13,880	15,326	16,981	18,245	19,615	21,603
Minority Interest	81	57	43	52	86	333	336	336	336
Total Loans	7,014	7,924	7,299	6,313	6,432	5,536	6,572	4,572	2,572
Deferred Tax Liabilities	305	317	357	510	475	543	619	619	619
Capital Employed	17,048	18,688	20,204	20,754	22,319	23,393	25,772	25,142	25,130
Gross Block	10,470	15,637	17,691	20,495	22,434	25,500	27,236	29,236	31,236
Less: Accum. Deprn.	1,229	3,984	5,992	7,564	9,862	12,208	14,722	17,404	20,336
Net Fixed Assets	9,242	11,652	11,699	12,931	12,572	13,292	12,514	11,832	10,899
Goodwill on Consolidation	0	142	142	142	142	1,159	1,159	1,159	1,159
Capital WIP	571	193	417	413	352	273	1,466	593	419
Total Investments	304	153	131	168	160	149	72	72	72
Curr. Assets, Loans&Adv.	10,073	10,254	12,032	11,547	14,833	15,241	17,715	19,238	20,877
Inventory	1,987	2,460	2,864	3,234	3,692	4,149	5,941	5,931	5,852
Account Receivables	3,312	3,766	4,590	4,934	4,903	5,891	6,367	7,062	7,648
Cash and Bank Balance	844	1,028	1,735	1,344	3,715	2,414	1,927	2,402	3,215
Loans and Advances	3,930	3,000	2,843	2,035	2,523	2,787	3,480	3,843	4,162
Curr. Liability & Prov.	3,141	3,707	4,217	4,447	5,740	6,721	7,154	7,752	8,296
Account Payables	1,282	1,473	1,884	2,065	3,538	4,222	4,547	4,914	5,222
Other Current Liabilities	1,603	1,834	2,037	2,113	1,942	2,163	2,268	2,464	2,668
Provisions	257	400	295	269	260	336	339	374	405
Net Current Assets	6,932	6,547	7,815	7,100	9,093	8,520	10,561	11,486	12,582
Appl. of Funds	17,048	18,688	20,204	20,754	22,319	23,393	25,772	25,142	25,130

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)									
EPS	5.3	5.5	5.6	6.0	6.9	8.1	6.8	8.8	11.3
Cash EPS	9.2	10.0	10.9	11.9	14.1	15.5	14.7	17.3	20.6
BV/Share	30.5	32.9	39.6	43.9	48.5	53.7	57.7	62.1	68.4
DPS	0.8	1.1	1.2	1.2	3.3	4.1	4.3	4.5	5.0
Payout (%)	17.8	21.8	26.4	23.6	56.7	54.2	63.4	50.9	44.3
Valuation (x)									
P/E	29.6	28.4	28.1	26.2	22.9	19.4	23.1	17.8	13.9
Cash P/E	17.1	15.7	14.4	13.2	11.1	10.1	10.7	9.1	7.6
P/BV	5.1	4.8	4.0	3.6	3.2	2.9	2.7	2.5	2.3
EV/Sales	2.6	2.5	2.3	2.0	1.9	1.7	1.6	1.4	1.2
EV/EBITDA	13.8	13.4	11.9	10.9	9.4	8.7	9.5	7.5	6.0
Dividend Yield (%)	0.5	0.7	0.8	0.8	2.1	2.6	2.7	2.9	3.2
FCF per share	5.2	5.1	6.5	1.8	9.0	5.8	1.4	13.4	14.6
Return Ratios (%)									
RoE	19.5	17.4	15.4	14.4	14.8	15.8	12.2	14.7	17.3
RoCE	12.4	12.9	11.3	11.5	12.5	13.0	11.0	13.2	16.3
RoIC	12.7	12.2	11.2	11.4	13.6	14.4	11.7	14.2	17.6
Working Capital Ratios									
Fixed Asset Turnover (x)	2.0	1.5	1.4	1.3	1.2	1.2	1.3	1.3	1.3
Asset Turnover (x)	1.2	1.2	1.2	1.3	1.2	1.3	1.3	1.5	1.6
Inventory (Days)	34	39	43	44	49	49	63	57	52
Debtor (Days)	57	60	69	67	65	70	68	68	68
Creditor (Days)	22	23	28	28	47	50	48	47	46
Leverage Ratio (x)									
Current Ratio	3.2	2.8	2.9	2.6	2.6	2.3	2.5	2.5	2.5
Interest Cover Ratio	4.6	4.8	5.4	5.1	5.9	8.8	8.1	11.0	19.6
Net Debt/Equity	0.6	0.7	0.4	0.4	0.2	0.2	0.3	0.1	0.0

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	2,507	2,743	2,631	2,886	2,854	3,311	2,888	4,045	5,133
Depreciation	1,232	1,415	1,671	1,861	2,298	2,346	2,514	2,682	2,933
Interest & Finance Charges	320	284	277	380	423	381	355	257	124
Direct Taxes Paid	-833	-764	-816	-901	-638	-866	-776	-1,092	-1,386
(Inc)/Dec in WC	475	494	-488	-404	-127	-380	-2,217	-449	-283
CF from Operations	3,701	4,172	3,276	3,821	4,811	4,792	2,764	5,442	6,521
Others	-93	-485	159	-257	-100	432	353	-84	-92
CF from Operating incl EO	3,608	3,687	3,435	3,564	4,711	5,224	3,117	5,358	6,429
(Inc)/Dec in FA	-1,959	-2,069	-1,375	-3,003	-1,878	-3,396	-2,668	-1,127	-1,825
Free Cash Flow	1,650	1,618	2,060	561	2,833	1,828	449	4,231	4,603
(Pur)/Sale of Investments	0	98	1	2	8	5	4	0	0
Others	1,230	-769	184	1,122	680	586	22	133	144
CF from Investments	-729	-2,740	-1,189	-1,879	-1,190	-2,805	-2,642	-994	-1,682
Issue of Shares	0	7	510	53	0	7	50	0	0
Inc/(Dec) in Debt	-1,760	546	-1,199	-1,028	119	-1,219	1,031	-2,000	-2,000
Interest Paid	-498	-392	-372	-485	-556	-321	-278	-390	-268
Dividend Paid	-341	-414	-478	-478	-1,176	-1,341	-1,380	-1,422	-1,580
Others	-600	-508	-1	-138	469	-317	-377	-77	-86
CF from Fin. Activity	-3,200	-762	-1,539	-2,076	-1,143	-3,191	-954	-3,889	-3,934
Inc/Dec of Cash	-320	184	706	-391	2,377	-772	-479	475	813
Opening Balance	1,164	844	1,028	1,735	1,344	3,116	2,414	1,927	2,402
Closing Balance	844	1,028	1,735	1,344	3,715	2,414	1,927	2,402	3,215

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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