



Pick of the Week



EPL Limited

August 26, 2024



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Packaging	Rs 250	Buy in Rs 245-255 band and add on dips in Rs 220-230 band	Rs 274	Rs 292	2-3 quarters

HDFC Scrip Code	EPLLTDEQNR
BSE Code	500135
NSE Code	EPL
Bloomberg	EPLL:IN
CMP Aug 23, 2024	250
Equity Capital (Rs Cr)	63.7
Face Value (Rs)	2.0
Equity Share O/S (Cr)	31.9
Market Cap (Rs Cr)	7926
Book Value (Rs)	65.7
Avg. 52 Wk Volumes ('000)	1250.5
52 Week High	263
52 Week Low	170

Share holding Pattern % (Jun, 2024)	
Promoters	51.5
Institutions	22.9
Non Institutions	25.6
Total	100.0



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst Darshil Shah
darshil.shah@hdfcsec.com

Our Take:

EPL Limited (EPL) is the leading manufacturer of laminated plastic tubes in the world, with ~35% 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 ~10%, 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. EPL sells ~8bn tubes annually.

The opportunity in the business is quite evident by the fact that opportunity for oral care tubes is 17 bn p.a. while for beauty & cosmetics is 14bn p.a. and pharmaceuticals is 8bn p.a. While EPL commands ~35% share in oral care, it is yet to make in-roads in the Personal Care & Beyond (PC&B) segment where it has ~10% share. Share of PC&B in the company's revenue however, has increased from 41% in FY18 to 47% in FY24 and the management aims to further increase the same.

EPL's integrated and vast operations make it a preferred one stop solution for its big clients who form long term partnership with EPL. Replacement of aluminum/ 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 (~20% share in global speciality packaging) 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, a plethora of sustainable solutions and a sharp focus on developing 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 with an EBITDA margin ambition of ~20% in FY25. Stability in raw material prices should further aid the margin recovery. Going ahead, we expect revenue and EBITDA CAGR of 11% and 14%, respectively, over FY24-26E. RoCE and RoE are expected to increase further from 15.0% and 13.4%, respectively in FY24 to 19.5% and 17.1% by FY26.

We had issued a [stock update note](#) on EPL Ltd on September 05, 2023 and both the targets were achieved within our investment horizon.

We believe investors can buy the stock in Rs 245-255 band (20.5x FY26E EPS) and add on dips in Rs 220-230 (18.5x FY26E EPS) band for a base case fair value of Rs 274 (22.5x FY26E EPS) and bull case fair value of Rs 292 (24.0x FY26E EPS) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q1FY25	Q1FY24	YoY-%	Q4FY24	QoQ-%	FY22	FY23	FY24	FY25E	FY26E
Operating Income	1007	910	11%	1029	-2%	3433	3694	3916	4327	4803
EBITDA	186	159	17%	191	-3%	576	578	714	809	915
APAT	64	55	17%	22	188%	214	228	213	304	389
Diluted EPS (Rs)	2.0	1.7	18%	0.7	187%	6.8	7.2	6.7	9.5	12.2
RoE-%						12.2	11.9	13.4	14.2	17.1
P/E (x)						36.8	34.9	29.1	26.2	20.5
EV/EBITDA (x)						14.5	14.7	12.0	10.4	8.9

(Source: Company, HDFC sec)

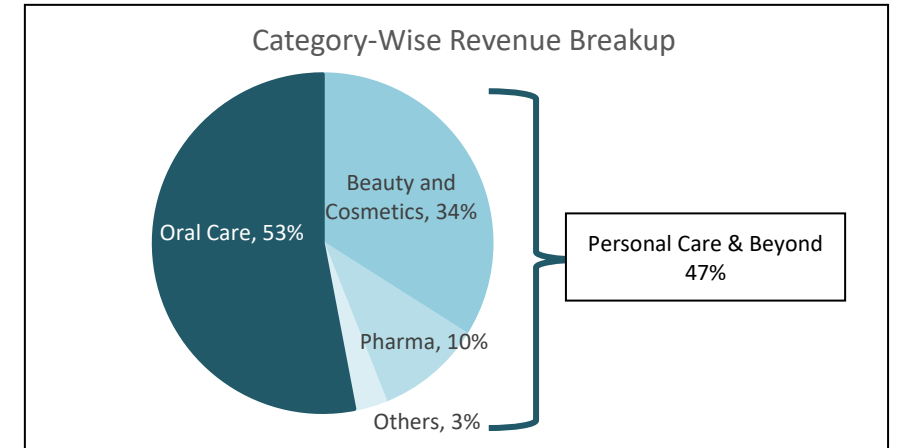
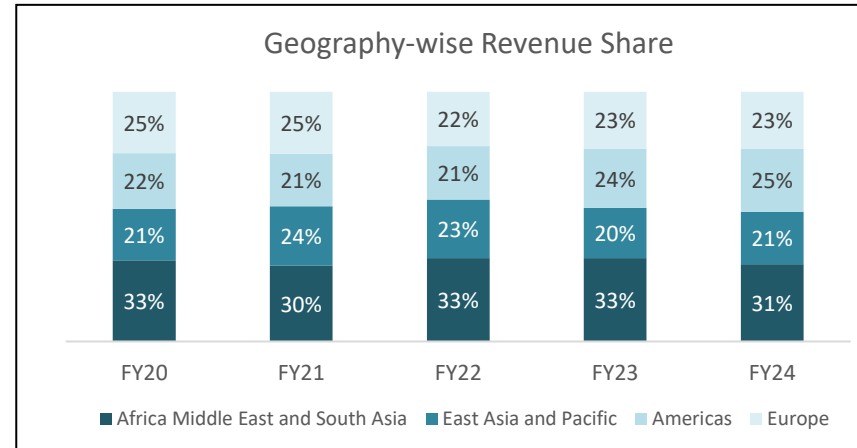
	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Revenue (in Rs Cr)													
AMSEA	282	308	323	314	320	360	352	338	336	379	350	354	368
% of net sales	34%	34%	35%	34%	35%	36%	36%	33%	34%	35%	33%	32%	33%
EAP	206	214	246	197	193	217	226	214	215	245	252	223	245
% of net sales	25%	24%	26%	22%	21%	22%	23%	21%	22%	22%	24%	20%	22%
Americas	164	186	190	196	197	223	191	230	218	252	253	266	259
% of net sales	20%	21%	20%	21%	22%	22%	20%	22%	22%	23%	24%	24%	23%
Europe	178	188	173	209	197	205	206	250	213	216	208	256	232
% of net sales	21%	21%	19%	23%	22%	20%	21%	24%	22%	20%	20%	23%	21%
EBIT (in Rs Cr)													
AMSEA	31	35	35	28	31	33	40	42	37	45	39	41	43
EBIT Margin	11%	11%	11%	9%	10%	9%	11%	13%	11%	12%	11%	12%	12%
EAP	35	35	42	16	25	38	37	25	35	43	41	27	39
EBIT Margin	17%	17%	17%	8%	13%	17%	16%	12%	16%	17%	16%	12%	16%
Americas	12	17	5	19	11	11	11	6	2	9	18	24	17
EBIT Margin	7%	9%	3%	10%	5%	5%	6%	3%	1%	4%	7%	9%	7%
Europe	10	8	-2	10	3	7	-4	13	8	5	2	10	14
EBIT Margin	6%	4%	-1%	5%	2%	3%	-2%	5%	4%	2%	1%	4%	6%

(Source: Company, HDFC sec)

Charts in Focus

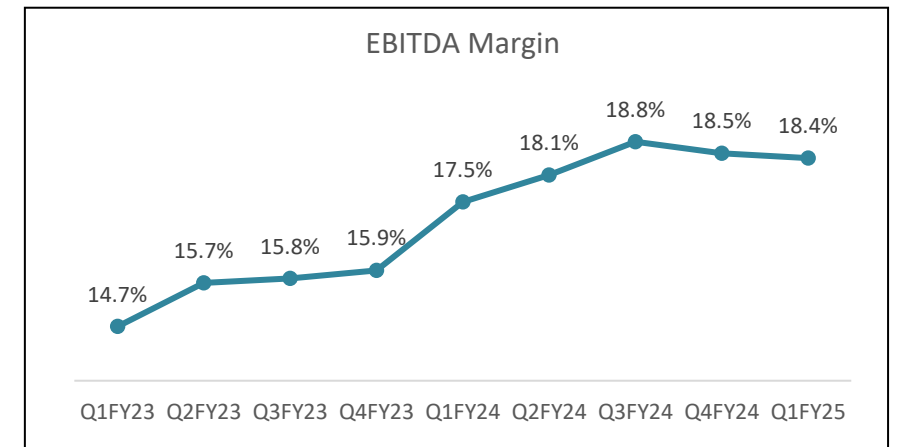
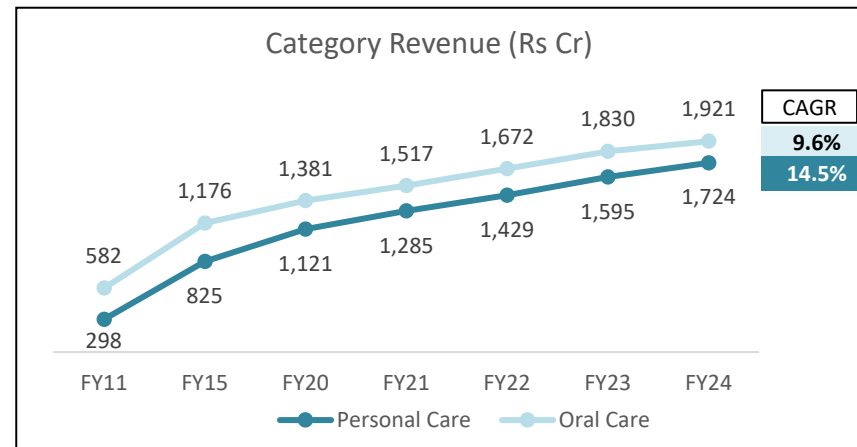
Globally diversified revenue mix with increasing share from Americas

Market Leading Position in Oral Care with Focus to grow PC&B



Personal Care has outpaced Oral Care CAGR between FY11-24

Focus on improving EBITDAM – on track to achieve 20% guidance



(Source: Company, HDFC sec)

Q1FY25 Result Update

EPL delivered an all-round strong performance, with revenue/EBITDA/PAT YoY growth of 10.7%/16.9%/16.6% in Q1FY25. Excluding base year one off (income tax refund in Q1FY24), PAT grew by 35.4% YoY, during the quarter. Revenue growth was driven by driven by robust demand in all its major markets and the successful execution of strategic initiatives. The growth was broad based with AMESA region growing 9.5% YoY and standalone India growth at 8.6% YoY. Within India specifically, the company faced some supply chain issues during the quarter that restrained growth, which were resolved in Q2FY25. Going forward, the management expects improved growth from the India piece. EAP region delivered a strong growth of 13.9% YoY, while Europe grew by 9% YoY. The Americas continued on its high growth trajectory, growing 18.5% YoY on the back of additional revenue from Brazil operations.

Gross profit during the quarter, grew by 14.0% YoY (+1.4% QoQ) despite increase in polymer and aluminum prices in Q1FY25 from the previous quarter. Gross profit margin improved by 175 bps YoY. Further, the company reported a robust EBITDA growth of 16.9% YoY with notable improvements in Europe and the Americas. AMESA/EAP/Europe/Americas reported YoY EBITDA growth of 3.4%/9.6%/31.4%/94.3%. In Europe, margins have increased by 230 bps over the past year, reaching the mid-teens level. Similarly, in the Americas, margins rose from single-digits to high-teens, underscoring the effectiveness of the company's efforts towards margin expansion. The management believes it is on track to achieve its 20% EBITDA guidance in FY25.

Within categories, Oral Care delivered a strong performance with 15% YoY on the back of strong organic demand and wallet share gains from certain customers as the company transitioned to sustainable tubes. Personal care and beyond (PC&B) registered 6.1% YoY growth, driven by good traction in EAP and the Americas. The company has made good progress with its Neo-seam tubes, securing commercial orders across 3 regions. EPL continues to focus on PC&B category, developing further capabilities in AMESA and Europe, across back-end as well as front-end operations.

EPL's sustainability efforts yielded further results in Q1FY25, resulting in wallet share gains with key customers in the Oral Care category. The company's sustainable tube mix reached 29% in Q1FY25 (21% in FY24). The management expects this proportion to further grow with customer commitments aligning with its sustainable solutions. EPL continues to focus on its sustainability efforts and aims to further drive wallet share gains through increasing mix of sustainable solutions.

Last year, the company commercialized its green field project in Brazil, where it witnessed strong momentum in new customer acquisitions. In Q1FY25, the company started supplying to new customers, including, 2 MNC clients and a local partner, along with its anchor customer. While the project was built to serve its anchor customer's requirements as per contractual commitment, however, it has built further headroom for other customers. Current capacity utilization stands around 65% - 70%.

Key Triggers

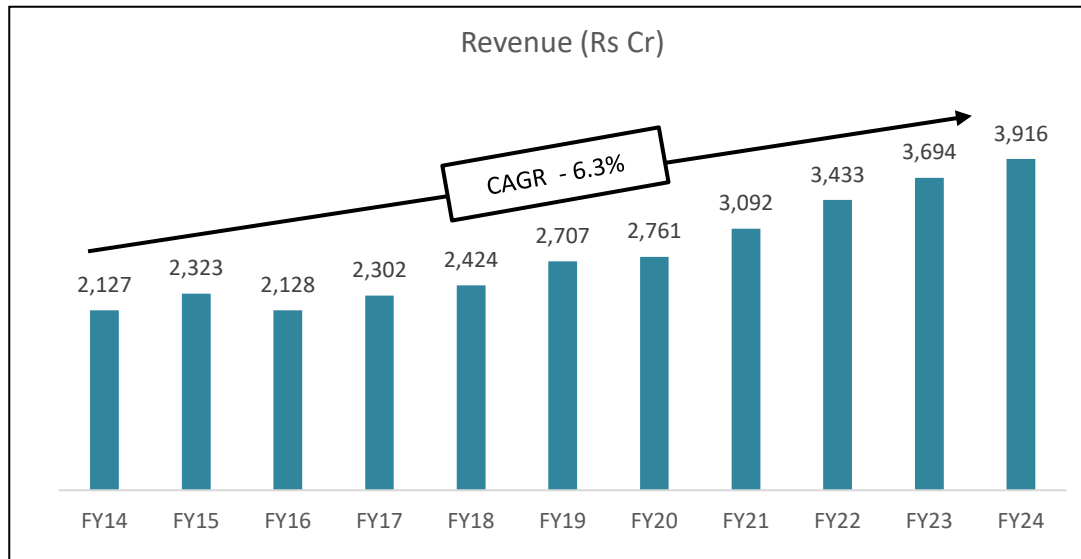
Global market leader in speciality packaging

EPL is one of the world's leading speciality packaging company, recognized for its leadership in packaging innovation and sustainability, globally. EPL has strategically positioned itself as a global player, with a strong presence through 21 state-of-the-art manufacturing facilities, with over ~5343 employees representing 25 different nationalities, across multiple regions including Africa, Middle East, and South Asia ("AMESA"), East Asia Pacific ("EAP"), Europe and the Americas. This extensive global footprint enables the Company to cater to a diverse customer base and leverage regional strengths to optimize its operational capabilities.

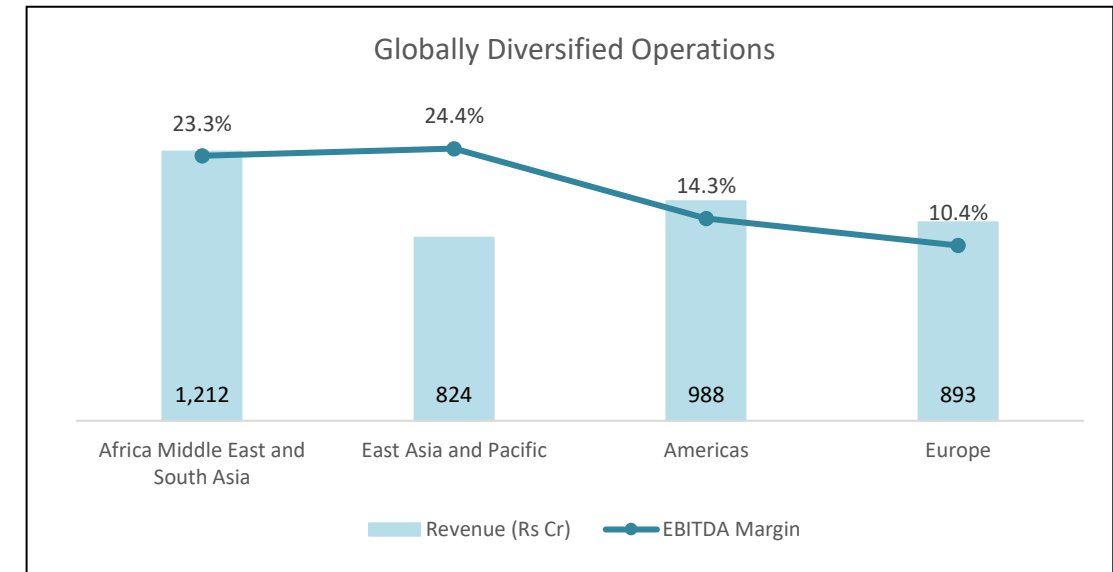
The Company is a preferred partner to the world’s largest brands in Oral care, Beauty & Cosmetics, Pharma & health, Food and home, providing them with highly innovative, sustainable, aesthetically superior and customized packaging solutions in laminates, laminated tubes, extruded tubes, caps & closures and dispensing systems. EPL produced over 8.0 bn tubes globally in FY24, underscoring its ability to deliver superior packaging solutions. EPL manufactures one in every three tubes used in the oral care category across the globe.

The Africa Middle East and South Asia (AMESA) region, reflecting operations in Africa, the Middle East, and South Asia, with operations in Egypt and India contributed 31% to the company’s revenue in FY24 whereas, the East Asia and Pacific regions covering operations in China and Philippines contributed 21% to its revenues. The company has also made significant strides in Europe region which covers operations in Germany and Poland (23% of FY24 revenue) and the Americas which includes operations in USA, Mexico, Colombia, and Brazil (25% of FY24 revenue). Commercialization of a greenfield project in Brazil has provided additional fillip to growth in the Americas.

Strong track record of long term growth in the speciality packaging industry



Well diversified operations globally, spread across 10 countries



(Source: Company, HDFC sec)

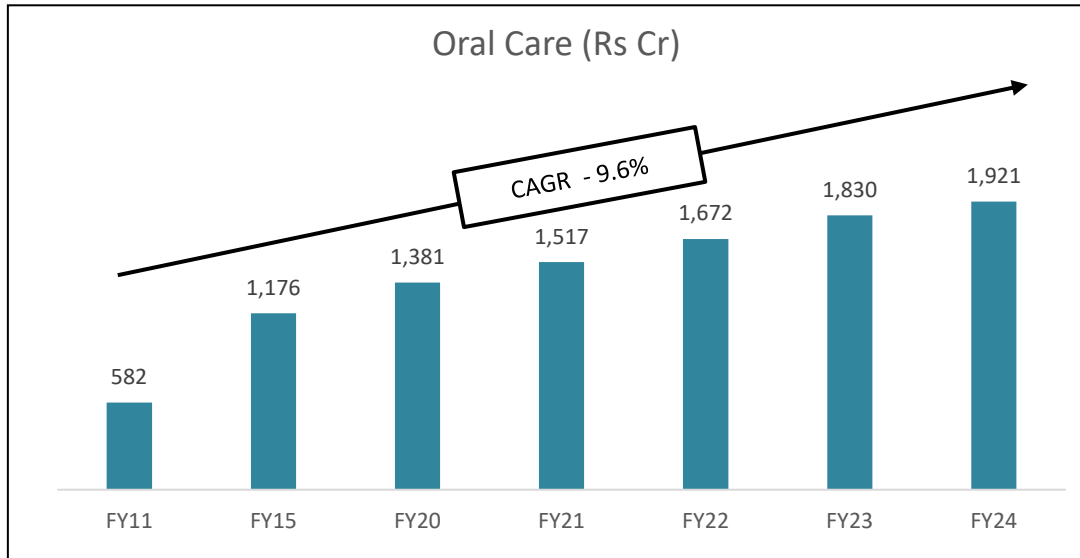
Established leadership in the Oral Care segment

EPL is a market leader in the Oral Care segment and has forged long term relationships with marquee customers like Colgate Palmolive, P&G, Unilever, GSK, Tom’s, Patanjali, Liby, Dabur, Amway etc. One in every three toothpaste tubes sold globally, is made by EPL. The company offers them a range of exclusive solutions with high-quality barrier coatings that help fluids remain fresh and effective for longer. Many leading oral care brands rely solely on EPL's expertise to provide them extended shelf life and enhanced visibility. EPL’s oral care business has delivered 9.6% CAGR between FY11-24 and contributed more than 50% to the company’s revenue in FY24. EPL commands ~35% market share in the overall oral care packaging business.

Key drivers in the Oral Care segment are: (1) wallet share gain with marquee global consumer companies, (2) market share gains from regional players in India and China, (3) entry in Brazil to further drive revenue growth, (4) continued leadership through product and process innovation and (5) accelerated commercialization of sustainable Platina tubes globally

Oral Care remains the key business segment with steady growth levers

Long standing relationships with marquee global giants provides a competitive edge



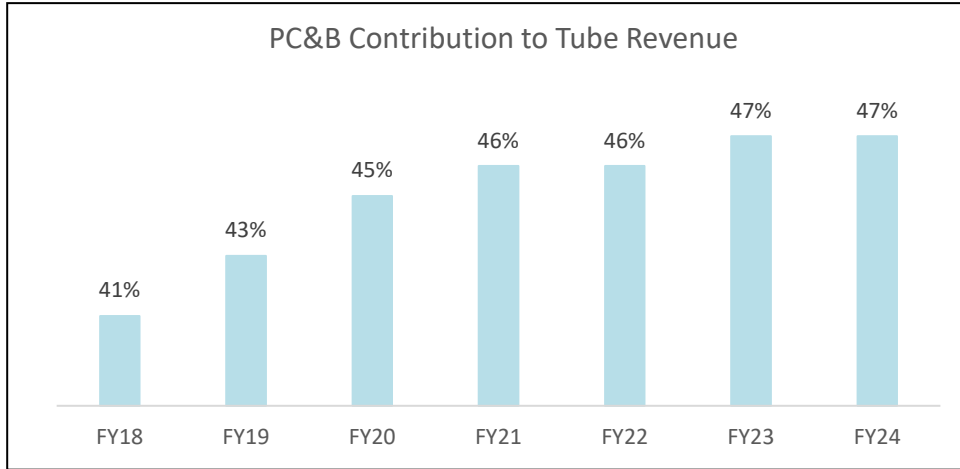
(Source: Company, HDFC sec)

Strategic focus to drive growth in Personal Care & Beyond yielding results

Over the past few years, EPL has strategically focused on increasing the share of PC&B segment in the company's revenues. PC&B's contribution to revenue has increased from 41% in FY18 to 47% in FY24. Moreover, it has outpaced the Oral Care segment by growing at 14.5% CAGR between FY11-24. The PC&B category provides a huge potential with a market size of ~25 bn tubes annually, of which EPL manufactures ~2.5 bn tubes. The company has the highest wallet share in this segment in the AMESA region (35%), followed by 12% share in China. EPL's wallet share remain lower in Europe at ~4% and the Americas at ~7%, providing headroom for accelerated growth. The company has been witnessing strong momentum in the PC&B category in the EAP and Americas region. Over the years, the company has gradually increased offerings to various sub-categories under the PC&B segment, driving headline growth. EPL continues to pursue adding of sub-segments under the B&C category. With the management's focus to aggressively grow the PC&B segment in underpenetrated markets and continued product innovation, we believe that the segment remains a key driver in the management's aspirations of double-digit revenue growth.

Increasing contribution of PC&B in revenue mix to drive revenue growth

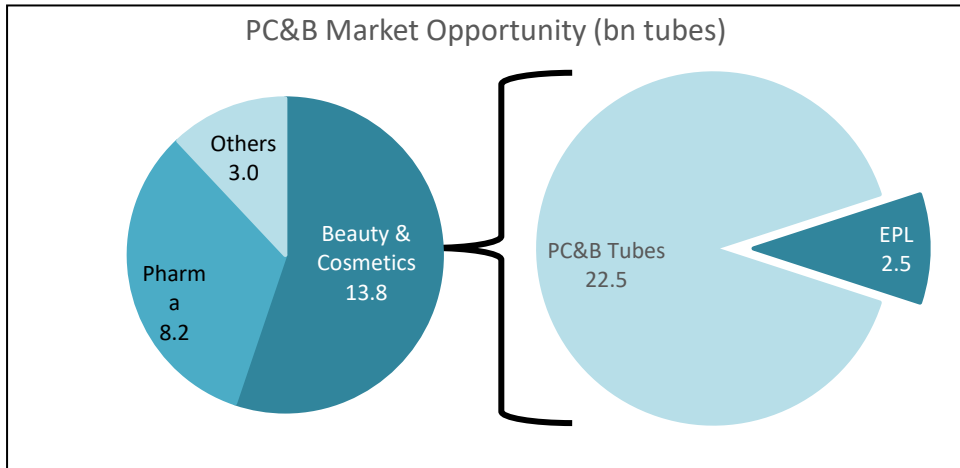
Gradually increased product availability across sub-categories and continues to innovate



Sub categories	FY11	FY15	FY20	FY21	FY22	FY23	FY 24	Q1 FY
Face Care	✓	✓	✓	✓	✓	✓	✓	✓
Hair Care	✗	✗	✓	✓	✓	✓	✓	✓
OTC Medication [#]	✗	✓	✓	✓	✓	✓	✓	✓
Prescription Medication [#]	✗	✗	✓	✓	✓	✓	✓	✓
Food	✗	✓	✓	✓	✓	✓	✓	✓
Home	✗	✗	✓	✓	✓	✓	✓	✓
Hygiene Products [#]	✗	✗	✓	✓	✓	✓	✓	✓
Eye Care	✗	✗	✓	✓	✓	✓	✓	✓
Hand Cream	✗	✗	✓	✓	✓	✓	✓	✓
New Applicator (B&C)	✗	✗	✗	✓	✓	✓	✓	✓
Grease / gear oil	✗	✗	✗	✗	✗	✓	✓	✓

Market size of 25.0 bn tubes annually in PC&B provides huge potential

EPL commands high wallet share in some regions and has significant potential in others



Region	Total B&C* Market (mn tubes)	EPL Wallet %	Total Opportunity (mn tubes)
AMESA	2170	35%	1411
China	1993	12%	1754
Europe	6712	4%	6444
US,Mex,Col	2941	7%	2735
Total	13816	11%	12343

(Source: Company, HDFC sec)

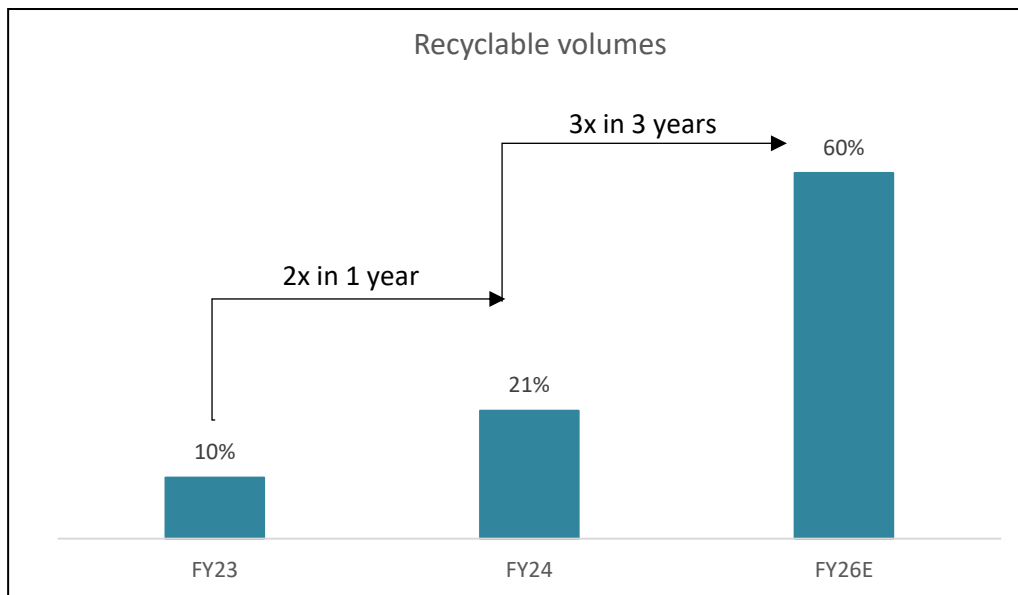

Market leadership in sustainability provides competitive edge

In 2023, EPL was awarded with the 'Gold Rating' (Top 3%) in the EcoVadis 2023 Sustainability Assessment (Silver Rating in 2022) on the back of continued development and implementation of eco-friendly packaging solutions such as recyclable and biodegradable packaging, which not only reduce environmental impact but also cater to the growing demand for environmentally responsible products. The company continues to lead the pack in sustainability with specific attention to product, people and process sustainability. With the increasing global awareness and demand for sustainable practices, the company has significantly enhanced its capabilities to align with these expectations.

EPL doubled the contribution of '100% recyclable' Platina Tubes in the overall volumes, moving from 10% in FY23 to 21% in FY24, underscoring the commitment of the Company to sustainable product offerings. Additionally, the Company made substantial investments in its backend capabilities over the past few years, resulting in 85% of its capacity being ready for manufacturing sustainable tubes. This contribution stood at 29% in FY24. The company aims to achieve EcoVadis Platinum (Top 1%) rating in FY25. With customers like Colgate, P&G and L'Oréal committing 100% recyclable or reusable plastic packing in the next few years, EPL's leadership in sustainable packaging puts it on the front foot.

Focuses drive to increase share of sustainable volumes, in line with customer commitments

Customers have made global commitments to sustainability

100% of plastic packaging to become **recyclable** by 2025¹

100% of our plastic packaging will be refillable, rechargeable, **recyclable** or compostable by 2025²

100% recyclable or **reusable packaging** by 2030³

(Source: Company, HDFC sec)

Brazil expansion to provide growth impetus

In line with the company's plans to expand its presence in key markets globally, the company strengthened its presence in the Latin America market with the commercialization of a greenfield project in Brazil in FY24. EPL has already met 100% of the demand from its anchor customer and has also started supplying to new customers, including, 2 MNC clients and a local partner. With EPL being the only global tube supplier in Brazil, the plant not only represents a strategic investment but also showcases a commitment to leveraging new market opportunities for sustained growth.

Key strategic advantages include (1) large consumer market with presence of global customers, (2) advantageous manufacturing location, close to demand source and (3) headroom to increase capacity with traction from new customer apart from anchor customer. The company already started supplying to new customers in Q1FY25 and the customer base expansion within just one year of plant commercialization reflects a huge potential in this market for EPL. The plant is currently operating at around 65% - 70% capacity utilization.

Company's long term growth strategy

EPL's management has carved a 4 X 4 mantra for growth that aims to deliver industry leading profitable growth:

4 C's - Where EPL will win

- Category - Drive growth in Beauty & Cosmetics and Pharma
- Customer - Go for Global and Regional customers
- Country - Build wallet share in key countries
- Cost - Harness 'fuel for growth'

4 Enablers - How EPL will win

- An ambition driven innovation program
- Bold sales and marketing to hunt down new growth opportunities
- Digital transformation to make EPL future-ready
- Build a 'one EPL' culture to foster cross-fertilization of ideas and promote horizontal collaboration across regions

Risks & Concerns:

- 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.
- Volume growth in the global oral care market is 3-4% p.a. which reflects a mature industry 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 confident on the growth prospects of its European and American business going forward. In case of continued slowdown in these regions, the overall growth momentum could be impacted.

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. It is 51.5% owned by Blackstone group. With its 5,300+ employees from 25 nations, EPL operates 21 state-of-the-art manufacturing facilities in 10 countries and sells approximately 8 billion tubes per year. With a 35% 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.

The Company is a preferred partner to the world's largest brands in Oral care, Beauty & Cosmetics, Pharma & health, Food and home, providing them with highly innovative, sustainable, aesthetically superior and customized packaging solutions in laminates, laminated tubes, extruded tubes, caps & closures and dispensing systems. The Company has been awarded the 'Gold Rating' in the EcoVadis 2023 Sustainability Assessment and the Company continuously strives to develop and implement eco-friendly packaging solutions such as recyclable and biodegradable packaging, which not only reduce environmental impact but also cater to the growing demand for environmentally responsible products. Sustainable tubes contributed 29% to total volume in Q1FY25. On the back of its strategic initiatives, product innovation and geographical expansion, EPL aims to sustain double-digit growth in revenue with a ~20% EBITDA margin.

Peer Comparison

Company	Mcap (Rs cr)	Revenue				EBITDA Margin				APAT				P/E (x)			
		FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
EPL	7926	3092	3433	3694	3916	19.8	16.8	15.6	18.2	240	214	228	213	30.6	36.8	34.9	29.1
Mold-Tek Packaging	2562	479	631	730	699	19.9	19.2	18.7	19.0	48	64	80	67	47.7	36.6	31.8	38.6

(Source: Company, HDFC sec)

Financials

Income Statement

Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	3433	3694	3916	4327	4803
Growth (%)	11.0	7.6	6.0	10.5	11.0
Operating Expenses	2857	3116	3202	3518	3888
EBITDA	576	578	714	809	915
Growth (%)	-5.7	0.3	23.6	13.3	13.1
EBITDA Margin (%)	16.8	15.6	18.2	18.7	19.1
Depreciation	251	281	333	356	370
Other Income	12	42	59	52	58
EBIT	337	339	441	505	602
Interest expenses	40	67	116	117	104
PBT	296	272	265	388	499
Tax	68	37	58	91	118
PAT	229	235	207	297	380
Share of Asso./Minority Int.	-15	-7	7	8	9
Adj. PAT	214	228	274	304	389
Growth (%)	-16.3	6.2	20.1	11.1	27.9
EPS	6.8	7.2	8.6	9.5	12.2

Balance Sheet

Particulars (in Rs Cr) - As at March	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	63	64	64	64	64
Reserves	1761	1926	2028	2140	2290
Shareholders' Funds	1824	1989	2092	2204	2353
Minority Interest	34	4	-1	-4	-8
Total Debt	657	890	912	862	762
Net Deferred Taxes	62	63	63	63	63
Total Sources of Funds	2577	2946	3066	3125	3171
APPLICATION OF FUNDS					
Net Block & Goodwill	1475	1696	1916	1710	1489
CWIP	145	175	68	68	68
Investments	7	19	8	12	16
Other Non-Curr. Assets	129	134	171	156	173
Total Non-Current Assets	1756	2025	2162	1945	1746
Inventories	594	608	656	711	790
Debtors	637	643	695	759	842
Cash & Equivalents	193	244	201	368	516
Other Current Assets	113	110	94	131	145
Total Current Assets	1537	1606	1647	1968	2293
Creditors	455	500	566	581	632
Other Current Liab & Provisions	261	185	177	207	236
Total Current Liabilities	715	685	742	788	868
Net Current Assets	821	921	904	1180	1425
Total Application of Funds	2577	2946	3066	3125	3171

Cash Flow Statement

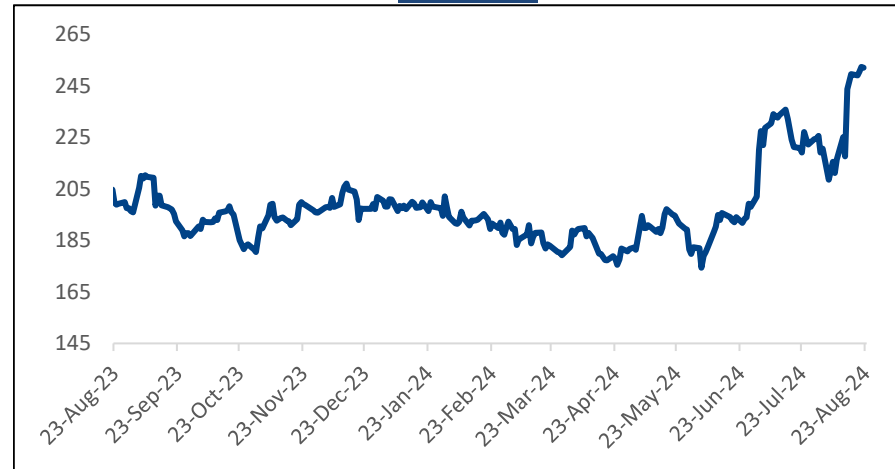
Particulars (in Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	289	268	268	388	499
Non-operating & EO items	39	24	45	15	-15
Interest Expenses	32	60	116	117	104
Depreciation	251	281	333	356	370
Working Capital Change	-222	14	-93	-110	-98
Tax Paid	-78	-45	-82	-91	-118
OPERATING CASH FLOW (a)	312	602	587	675	741
Capex	-267	-383	-372	-150	-150
Free Cash Flow	45	219	215	525	591
Investments	0	-15	16	0	0
Non-operating income	0	8	12	0	0
INVESTING CASH FLOW (b)	-266	-389	-344	-150	-150
Debt Issuance / (Repaid)	103	109	-12	-50	-100
Interest Expenses	-36	-66	-114	-117	-104
FCFE	113	255	116	358	388
Share Capital Issuance	5	0	3	0	0
Dividend	-138	-141	-140	-192	-240
FINANCING CASH FLOW (c)	-66	-99	-263	-359	-443
NET CASH FLOW (a+b+c)	-20	114	-21	166	148

Key Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E
Profitability Ratios (%)					
EBITDA Margin	16.8	15.6	18.2	18.7	19.1
EBIT Margin	9.8	9.2	11.3	11.7	12.5
APAT Margin	6.2	6.2	7.0	7.0	8.1
RoE	12.2	11.9	13.4	14.2	17.1
RoCE	14.2	12.7	15.0	16.6	19.5
Solvency Ratio (x)					
Net Debt/EBITDA	0.8	1.1	1.0	0.6	0.3
Net D/E	0.3	0.3	0.3	0.2	0.1
PER SHARE DATA (Rs)					
EPS	6.8	7.2	8.6	9.5	12.2
CEPS	14.7	16.0	19.0	20.7	23.8
BV	57.7	62.6	65.5	69.0	73.7
Dividend	4.3	4.3	4.5	6.0	7.5
Turnover Ratios (days)					
Debtor days	65	63	62	61	61
Inventory days	54	59	59	58	57
Creditors days	47	47	50	48	46
VALUATION					
P/E	36.8	34.9	29.1	26.2	20.5
P/BV	4.3	4.0	3.8	3.6	3.4
EV/EBITDA	14.5	14.7	12.0	10.4	8.9
EV / Revenues	2.4	2.3	2.2	1.9	1.7
Dividend Yield (%)	1.7	1.7	1.8	2.4	3.0
Dividend Payout	63.4	60.0	51.9	63.0	61.6

(Source: Company, HDFC sec)

Price chart



(Source: Company, HDFC sec)

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. These 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 cyclical 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.

Disclosure:

I, Darshil Shah (CA, MBA), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – **No**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.