

# EPL Limited

---

## Recovery & Beyond

*Saurabh Ved*

*VP Kolkata Meet – June 18, 2023*



# About EPL Ltd.

- Erstwhile Essel Propack Limited
- The company was acquired by Blackstone in August 2019 from the the Essel Group
- Manufactures 8 billion tubes per year
- 36% global market share in Oral Care tubes, so 1 out of every 3 tubes used globally is manufactured by EPL
- 7-8% global market share in Personal Care tubes
- 50% of Sales from Long Term contracts
- Strong relationships with the leading companies in Oral Care, FMCG, Beauty & Cosmetics, Pharma, Home Care, etc.
- Raw Materials – Polymers and Aluminium Foil

# Key Data

<b>CMP</b>	Rs. 202 <i>(as on June 15, 2023)</i>
<b>Market Cap</b>	Rs. 6425 Cr.
<b>52 Week High/ Low</b>	209/ 147
<b>Lifetime High</b>	300 (August 2020)
<b>P/E</b>	28
<b>P/B</b>	3.2
<b>Mcap to Sales</b>	1.74
<b>EV/ EBITDA</b>	11
<b>Dividend Yield</b>	2.12%
<b>ROE</b>	12% (Range: 9 - 18%)
<b>ROCE</b>	12% (Range: 11 - 19%)
<b>Debt/ Equity</b>	0.45
<b>Promoter Holding</b>	51.5% (Blackstone)

# Introduction

EPL Limited  
Q4FY23 Earnings Presentation



---

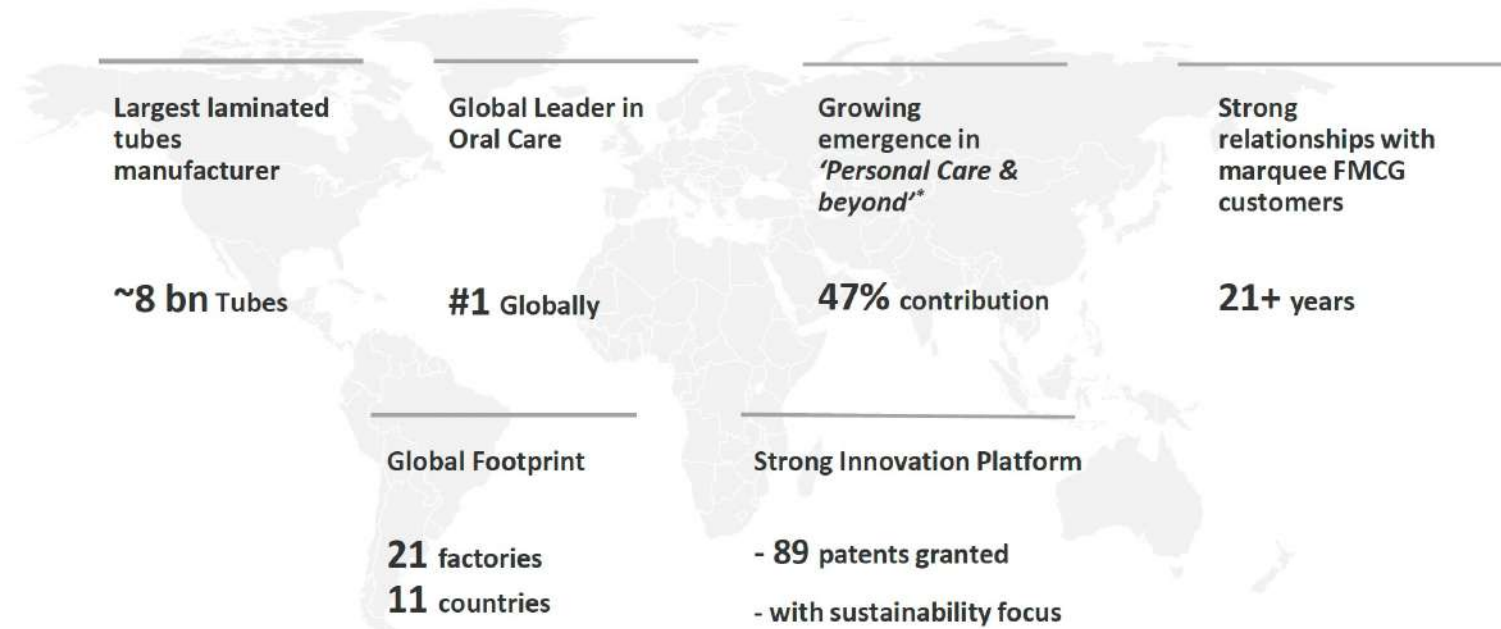
## About EPL

---

**EPL is the largest global specialty packaging company, manufacturing laminated plastic tubes catering to the FMCG and Pharma space. Employing over 3,577 people representing over 25 different nationalities, EPL functions in ten countries through 21 state of the art facilities, and is continuing to grow every year.**

**EPL is the world's largest laminated tube manufacturer with units operating across countries such as USA, Mexico, Colombia, Brazil, Poland, Germany, Egypt, China, Philippines and India. These facilities cater to diverse categories that include brands in Oral Care, Beauty & Cosmetics, Pharma & Health, Food, and Home, offering customized solutions through continuously pioneering first-in-class innovations in materials, technology and processes.**

# EPL: Company Overview



\* *'Personal Care and beyond'* includes Beauty & Cosmetics, Pharma etc  
Note: Numbers on this page are as of 31 March, 2023

# Geographical Presence

## Global Map



## Our Product Segments

### ORAL CARE

EPL is a leading player in the oral care category, with one in every three toothpaste tubes sold across the world produced by us. We offer unique solutions with advanced barrier coatings to our global partners such as Colgate Palmolive, P&G, Unilever and GSK.



### PHARMA

We create novel ways of dispensing pharmaceutical products using laminated tubes, frequently transforming the value equation. We are equipped to produce 100% sterile tubes and are a reliable source for tubes used in the packaging of ointments and creams.



### HOME CARE

EPL offers premium packaging for storing industrial, cleaning and hygiene products that maintain the freshness and effectiveness of strong chemicals and meets consumer expectations. Our laminated tube structures are designed to exhibit high resistance to oils and grease.



### BEAUTY & COSMETICS

Our iShine Cosmetics Packaging Range offers top-notch laminated tube solutions with a touch of sophistication for cosmetic brands. The range encompasses various options such as High Definition, 3D, Rolux, Matt Gloss, Laser, Diamond and Aroma, which are all designed to add flair and style.

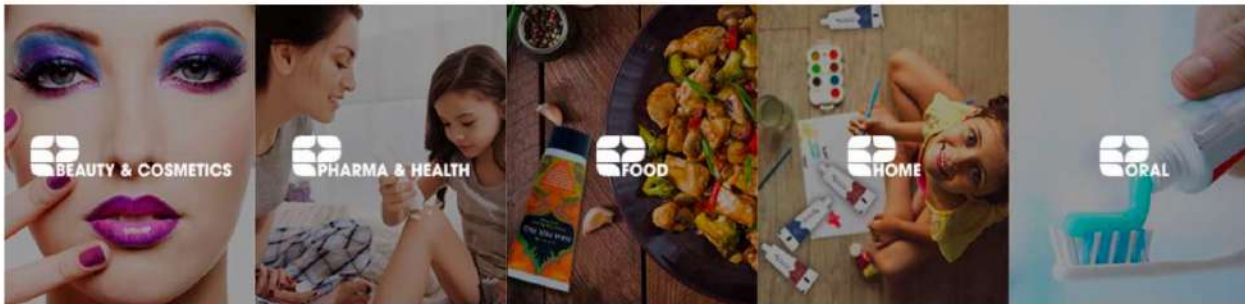
### FOOD & NUTRITION

EPL supports food and dairy brands in their shift from rigid plastics or ABL to laminated tubes, resulting in cost savings and contributing to sustainability. Our applications for products like sauces, pastes, ketchup and honey offer convenience, affordability and accurate dosing. Our laminated tubes are capable of withstanding temperatures up to 90°C.

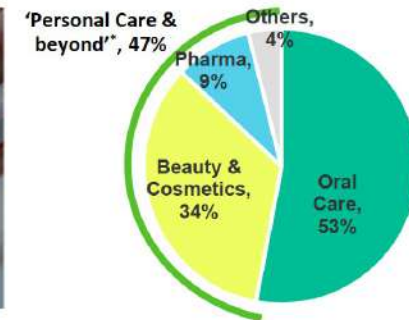




# EPL Caters to Marquee Customers Across Trillion Dollar Categories

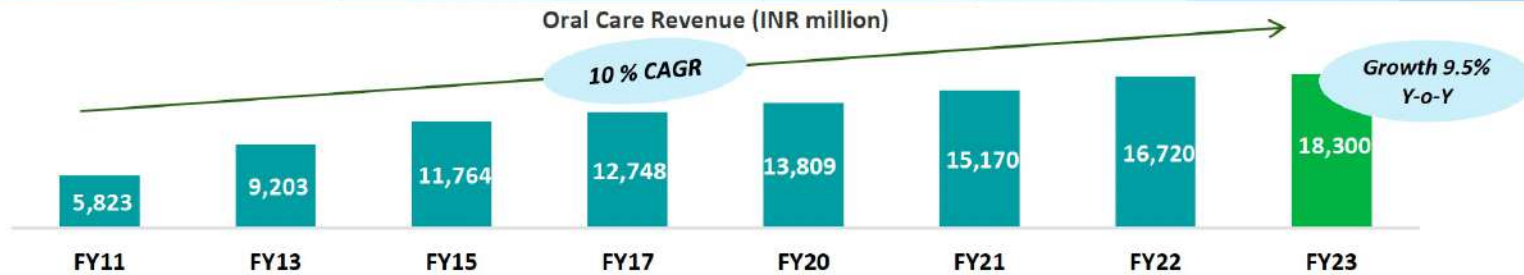


Tube revenue split (FY23)





**Established Global Leadership in Oral Care with the segment demonstrating steady long-term revenue growth at a CAGR of 10.1%**



**Customers**



**Market Positioning**

#1

1. Market leader across key markets
2. Long term relationships with customers
3. Continued leadership through product and process innovation
4. Unique, agile, and customer-specific supply chain models

**Business highlights**

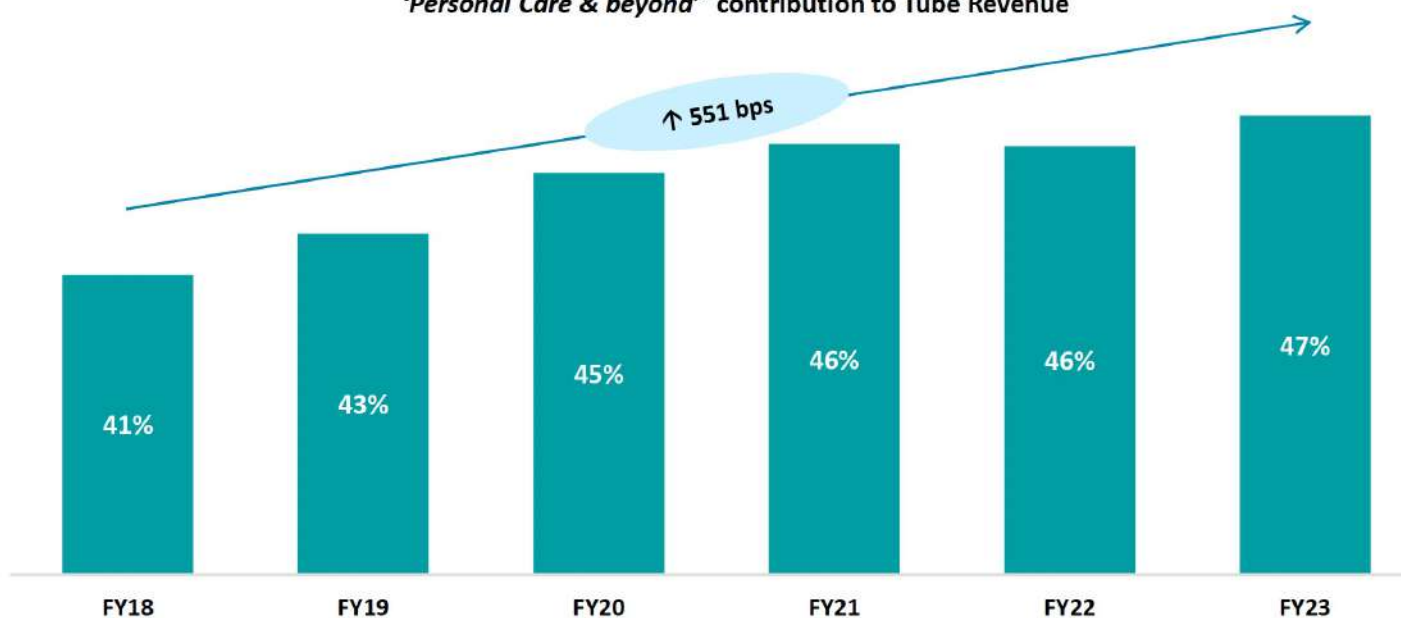
1. Wallet share gain with marquee global consumer companies
2. Market share gain from regional players in China
3. Partial recovery of travel and sample tubes leading to Oral care growth in Americas
4. Commercialized five brands with sustainable Platina tubes globally

---

## **'Personal Care & beyond'<sup>\*\*</sup> category contribution stood at 47% in FY23**

---

*'Personal Care & beyond'<sup>\*\*</sup> contribution to Tube Revenue*



***'Personal Care & beyond'<sup>\*\*</sup> revenue growth higher than Oral Care***

\* *'Personal Care and beyond'* includes Beauty & Cosmetics, Pharma etc

---

**'Personal Care & beyond'\* category has grown at a 15% CAGR over the last 12 years and continues to be the major growth driver for EPL in FY23**

'Personal Care & beyond'\* Revenue (INR million)



'Personal Care & beyond'\* revenue growth higher than Oral Care

# Pharma

\* 'Personal Care and beyond' includes Beauty & Cosmetics, Pharma etc.

## FY23 Regional performance

(INR million)

	Revenue	YoY Growth	EBITDA <sup>1</sup>	Margin	
AMESA	13,692	11.7%	2,829	20.7%	(Africa, Middle East & South Asia - India and Egypt)
EAP	8,498	-1.5%	1,749	20.6%	(East Asia Pacific – China and Philippines)
Americas	8,758	19.0%	1,044	11.9%	(USA, Mexico and Colombia)
Europe	8,435	12.7%	778	9.2%	(UK, Poland, Russia and Germany)

(1) EBITDA is adjusted for ESOP cost for all the regions and also TSA related cost for AMESA

## Sustained momentum on new business wins through innovation and sustainable offerings

### Venturing into new categories



China - NJ  
WeiTe  
Ointment  
with  
silicon  
massage  
head

India – Krazy  
Line  
Cockroach gel



### Strengthening Sustainability Platina



India –  
Radisson  
Conditioner



India –  
Sensodyne

### Disruption



China – UMT primer  
base cream with  
oval airless pump  
tube

Exhibit 4: Global tube market

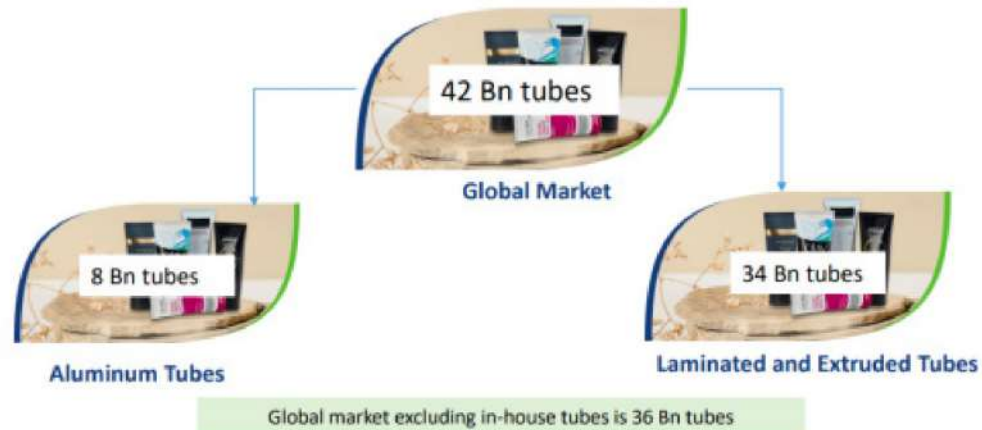


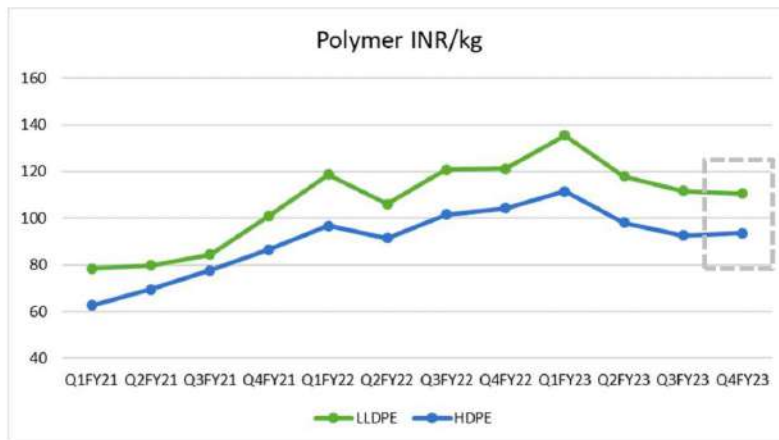
Exhibit 5: Global tube market – category overview



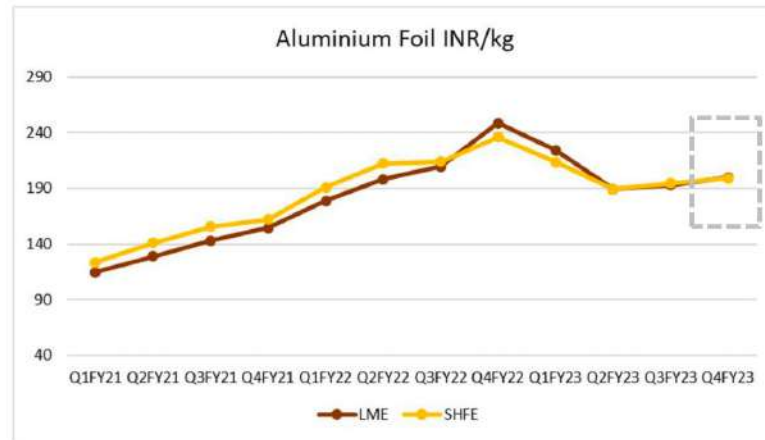
Source: Company, MOSL



## Input material prices started easing from Q2FY23 after peaking in Q1FY23; stabilized in Q4FY23



Source – ICIS M LLDPE and HDPE Index  
CBIC Exchange rate



Source – LME and SHFE Index  
CBIC Exchange rate

- ▶ Polymer and foil prices remained stable in Q4FY23
- ▶ Ocean freight rates declined to pre-Covid level

# Focus on Sustainability

- Vision of EPL is to be the most sustainable packaging company in the world
- *“People are dumping the carton and the tube is becoming the 1st moment of truth for consumers, so better printing and design in the tube is the first priority”*
- Plan to double the sale of sustainable tubes in FY24
- Company was the first in the industry to obtain certification from the Association of Plastics Recycler (APR, USA) for a 100% recyclable Laminate
- 2.5x sustainable tubes delivered during the year contributing to 10% of total volume
- Supplying sustainable tubes at almost the same price as non-sustainable tubes for faster adoption (for market share gains)

## LEADING THE PACK, SUSTAINABLY



**BIS:** EPL is the first company in India to get the BIS marking for packaging tubes as per BIS Standard IS17480:2020. This standard is for "High Density Polyethylene Multi Squeezable Tube for Packaging", having a minimum 95% HDPE and rest barrier polymers if required. This certificate reiterates the commitment of EPL towards recyclable packaging formats.



**EMF:** EPL has committed to the New Plastic Economy Global Commitment led by Ellen MacArthur Foundation with UNEP.

## Environmental



**SPC:** EPL is now a member of The Sustainable Packaging Coalition (SPC). The SPC is a membership-based collaborative that believes in making packaging more sustainable and is an industry-driven effort. It is a leading voice on sustainable packaging which envisions packaging that is good for the environment and people.



**CDP:** EPL has joined CDP (Formerly Carbon Disclosure Project) to transparently disclose its policies and report its actions on environmental impact and tackle climate change issues



**SBTi:** EPL is committed to set GHG emission reduction targets leading to Net-Zero pathway guided by the SBTi (Science based Target initiative).



**India Plastics Pact:** EPL is the founding member of India Plastic Pact (IPP) that focuses on addressing barriers to circularity in the plastic packaging sector. It is a collaboration between WWF, CII and WRAP (UK based global NGO).

## Partnerships for Sustainable Future



**Resource Advisor:** EPL uses Resource Advisor, an AI assisted and cloud based solution from Schneider Electric to manage, monitor, evaluate and report energy, water and waste data across all its location. EPL believes in data based approach towards Sustainability.

## Innovative Product Categories That Meet Present and Future Needs



### ETAIN

Etain is a fresh packaging tube from EPL that is entirely recyclable. By using up to 50% of mechanically recycled HDPE resin in the manufacture of Etain tubes, we have reduced the need for virgin plastic for tube packaging. In addition, the increased stiffness of Etain tubes helps to reduce the wall thickness of these tubes. Because Etain tubes are completely recyclable, they can be reused in the same procedure.

The amount of PCR in Etain Post-Consumer Recycled (PCR) tubes can be altered based on the needs of the client and the characteristics of the product being packaged. Etain is the first of several EPL products that address sustainability. It makes sure that a product's life cycle doesn't harm the environment or its source.

### PLATINA™ PRO VISION

Our quest for improving the transparency of HDPE tubes that are fully recyclable in Code 2 stream led to Platina™ Pro Vision. While maintaining the recyclability, haptics and enhanced oxygen barrier of the Platina™ Pro family, it offers additional transparency as an option to improve aesthetics. In a time when product differentiation and display is critical to stand out from the clutter of other products on a supermarket shelf, Vision tubes become an enabler for product sales, without affecting the recyclability of the tubes.

Vision 250, Vision 300 and 350 are recognised by the Association of Plastic Recyclers (APR) as fully recyclable in the Code 2 HDPE bottle stream.

### PLATINA™ PRO ME

A metallic look in a tube speaks of superior barrier and performance to consumers. Some brands are differentiated by the foil look in their packaging. While foil-based Lamitube is not recyclable, a change in the packaging format to enable recycling without changing the way it looks on the display shelf is what Platina Pro Me tubes offer our customers. Our ME tubes are differentiated in matching the chemical resistance of aluminum barrier tubes. We can help our customers maintain their brands without compromising on their sustainability goals.



## ➤ LEADING THE PACK, SUSTAINABLY

### PLATINA™

The Platina tube is a green packaging solution, embodying the principles of 'Reduce' and 'Recycle'. Tubes with less than 5% barrier resin have been acknowledged by the Association of Plastic Recyclers in the USA for their minimal use of barrier resin and adherence to stringent recycling guidelines. The HDPE tubes are designed to offer top-notch performance, durability, and richness, making them a fitting option for products like oral care, toiletries and food. By reducing packaging weight, Platina also lowers the carbon footprint of products and supports sustainability efforts.



### GREEN MAPLE LEAF

Green Maple Leaf is an eco-friendly, laminated tube that protects product freshness and supports sustainability. Made from all-polyethylene (PE) film and a proprietary oxygen-barrier core layer, this recyclable packaging solution prevents oxidization and extends shelf life. Ideal for cosmetics, toiletries and food, it helps reduce the carbon footprint and supports the company's Go-Green Initiative. The tube retains its shape after repeated use, offering a sustainable alternative to traditional ethylene vinyl alcohol tubes.

### ORGANIC GREEN MAPLE LEAF

The Organic Green Maple Leaf (O-GML) laminated tube emphasizes recycling and has been recognized by the Association of Plastic Recyclers (APR) in the USA as a product that meets or exceeds their HDPE Critical Guidance criteria, with less than 5% barrier resin. This eco-friendly tube contains up to 50% biogenic carbon derived from sustainable sources.

The O-GML tubes, made of HDPE, offer high stiffness and reduced material usage, while still maintaining excellent product stability, shelf life, and a premium feel. These tubes are well suited to oral care, personal care, and toiletry products, and make for a smart and sustainable packaging choice.

*We exceed expectations in promoting environmentally responsible disposal of our products by continuously innovating and making it easier for consumers to recycle them in an environmentally friendly way.*

---

## EPL awarded Gold in 2023 EcoVadis Sustainability assessment

---

ecovadis

**EPL LTD (GROUP)**

has been awarded a

**Gold medal**

as a recognition of their EcoVadis Rating

- MAY 2023 -



### Ranking amongst companies rated by EcoVadis

#### Overall score

In the top **5%** of the 90,000 companies from 160 countries

In the top **3%** of companies in the Manufacture of plastic products industry

#### Environment

In the top **13%** of companies in the Manufacture of plastic products industry

#### Labour & Human Rights

In the top **9%** of companies in the Manufacture of plastic products industry

#### Sustainable Procurement

In the top **2%** of companies in the Manufacture of plastic products industry

#### Ethics

In the top **6%** of companies in the Manufacture of plastic products industry



## Sustainability: ~2.5x sustainable tubes delivered in FY23

### Product Sustainability

- ▶ Emergence of Platina as a benchmark for Sustainable Solutions and a market success across all categories
- ▶ 2.5x sustainable tubes delivered in FY23; ~10% of total tubes
- ▶ Plan to double the sale of sustainable tubes in FY24



RecyClass™



### Process Sustainability

- ▶ Maintained CDP 'A' Leadership rating on supplier engagement; best in packaging industry
- ▶ Runner-up for the 'Commitment to Environmental Excellence Award' at the esteemed 6th Annual HSE Strategy Summit & Awards 2023.



# My Perception of EPL over the years

2014 – 2017

- Growing business, but "promoter chor hai"

2017 – 2019

- Cyclical business and "promoter chor hai"

2019-2020

- Change in Management from Essel group to Blackstone
- "Special Situation ban sakta hai"

2021 – 2022

- Blackstone appoints Anand Kripalu as MD & Global CEO (IIT-M + IIM-C, Ex-MD & CEO of Diageo United Spirits, Ex-President of Mondelez International in India and South Asia, Ex-Unilever)
- "Why is such a distinguished leader joining a 6,000 cr. mcap company from a 60,000 cr. mcap company"
- "Now it looks like a Special Situation for sure"

# Future Guidance

- Double digit growth in revenue along with margin improvement
- Drive recovery in EAP; expected recovery of economy post Covid
- Ramp up Brazil volume and expand customer base in Brazil
- Continued focus on
  - Margin improvement through mix and cost efficiency
  - Efficient capital allocation
  - Manufacturing location optimization
- Targeting to double sustainable tubes volume next year with continued focus on customer conversion to sustainable solutions
- Hungry for acquisitions - they have identified M&A opportunities in Europe

# Future Guidance

- Margin accretive personal care segment to be a key growth driver
- Large part of business strategy is premiumization, which comes from driving higher growth in sectors like Personal care and beyond division
- Region wise strategy:
  - AMESA: Growth in market share + Premiumization
  - EAP: Low base + China recovery
  - Americas: Price hike + Market share gains + Brazil plant growth
  - Europe: Price hike + Market share gains + M&A

# Brazil Plant

- Brazil plant has commenced commercial operations in May 2023
- Long term commitment from anchor customer
- *“Going to be one of the only major global players in this space and many of the multinational customers as well as local customers are evincing huge interest”*
- Ramp-up production from Q1FY24 and expand customer base in Brazil
- Margin accretive from 1st quarter itself
- Tubes manufactured in-house by the largest FMCG player (Colgate). However, the market is evolving and the management sees a huge growth opportunity in this region.
- Market leader is Amcor (Switzerland), but plants far from demand areas

---

## Brazil Update

---

- Production commenced
- Ramp up of production from Q1FY24





# Management Commentary

- Brazil operations have started and is undergoing customer validation. Company expects some sales in FY23 though significant addition to volumes should start from Q1FY24. Existing customer is discussing to add more SKUs and EPL had incoming interests from other customers as well in Brazil.
- India demand for tubes remains intact. EPL has a fair mix in product categories and customers, which protects it from market share volatility.
- EPL also does not expect significant slowdown in revenue growth with lapping-up of price increases in base. Growth is expected to accelerate in EAP and Europe.
- EPL is in discussions to increase prices for buyers in Western countries due to rise in operating costs. Easing inflation in select cost lines should benefit EBITDA margins.

# Management Commentary

- *“Over last two years, a sizeable amount has been spent on developing products that are recyclable, reusable and reducible.”*
- *“From our side, we should have a full capability to offer recyclable products in every segment. We are ready. We should have the capability to produce when customers asks. That we are ready up to 50%. And we will be ready over a period of time to do up to 85% full effective. But the current rate of conversion is only 10%. So, we are well adept in term of meeting the market demand, offering products for wide range of products.”*

# Rationale

Where does EPL fit as per my Investing Rationale?

**Classification Rationale - Investments have to be in one out of the 3 Buckets:**

<b>Growth (30%)</b> <i>Reasonable confidence in high returns</i>	<b>Compounding (40%)</b> <i>High confidence in reasonable returns</i>	<b>Opportunistic (30%)</b> <i>Reasonable confidence in high returns</i>
Growth in earnings P/E Rerating potential New growth catalyst Industry structure change + Industry tailwinds Product innovation Balance Sheet improvement Growth in market + Market share gains High ROCE	Continuous, proven growth Large opportunity size Sustainable Moat Efficient capital allocation Robust cash flow generation High ROCE Dominant Franchises Market leaders with solid pricing power	Opportunistic situation within next 1-2 years Deep value with cash flows Special situations Temporary Headwinds High probability of turnaround Reversion to mean inevitable Cyclical business in a down-cycle Low base effect



# Rationale

## **Opportunistic (30%)**

*Reasonable confidence in high returns*

Opportunistic situation within next 1-2 years

Deep value with cash flows

Special situations

Temporary Headwinds

High probability of turnaround

Reversion to mean inevitable

Cyclical business in a down-cycle

Low base effect

# Why I like EPL

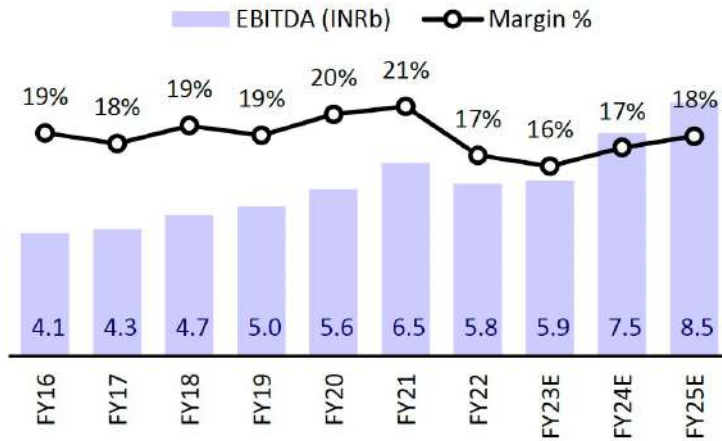
- Quasi consumer play
- Quality business in a cyclical down cycle
- Cyclical, where margins, ROE and ROCE have bottomed out
- Front loaded Capex, which will eventually show a higher rate of change in earnings and return ratios
- High probability of turnaround in the next 1-2 years
- Possibility of rerating (Mold Tek Packaging, for example)
- Little need to raise capital
- Proven management team, having a focus on growth
- Strong cash flow generation + consistent dividend payout
- Reasonable valuations



# Why I like EPL

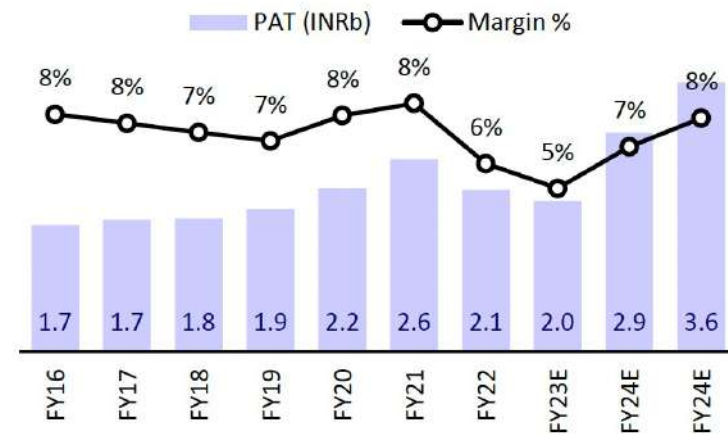
- Sticky business + Large Opportunity + Growing Market Share + Growing Customer Wallet Share + ESG + Fast scalability
- Focus on Sustainability
- Leading in Innovation through Patents & IP
- First mover advantage when it comes to shift to sustainable packaging
- Competitive advantage in tubes is with the supplier that uses the lowest amount of plastics, where they are the best in the industry
- Betting on the jockey, ie. Anand Kripalu
- ROCE + Scalability = Wealth creation
- Feel there will be huge M&A in the industry going forward

**Exhibit 10: EBITDA to post 20% CAGR over FY23-FY25E**



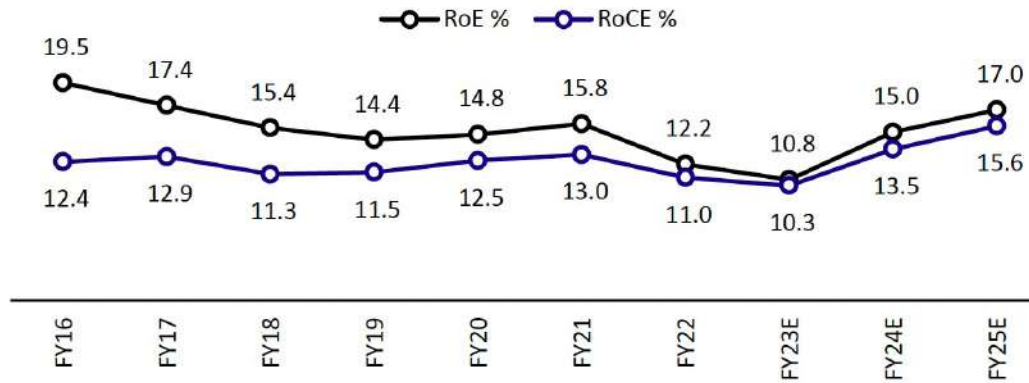
Source: Company, MOFSL

**Exhibit 11: PAT to post 34% CAGR over FY23-25E**



Source: Company, MOFSL

**Exhibit 12: Return ratios to improve going forward**



Source: Company, MOFSL

# EPL in Charts



# EPL in Charts



# EPL in Charts





# Key Risks

- Higher raw material costs
- Currency fluctuation
- Continued pressure on margins, particularly in Europe
- Moderate competition from unorganised segment
- Erstwhile promoter, ie. Ashok Kumar Goel holds 7.60% stake (Subhash Chandra's brother)
- Slower than expected customer demand for sustainable solutions



---

***Thank you***