



TM

01 March 2025

EPL Limited

Indorama Group takes strategic stake; Retain BUY

COMPANY UPDATE

Sector: Packaging Rating: BUY

CMP: Rs 196 Target Price: Rs 324

Stock Info

| | |
|--------------------|--------------------|
| Sensex/Nifty | 73,198 / 22,125 |
| Bloomberg | EPLL IN |
| Equity shares (mn) | 318 |
| 52-wk High/Low | Rs 290/170 |
| Face value | Rs 2 |
| M-Cap | Rs 65bn/ USD 0.7bn |
| 3-m Avg volume | USD 3.3mn |

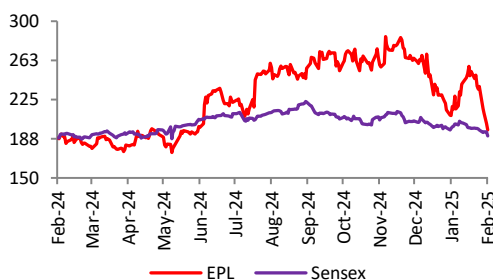
Financial Snapshot (Rs mn)

| Y/E Mar | FY25E | FY26E | FY27E |
|---------------------|--------|--------|--------|
| Net sales | 42,445 | 47,372 | 52,908 |
| EBITDA | 8,404 | 9,474 | 10,582 |
| PAT | 3,438 | 4,008 | 4,697 |
| EPS (Rs) | 10.8 | 12.6 | 14.7 |
| PE (x) | 21.9 | 18.6 | 15.9 |
| P/B (x) | 3.3 | 3.0 | 2.8 |
| EV/EBITDA (x) | 9.7 | 8.5 | 7.5 |
| RoE (%) | 16 | 17 | 18 |
| RoCE (%) | 16 | 18 | 19 |
| D/E (x) | 0.36 | 0.30 | 0.25 |
| OPM (%) | 19.8 | 20.0 | 20.0 |
| DPS (Rs) | 5.4 | 6.3 | 7.4 |
| Dividend payout (%) | 50 | 50 | 50 |

Shareholding Pattern (%)

| | Dec'24 | Sep'24 | Jun'24 |
|----------|--------|--------|--------|
| Promoter | 51.5 | 51.5 | 51.5 |
| -Pledged | - | - | - |
| FII | 14.9 | 13.4 | 11.4 |
| DII | 11.6 | 11.2 | 11.6 |
| Others | 22.0 | 23.9 | 25.6 |

Stock Performance (1-year)



EPL Limited's (EPLL IN) promoters, Blackstone, has entered into a definitive agreement to sell a minority stake of 24.9% (79.5mn shares) in the company to Indorama Netherlands, B.V. (INBV), a group entity of Indorama Ventures Public Company Limited (IVL), at Rs 240 per share. IVL brings global expertise in packaging and has a complementary geographic presence. IVL's business spans packaging, recycling, and specialty chemicals, serving marquee customers across diverse global markets, in pharmaceuticals, cosmetics, and personal care. Its strong presence in Southeast Asia and Africa complements EPLL's leadership in India, China, Europe and the Americas. We view this transaction as positive for EPLL, considering the entry of IVL as a strategic investor would strengthen EPLL's growth prospects and aid market expansion. Management reiterated its commitment towards long-term sustainable growth and healthy margins. We estimate revenue/EBITDA/PAT CAGR of 11%/14%/31% over FY24-FY27E, respectively, and maintain BUY with a target price of Rs 324 (unchanged), based on 22x FY27E P/E (unchanged). Key risks: Global recession could keep demand subdued, spike in commodity and freight prices and logistics issues.

Strategic partnership with IVL to help improve geographical expansion and raw material sourcing: The collaboration would speed up EPLL's entry into the Thailand market and improve customer engagement. IVL's expertise in specialty chemicals and packaging would enhance raw material access and make procurement efficient. IVL's packaging business would also create opportunities for customer cross-pollination. Additionally, their scale in the polymer and packaging industries would enhance sourcing efficiency, cost competitiveness and drive margin expansion for EPLL. Management says that EPLL's laminated tube expertise and IVL's PET-based packaging leadership could create opportunities for collaborative innovation. Indorama's local expertise is expected to support EPLL's rapid expansion in Thailand.

Blackstone to retain majority stake: Blackstone would continue to be EPLL's largest shareholder and promoter; the former's decision to retain half of its stake reflects its confidence in EPLL's future growth.

EPLL's operations remain unchanged: EPLL's day-to-day operations would see no change as its leadership team remains committed to driving growth and profitability.

Transaction timeline: The completion of the transaction would depend on regulatory requirements in India and few overseas markets, with a maximum timeline of three months.

Board composition post transaction: INBV would get one board seat, increasing the board to nine members - four Blackstone nominees, three independent directors, one EPLL Managing Director and one IVL nominee.

Share purchase agreement terms: The agreement covers only 24.9% stake sale with no call/put options, and no right of first refusal (ROFR) for either party.

Growth priorities: Management is targeting double-digit revenue growth and expects EBITDA growth to outpace revenue. Expansion into Brazil and Thailand would enhance its market presence. EPLL is strengthening its presence in high-growth segments like beauty & cosmetics while maintaining consistent focus on improving RoCE.

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About Indorama Ventures (IVL): Indorama Ventures is a global leader in sustainable packaging and chemical solutions, with annual revenue of more than USD 15bn. Its manufacturing operations span 117 locations across 31 countries; the company has a strong presence in Asia Pacific, Africa, Europe, and the Americas. IVL is the world's number one PET producer and recycler, America's top surfactant and fabric ingredient provider, and ASEAN's leading PET-staple fiber manufacturer. Its business is divided into three key segments: **PET & Packaging, Fibers, and Specialty Chemicals**. The PET business is the largest, generating a turnover of USD 10bn. The packaging business contributes USD 1.5bn in turnover and has delivered 21% EBITDA margin over the last five years.

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

| YE: Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenues | 36,941 | 39,161 | 42,445 | 47,372 | 52,908 |
| Revenue growth (%) | 7.6 | 6.0 | 8.4 | 11.6 | 11.7 |
| - Op. expenses | 31,163 | 32,018 | 34,041 | 37,897 | 42,326 |
| EBITDA | 5,778 | 7,143 | 8,404 | 9,474 | 10,582 |
| EBITDA margins (%) | 15.6 | 18.2 | 19.8 | 20.0 | 20.0 |
| - Interest expenses | 674 | 1,156 | 1,149 | 1,045 | 954 |
| - Depreciation | 2,805 | 3,328 | 3,445 | 3,845 | 4,205 |
| + Other income | 421 | 527 | 453 | 426 | 450 |
| + Forex (loss)/gain | - | 67 | -71 | - | - |
| - Tax | 373 | 582 | 755 | 1,002 | 1,174 |
| Effective tax rate (%) | 14 | 18 | 18 | 20 | 20 |
| Adjusted PAT | 2,278 | 2,737 | 3,404 | 4,008 | 4,697 |
| +/- Extraordinary items | 11 | 605 | - | - | - |
| Profit of share of associate (29) | | 35 | - | - | - |
| +/- Minority interest | 40 | (31) | 34 | - | - |
| Reported PAT | 2,307 | 2,101 | 3,438 | 4,008 | 4,697 |
| EPS | 7.2 | 6.6 | 10.8 | 12.6 | 14.7 |

Source: Company, Systematix Institutional Research

Cash Flow

| YE: Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| PAT | 2,307 | 2,101 | 3,438 | 4,008 | 4,697 |
| + Non cash items | 2,818 | 3,330 | 3,445 | 3,845 | 4,205 |
| Cash profit | 5,125 | 5,431 | 6,883 | 7,854 | 8,903 |
| - Incr/(Decr) in WC | (634) | 622 | 701 | 1,072 | 1,201 |
| Operating cash flow | 5,759 | 4,809 | 6,182 | 6,782 | 7,702 |
| - Capex | 5,320 | 4,452 | 4,000 | 4,000 | 4,250 |
| Free cash flow | 439 | 357 | 2,182 | 2,782 | 3,452 |
| - Dividend | 1,362 | 1,369 | 1,719 | 2,005 | 2,349 |
| + Equity raised | 5 | 1 | - | - | - |
| + Debt raised | 1,159 | 278 | (879) | (655) | (688) |
| - Investments | 121 | (117) | - | - | - |
| - Misc. items | (398) | (245) | - | - | - |
| Net cash flow | 518 | (371) | (417) | 122 | 414 |
| + Opening cash | 1,927 | 2,444 | 2,073 | 1,657 | 1,779 |
| Closing cash | 2,444 | 2,073 | 1,657 | 1,779 | 2,193 |

Source: Company, Systematix Institutional Research

Balance Sheet

| YE: Mar (Rs mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 636 | 637 | 637 | 637 | 637 |
| Reserves & Surplus | 19,256 | 20,278 | 21,996 | 24,000 | 26,347 |
| Networth | 19,892 | 20,915 | 22,633 | 24,637 | 26,984 |
| Minority interest | 36 | (9) | (9) | (9) | (9) |
| Total debt | 8,669 | 8,947 | 8,068 | 7,413 | 6,725 |
| Def. tax liab. (net) | 632 | 634 | 634 | 634 | 634 |
| Capital employed | 29,229 | 30,487 | 31,326 | 32,675 | 34,334 |
| Net fixed assets | 18,715 | 19,839 | 20,394 | 20,548 | 20,593 |
| Investments | 193 | 76 | 76 | 76 | 76 |
| Net working capital | 7,877 | 8,499 | 9,200 | 10,272 | 11,473 |
| Cash and bank balance | 2,444 | 2,073 | 1,657 | 1,779 | 2,193 |
| Capital deployed | 29,229 | 30,487 | 31,326 | 32,675 | 34,334 |
| Net debt | 6,225 | 6,874 | 6,412 | 5,635 | 4,532 |
| WC (days) | 76 | 75 | 75 | 75 | 75 |
| DE (x) | 0.44 | 0.43 | 0.36 | 0.30 | 0.25 |

Source: Company, Systematix Institutional Research

Ratios

| YE: Mar | FY23 | FY24 | FY25E | FY26E | FY27E |
|--------------------------|------|------|-------|-------|-------|
| P/E (x) | 22.6 | 20.7 | 22.5 | 19.1 | 16.3 |
| P/BV (x) | 2.6 | 2.7 | 3.4 | 3.1 | 2.8 |
| EV/EBITDA (x) | 10.0 | 8.9 | 9.9 | 8.7 | 7.7 |
| RoE (%) | 12.1 | 10.3 | 15.8 | 17.0 | 18.2 |
| RoCE (%) | 10.7 | 12.8 | 16.0 | 17.6 | 19.0 |
| Fixed asset turnover (x) | 1.1 | 1.0 | 1.0 | 1.1 | 1.1 |
| DPS (Rs) | 4.3 | 4.5 | 5.4 | 6.3 | 7.4 |
| Dividend (%) | 215 | 223 | 270 | 315 | 369 |
| Dividend yield (%) | 2.7 | 2.5 | 2.2 | 2.6 | 3.1 |
| Dividend payout (%) | 60 | 50 | 50 | 50 | 50 |
| Debtor days | 64 | 65 | 65 | 65 | 65 |
| Creditor days | 58 | 65 | 65 | 65 | 65 |
| Inventory days | 71 | 75 | 75 | 75 | 75 |
| Revenue growth (%) | 8 | 6 | 8 | 12 | 12 |
| EBITDA growth (%) | 0 | 24 | 18 | 13 | 12 |
| PAT growth (%) | 4 | (9) | 64 | 17 | 17 |

Source: Company, Systematix Institutional Research

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|--|--------|
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