EPL Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	264.35 (Enhanced from 189.35)	CARE AA+; Stable	Reaffirmed
Long Term / Short-term bank facilities	161.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	5.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of EPL Limited (EPL) continue to be supported by its established global market position in the laminated tubes segment and its long-standing relationships with reputed global clientele. The company gains from the deep industry expertise of the Blackstone Group. The ratings also benefit from EPL's strong business model, characterised by a widespread global distribution network and a diverse product portfolio with steady demand due to its essential nature. The industry's prospects remain positive, supported by diverse end-uses (oral care, beauty and cosmetics, pharmaceuticals, health, food, and homecare) and the increasing preference for laminated tubes due to their numerous advantages. The financial risk profile remains robust, with comfortable debt coverage indicators and strong liquidity profile.

However, these strengths are partially offset by margins exposed to volatility in raw material and forex as seen from delays in passing through price adjustments for contracted customers and competitive pressure. The company faced challenges during the year, with a slight decline in PAT) margins primarily due to losses from the devaluation of the Egyptian pound.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the scale of operations > ₹5,000 crore and sustainability of healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margins on a sustainable basis.
- Ability to increase its global market share significantly to 50% or above in both the segments.
- Improvement in the overall gearing below 0.20x.

Negative factors

- Increase in the operating cycle above 120 days on a sustained basis.
- Decline in the PBILDT margin in the range of 12%-14% on a sustainable basis.
- Any large debt-funded organic or inorganic investment leading to deterioration in the overall gearing above 0.75x.

Analytical approach: Consolidated

The consolidated financials of EPL have been considered for analysis, owing to the financial and operational linkages between the company and its subsidiaries/associates. The list of companies considered in consolidation as on March 31, 2024, are listed under **Annexure-6.**

Outlook: Stable

The stable outlook reflects the sustained improvement in the company's operating and financial risk profile, supported by healthy cash flow generation from operations. Additionally, there are no significant debt-funded capex or acquisition plans in the medium term, further reinforcing the company's stable position.

Detailed description of key rating drivers:

Key strengths

Presence of strong promoter group, supported by experienced management

Blackstone Group, through its investment company Epsilon Bidco Pte. Limited, is EPL's largest shareholder =, holding 51.50% as of June 30, 2024. Blackstone is one of the world's leading investment firms, managing assets worth ~US$1 trillion across sectors such as private equity, real estate, hedge fund solutions, and credit businesses. Blackstone's involvement has significantly enhanced EPL's financial flexibility and is expected to further support its global market share growth, particularly in the oral and

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

personal care segments. Mr. Anand Kripalu, the MD and CEO of EPL, brings over 30 years of expertise in the fast-moving consumer goods (FMCG) sector and is backed by a team of seasoned professionals.

Established global market position with a strong and well-diversified business & product profile
EPL Limited holds a strong position in the global laminated tubes market, capturing approximately 20% of the total market, which produces ~42 billion tubes annually. In the oral care segment, EPL dominates with a significant 35% market share, reflecting its leadership in this category. However, its presence is moderate in other sectors, with ~10% market share in beauty, cosmetics, and pharmaceutical segments, and ~8% in food, home, and industrial sectors. EPL has well-diversified geographical presence with 21 manufacturing facilities across 10 countries, EPL operates in key global regions, including the Americas (the USA, Mexico, Colombia and Brazil), Europe (the UK, Germany, Poland), AMESA (Africa, the Middle East and South Asia), and EAP (East Asia Pacific – China and the Philippines). It has expanded its in-house capabilities in caps and closures to enhance operational integration.

Steady operational performance in FY24
EPL reported strong growth across its regions in FY24, with AMESA, driven by its Indian operations, focusing on cost efficiency and steady revenue growth. The EAP region, particularly China and the Philippines, experienced significant growth, especially in the personal care segment. The Americas posted robust results, driven by market expansion and operational improvements, notably in Brazil. Despite economic challenges in Europe, EPL managed to grow through strategic initiatives aimed at enhancing profitability. EPL's total operating income grew by 6.2% in FY24, supported by new customer acquisitions, market expansion, and long-term strategic efforts. While PBILDT margins improved due to cost reductions and operational efficiencies, PAT margins were affected by the currency devaluation in Egypt. The company's revenue distribution remained steady, with oral care contributing 53% and personal care accounting for the remaining 47%.

Strong financial risk profile
The company maintains a comfortable capital structure with strong debt coverage metrics. In FY24, total debt increased slightly, while the overall gearing ratio improved marginally to 0.48x. The company fully repaid its listed redeemable non-convertible debentures on December 31, 2023, leaving no outstanding debentures. Although interest costs have risen due to the new plant becoming operational, healthy cash flow from operations demonstrates continued financial stability. A dividend of ₹136.90 crore was declared for FY24, further highlighting the company’s strong financial position.

Liquidity: Strong
The company maintains robust liquidity position, with cash and liquid investments totalling ₹201.50 crore as on March 31, 2024. The gross cash accruals (GCA) improved, ensuring sufficient resources to cover scheduled debt repayments. Liquidity is further supported by a current ratio above unity and improved working capital efficiency, with the working capital cycle reduced to 80 days. Additionally, low fund-based limit utilisation of ~29% in the last year demonstrates strong liquidity management. On a standalone basis, the company’s utilisation of fund-based working capital limits is minimal, offering additional liquidity cushion, while most working capital borrowings are concentrated in overseas subsidiaries.

Key weaknesses

Susceptibility of its profit margins to volatile raw material prices
EPL Limited relies on polymer granules, particularly linear low-density polyethylene (LLDPE) and high-density polyethylene (HDPE), as key raw materials, making the company sensitive to fluctuations in crude oil prices. Raw material costs represent a significant portion of total expenses for finished tube products. While key raw material prices have declined since FY23, they have remained stable over the last two quarters, albeit still above historical averages that previously supported healthy profitability margins. In the short term, revenue growth may be impacted by the softening of raw material prices. This volatility is partially mitigated through cost escalation pass-through clauses with customers.

Exposure to currency risk
EPL Limited actively manages its currency exposure through established risk management practices, including cross-currency transactions and using derivatives like foreign exchange forward contracts. Despite these measures, the devaluation of the Egyptian pound in FY24 resulted in a ₹46.5 crore loss due to a 60% decline in its value against the US dollar, impacting EPL's profitability.

Moderate competition from unorganised segment
EPL faces competition from unorganised players due to low entry barriers in the industry. However, EPL’s scale, advanced technology, integrated manufacturing process, innovation capabilities, and operational efficiencies bolster its competitive advantage and ability to withstand against the competitive pressure.

Environment, social, and governance (ESG) risks:

ESG	Risk Factors
Environment	• The company faces environmental risks inherent to the packaging industry due to the use of polymers. To mitigate these risks and reduce environmental impact, EPL invests in recycled raw materials and prioritizes local sourcing where possible. This approach supports the company's commitment to lowering its carbon footprint. • Additionally, EPL increased its production of sustainable platina tubes to 21% in FY24, up from 10% in the previous year, reinforcing its focus on sustainability.
Social	• EPL actively contributes to social welfare through direct initiatives and its CSR activities, with a total expenditure of ₹3.54 crore in FY24. • The company donated 1,190 benches to 19 schools and collected over 20,000 kg of community plastic waste for recycling, contributing to a greener and cleaner environment. • Additionally, EPL launched a significant program aimed at empowering women in various communities. Through 14 Self-Help Groups, over 4,000 women have been engaged and educated on waste segregation at the source, promoting sustainability and social responsibility.
Governance	• There are no governance issues per the auditor's report, nor qualified opinions. three of the eight directors on the board of EPL Limited are Independent Directors, including Mr. Davinder Singh Brar, who serves as the Chairman of the company.

Applicable criteria
Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Packaging

Founded in 1982, EPL is a global manufacturer of laminated plastic tubes and laminates used in packaging across various categories, including oral care, beauty and cosmetics, pharmaceuticals, food, and home care. Specialising in laminated plastic tubes, EPL produces over 8 billion tubes annually and holds a dominant position in the oral care market, manufacturing one in every three tubes globally in this category. The company operates 21 manufacturing facilities across 10 countries divided into four key geographical segments: the Americas (the USA, Brazil, Mexico, and Colombia), Europe (the UK, Germany, and Poland), AMESA (Africa, the Middle East and South Asia, with operations in Egypt and India), and EAP (East Asia Pacific, with operations in China and the Philippines).

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total operating income	3,694.10	3,923.10	1,013.90
PBILDT	578.20	721.80	192.30
PAT	230.70	210.10	65.70
Overall gearing (times)	0.49	0.48	-
Interest coverage (times)	8.58	6.24	6.63

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

List of all the entities consolidated – Annexure-6

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30/09/2026	264.35	CARE AA+; Stable
Fund-based- Short Term		-	-	-	5.00	CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	40.00	CARE AA+; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	14.00	CARE AA+; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	107.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	264.35	CARE AA+; Stable	-	1)CARE AA+; Stable (05-Oct-23)	1)CARE AA+; Stable (06-Oct-22) 2)CARE AA+; Stable (30-Aug-22)	1)CARE AA; Stable (07-Sep-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	14.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (05-Oct-23)	1)CARE AA+; Stable / CARE A1+ (06-Oct-22) 2)CARE AA+; Stable / CARE A1+ (30-Aug-22)	1)CARE AA; Stable / CARE A1+ (07-Sep-21)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	107.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (05-Oct-23)	1)CARE AA+; Stable / CARE A1+ (06-Oct-22) 2)CARE AA+; Stable / CARE A1+ (30-Aug-22)	1)CARE AA; Stable / CARE A1+ (07-Sep-21)
4	Fund-based-Short Term	ST	5.00	CARE A1+	-	1)CARE A1+ (05-Oct-23)	1)CARE A1+ (06-Oct-22) 2)CARE A1+ (30-Aug-22)	1)CARE A1+ (07-Sep-21)

5	Fund-based/Non-fund-based-LT/ST	LT/ST	40.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (05-Oct-23)	1)CARE AA+; Stable / CARE A1+ (06-Oct-22) 2)CARE AA+; Stable / CARE A1+ (30-Aug-22)	1)CARE AA; Stable / CARE A1+ (07-Sep-21)
6	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (07-Sep-21)
7	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (05-Oct-23)	1)CARE AA+; Stable (06-Oct-22) 2)CARE AA+; Stable (30-Aug-22)	1)CARE AA; Stable (07-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-Short Term	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Arista Tubes Inc.	Full	Wholly owned subsidiary
2	Lamitube Technologies (Cyprus) Ltd	Full	Wholly owned subsidiary
3	Lamitube Technologies Ltd	Full	Wholly owned subsidiary
4	EPL Brasil LTDA	Full	Wholly owned subsidiary
5	EPL MISR for Advanced Packaging S.A.E	Full	Step Down Subsidiary
6	EPL Packaging (Guangzhou) Ltd	Full	Step Down Subsidiary
7	EPL Packaging (Jiangsu) Ltd	Full	Step Down Subsidiary
8	EPL Propack Philippines, Inc.	Full	Step Down Subsidiary
9	MTL de Panama SA	Full	Step Down Subsidiary
10	EPL Propack UK Limited	Full	Step Down Subsidiary
11	EPL Deutschland Gmbh& Co. KG	Full	Step Down Subsidiary
12	EPL Deutschland Management GMBH	Full	Step Down Subsidiary
13	EPL Propack de Mexico, SA de CV	Full	Step Down Subsidiary
14	Laminate Packaging Columbia S.A.S.	Full	Step Down Subsidiary
15	EPL Propack LLC	Full	Step Down Subsidiary
16	EPL Poland Sp z.o.o	Full	Step Down Subsidiary
17	EPL America, LLC	Full	Step Down Subsidiary
18	P.T. Lamipak Primula	Proportionate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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