**SEPTEMBER 08, 2015**

## CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES/INSTRUMENTS OF ESSEL PROPACK LIMITED

**Ratings**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long term Bank Facilities | 214.00 (reduced from Rs.496.85) | **CARE AA- (Double A Minus)** | **Revised from CARE A (Single A)** |
| Short term Bank Facilities | 55.00 (Rs.55) | **CARE A1+ (A One Plus)** | **Revised from CARE A2+ (A Two Plus)** |
| Long/Short term Bank Facilities | 95.00 (enhanced from Rs.70.00) | **CARE AA-/CARE A1+ (Double A Minus/ A One Plus)** | **Revised from CARE A /CARE A2+ (Single A /A Two Plus)** |
| **Total Facilities** | **364 (Rupees Three Hundred and Sixty Four crore only)** | | |
| Non-Convertible Debenture issue | 90 (Rupees Ninety crore only) | **CARE AA- (Double A Minus)** | **Revised from CARE A (Single A)** |

**Rating Rationale**

The revision in ratings assigned to the bank facilities/instruments of Essel Propack Limited (EPL) factors in steady growth in sales, increasing share of high value added non-oral care business, increased volume offtake resulting in turnaround in European operations and stable profitability margins. The revision in ratings also factors divestment of non-core flexible packaging business (Packaging India Pvt. Ltd, PIPL) in July 2015 with EPL using the proceeds to prepay its term loans.

The ratings continue to derive strength from EPL's experienced promoter group and professional management, leading market position in laminated tubes globally with presence across 11 locations, geographically diversified revenue, reputed and diversified clientele base and comfortable liquidity position.

These rating strengths however continue to be constrained by the company's limited pricing flexibility in large volume oral care segment.

Any large debt funded capex or unrelated diversification by the company remains key rating sensitivities.

**Background**

Incorporated in 1982, EPL is one of the leading specialty packaging companies globally promoted by the Essel group. It manufactures laminated/seamless/extruded plastic tubes extensively used in packaging of oral care products, cosmetic, pharmaceuticals, etc. In India, it enjoys huge franchise having pioneered laminated tubes over three decades. EPL has 21 manufacturing facilities across 11 countries selling more than six billion tubes annually holding a market share of 33% in world's oral care market (as per company).

In FY15 (refers to the period April 01 to March 31), EPL posted gross sales of Rs.2,322.96 crore (vis-à-vis Rs.2,126.62 crore in FY14) and a PAT of Rs.140.63 crore (vis-à-vis Rs.107.83 crore in FY14) on consolidated basis.

Furthermore, during Q1FY16, EPL have posted a total operating income of Rs.574.62 crore (vis-à-vis Rs.548.69 crore during Q1FY15) and a PAT of Rs.38.41 crore (vis-à-vis Rs.26.37 crore during Q1FY15) on consolidated basis.

[1] *Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications*

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****For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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