

SEPTEMBER 08, 2016

CARE REVISES LT RATING AND REAFFIRMS THE ST RATING ASSIGNED TO THE VARIOUS BANK FACILITIES/INSTRUMENT OF ESSEL PROPACK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term / Short-term Bank Facilities	50	CARE AA (Double A) / CARE A1+ (A One Plus)	Assigned
Long-term / Short-term Bank Facilities	95	CARE AA (Double A) / CARE A1+ (A One Plus)	LT facilities upgraded from CARE AA- (Double A Minus), ST facilities reaffirmed
Long-term Bank Facilities	214	CARE AA (Double A)	Upgraded from CARE AA- (Double A Minus)
Short-term Bank Facilities	50	CARE A1+ (A One Plus)	Reaffirmed
Short-term Bank Facilities	55	CARE A1+(A One Plus)	Assigned
Total Bank Facilities	464 (Rupees Four hundred and Sixty Four crore only)		
Non-Convertible Debenture	90 (Rupees Ninety crore only)	CARE AA (Double A)	Upgraded from CARE AA- (Double A Minus)

While assessing the risk profile of the company, CARE has considered consolidated financials of Essel Propack Ltd.

Rating Rationale

The revision in the long term rating assigned to the bank facilities/instruments of Essel Propack Limited (EPL) factors in improvement in profitability margins resulting from divestment of flexible packaging business and improved efficiency along with improvement in leverage and debt coverage ratios during FY16 (refers to the period April 01 to March 31).

The ratings continue to derive strength from EPL's experienced promoter group and professional management, leading market position in laminated tubes, geographically diversified revenues, established and reputed clientele profile, healthy profitability margins, moderate overall gearing and comfortable debt coverage ratios.

The ratings however continue to be constrained by the company's limited pricing flexibility in the oral care segment.

Any large debt funded capex, unrelated diversification and effective management of fluctuation in foreign exchange by the company remains the key rating sensitivity.

Background

Incorporated in 1982, Essel Propack Limited (EPL), managed by Mr Ashok Goel led Essel group, is one of the leading global specialty packaging manufacturer of laminated tubes, plastic tubes and laminates. Its products are extensively used in packaging of products across categories such as Beauty & Cosmetics, Pharma & Health, Foods, Home and Oral care. In India it enjoys huge franchise having pioneered laminated tubes over three decades and is an established player providing innovative packaging solutions. EPL has 22 manufacturing facilities across 11 other countries through its direct and step down subsidiaries, joint venture and associate. As per the company, it is selling more than six billion tubes annually holding a market share of 36% in volume terms globally in Oral Care.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY16, EPL posted a total operating income (consolidated) of Rs.2184.65 crore (vis-à-vis Rs.2322.96 crore in FY15) and PAT (consolidated) of Rs.182.34 crore (vis-à-vis Rs.145.04 crore in FY15).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691