

## Essel Propack Limited

May 03, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	290.00	<b>CARE AA; Credit watch with developing implications [Double A; Credit watch with developing implications]</b>	Rating placed on credit watch with developing implications
Short-term Bank Facilities	60.00	<b>CARE A1+ [A One Plus]</b>	Reaffirmed
Long/Short-term Bank Facilities	125.00	<b>CARE AA;Credit watch with developing implications/CARE A1+ [Double A; Credit watch with developing implications/A One Plus]</b>	Long-term rating placed on credit watch with developing implications and Short-term rating reaffirmed
<b>Total Facilities</b>	<b>475.00 (Rs. Four hundred seventy fivecrore only)</b>		
Non-Convertible Debenture (NCD)	50.00 (Rs. Fifty crore only)	<b>CARE AA; Credit watch with developing implications [Double A; Credit watch with developing implications]</b>	Rating placed on credit watch with developing implications

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the long-term bank facilities and instrument of Essel Propack Limited (EPL) has been placed on credit watch with developing implications following the announcement that the Ashok Goel Trust (acting through its trustees, Mr. Ashok Goel and Ms. KaveetaGoel) and Mr. Ashok Goel have entered into a share purchase agreement with Epsilon BidCo Pte. Ltd. (the acquirer) along with Blackstone Capital Partners Asia L.P. and Blackstone Capital Partners (Cayman) VII L.P. (in their capacity as persons acting in concert); to sells his majority stake in the company. The acquirer and PACs belong to Blackstone Group.

As on March 31, 2019, the promoters of the company own 57% stake in the company, amongst which 57% stake is held through the Ashok Goel Trust. Amongst the 57% stake held by the trust, 51% stake is expected to be sold to Blackstone Group at a price of Rs. 134 per share. The stake sale is subject to receipt of all Anti-Trust and Foreign Investment approvals and satisfaction of the preceding conditions specified in the share purchase agreement.

Post the stake sale, the Blackstone Group would take control over the management of the company and would accordingly become its promoter. Since the Blackstone Group has entered into an agreement to acquire a majority stake in EPL, in view of Regulation 3(1) and Regulation 4 of the SEBI (SAST) Regulations, it has announced an open offer to the public shareholders of the company to acquire its 26% stake, at a price of Rs. 139.19 per share. The said offer is not subject to any minimum level of acceptance. The open offer proposed is subject to receipt of the applicable statutory approvals including Anti-trust and Foreign Investment Approvals and the terms and conditions mentioned in the Public Announcement, the detailed public statement and the letter of offer to be issued for the offer in accordance with the SEBI (SAST) Regulations.

Founded in 1985, the Blackstone Group is an American multinational firm that is one of the largest private equity firms in the world. As of 2019, the company's total assets under management amounted to \$472 billion. With regards to its investments in India, the firm's major focus is towards the consumer finance, healthcare and infrastructure sector. The Group has an exposure in the packaging industry through acquisition of varied companies such as the USA based Graham Packaging, Owens-Illinois Inc, Ohio; China based packaging firm ShyaHsin.

*CARE is in the process of evaluating the impact of the above developments on the credit quality of EPL and would take a view on the rating when the exact implications of the above are clear and upon completion of the stake sale process.*

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

**Detailed description of the key rating drivers – Not Applicable**

**Analytical approach:** Not Applicable

**Applicable Criteria**

[Criteria for placing rating on credit watch](#)

**About the Company**

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Incorporated in 1982, EsselPropack Limited (EPL) managed by Mr. Ashok Goel led Essel group, is a global manufacturer of Laminated Plastic Tubes and Laminates. Its products are extensively used in the packaging of products across categories such as Beauty & Cosmetics, Pharma& Health, Foods, Home and Oral care. Holding Oral Care market share of 40% in volume terms globally (as per management), EsselPropack is one of the world's largest manufacturer with business in four geographical segments namely Americas (with operations in the USA, Mexico, and Colombia), Europe (with operations in the UK, Germany, Poland and Russia), AMESA (Africa, Middle East & South Asia – with operations in Egypt and India) and EAP (with operations in China and Phillipines). EPL functions through 20 state of the art facilities in ten countries, selling around 7 billion tubes on an annual basis.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	2322	2441
PBILDT	441	482
PAT	196	174
Overall gearing (times)	0.84	0.63
Interest coverage (times)	7.66	8.78

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

## Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	FY23	125.00	CARE AA (Under Credit watch with Developing Implications)
Fund-based/Non-fund-based-Short Term	-	-	-	55.00	CARE A1+
Fund-based - LT-Cash Credit	-	-	-	120.00	CARE AA (Under Credit watch with Developing Implications)
Non-fund-based - LT/ ST-BG/LC	-	-	-	95.00	CARE AA / CARE A1+ (Under Credit watch with Developing Implications)
Non-fund-based - LT-BG/LC	-	-	-	45.00	CARE AA (Under Credit watch with Developing Implications)
Fund-based-Short Term	-	-	-	5.00	CARE A1+
Fund-based - LT/ ST-Working Capital Limits	-	-	-	30.00	CARE AA / CARE A1+ (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	December 21, 2017	1 year treasury bill YTM rate + 145 bps p.a.	December 21, 2020	50.00	CARE AA (Under Credit watch with Developing Implications)

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	125.00	CARE AA (Under Credit watch with Developing Implications)	-	1)CARE AA; Stable (24-Aug-18)	1)CARE AA; Stable (17-Aug-17)	1)CARE AA (08-Sep-16)
2.	Fund-based/Non-fund-based-Short Term	ST	55.00	CARE A1+	-	1)CARE A1+ (24-Aug-18)	1)CARE A1+ (17-Aug-17)	1)CARE A1+ (08-Sep-16)
3.	Fund-based - LT-Cash Credit	LT	120.00	CARE AA (Under Credit watch with Developing Implications)	-	1)CARE AA; Stable (24-Aug-18)	1)CARE AA; Stable (17-Aug-17)	1)CARE AA (08-Sep-16)
4.	Non-fund-based - LT/ST-BG/LC	LT/ST	95.00	CARE AA / CARE A1+ (Under Credit watch with Developing Implications)	-	1)CARE AA; Stable / CARE A1+ (24-Aug-18)	1)CARE AA; Stable / CARE A1+ (17-Aug-17)	1)CARE AA / CARE A1+ (08-Sep-16)
5.	Non-fund-based - LT-BG/LC	LT	45.00	CARE AA (Under Credit watch with Developing Implications)	-	1)CARE AA; Stable (24-Aug-18)	1)CARE AA; Stable (17-Aug-17)	1)CARE AA (08-Sep-16)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Aug-18)	1)CARE AA; Stable (17-Aug-17)	1)CARE AA (08-Sep-16)
7.	Fund-based-Short Term	ST	5.00	CARE A1+	-	1)CARE A1+ (24-Aug-18)	1)CARE A1+ (17-Aug-17)	1)CARE A1+ (08-Sep-16)
8.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	30.00	CARE AA / CARE A1+ (Under Credit watch with Developing Implications)	-	1)CARE AA; Stable / CARE A1+ (24-Aug-18)	1)CARE AA; Stable / CARE A1+ (17-Aug-17)	1)CARE AA / CARE A1+ (08-Sep-16)
9.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA (Under Credit watch with Developing Implications)	-	1)CARE AA; Stable (24-Aug-18)	1)CARE AA; Stable (13-Dec-17)	-

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