January 24, 2025

Epack Prefab Technologies Limited: Long-term rating upgraded, short-term rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument^	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based- Cash Credit	147.00	172.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable); assigned for enhanced amount
Long term - Fund based- Term Loan	147.61	278.34	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable); assigned for enhanced amount
Short term - Non-fund Based	166.00	166.00	[ICRA]A2+; reaffirmed
Total	**460.61**	**616.34**	

^Instrument details are provided in Annexure-I

Rationale

The ratings action for Epack Prefab Technologies Limited (EPTL) factors in its CAGR of ~56% in revenues in the last four years and ICRA's expectation of continued healthy revenue and earnings profile in the medium term. ICRA expects that the company's revenue and earnings will be supported by the strong order inflow in the prefabricated structure (prefab) division and steady demand in the expanded polystyrene (EPS) division. EPTL has healthy orders in hand worth ~Rs. 708 crore as on December 31, 2024, in the prefab division, with repeat orders of 35-40%, one of the key drivers for strong revenue growth over the years. The ratings also note the private equity investment of ~Rs. 130 crore, received from GEF Capital Partners in the current fiscal, which would primarily fund the capacity enhancement and working capital requirement in the prefab division. The company's financial profile has improved steadily over the years, mainly led by increase in earnings. ICRA expects the debt protection metrics to improve further on account of increasing earnings and limited debt addition in the medium term. The ratings continue to factor in the company's long track record of supplying EPS to a leading consumer durable manufacturer, LG Electronics India Limited (LG), among others.

The ratings, however, continue to be constrained by the limited pricing flexibility owing to intense competition, especially in the prefab business, which is tender driven. The ratings also factor in the susceptibility of the company's profitability to fluctuations in raw material prices. ICRA also notes that the company has recently added substantial capacities at its manufacturing facilities, which has been partially funded through debt, elevating the debt repayments over FY2025-FY2027. However, increasing internal accrual generation and existing surplus liquidity are expected to be more than adequate to fund the same.

The Stable outlook on the long-term rating reflects ICRA's opinion that growth in EPTL's revenue and earnings will be supported by healthy demand outlook across both the business segments, along with growing capacities and established position in the prefab division.

Key rating drivers and their description

Credit strengths

Established operational track record and extensive experience of the promoters – EPTL's promoters have been involved in the prefab division and the EPS packaging business for more than two decades, gaining a thorough knowledge of the industry in the process. The company has been building substantial capacities, largely in the prefab division, to cater to the growing demand, which has been supporting the company's growth. EPTL is a part of the Epack Group, Noida, which has interests in consumer durables, electronic manufacturing services and thermocol packaging, among others.

Strong growth in revenue in recent years; momentum expected to sustain – EPTL has reported strong revenue growth in the last three fiscals, which stood at ~Rs. 907 crore in FY2024 against Rs. 241 crore in FY2021, mainly driven by healthy ramp-up of its prefab division. The revenue in this division increased to ~Rs. 756 crore in FY2024 from ~Rs. 116 crore in FY2021. The company has been receiving continued healthy orders and repeat business in the prefab division, which is expected to continue to support future growth. The revenue growth in the thermocol packaging business has been stable, in line with the demand of the consumer durable industry.

Established and diversified clientele – EPTL enjoys established relationships with its customers, which ensure repeat orders. The company's EPS division supplies primarily to the leading consumer durable player, LG. Customers in its prefab division belong to diversified industries, including public and private sectors such as Airport Authority of India, Adani Port, JSW Group, JK Tyre, Hero Motocorp, Siemens, Larson & Toubro, and Tata Group, among others.

Comfortable financial risk profile – There has been a steady improvement in EPTL's financial risk profile on account of a healthy increase in earnings. The company's debt protection metrics have witnessed a steady improvement, as marked by Total Debt/OPBDITA and interest coverage of 1.7 times and 5.1 times, respectively, in FY2024. There has been no significant addition in debt levels, which along with expansion in earnings are expected to further strengthen the financial risk profile over the medium term.

Credit challenges

Profitability vulnerable to raw material price fluctuations – The prefab division's profitability is vulnerable to fluctuation in raw material prices as well as competition. While some contracts have a price escalation clause, back-to-back arrangement for raw material (~60% of total requirements) procurement mitigates the risk to an extent. The price of the key input for the EPS division is linked to crude oil. However, there are price escalation clauses, and the company can pass on the rise in input cost to most of its customers. Thus, fluctuations are seen in the company's operating margins, and the same is expected to be range bound, depending on the revenue mix.

Intense competition in industry – The EPS and prefab industries are intensely competitive due to various organised and unorganised players in the field. However, EPTL's strong position as a leading EPS supplier to LG acts as an entry barrier. Intense competition, particularly in the prefab industry, given the tender-based nature of the prefab business, limits its pricing power, and thus its profitability.

Liquidity position: Adequate

EPTL's liquidity position is adequate with sufficient limits sanctioned for the current scale of operations along with increasing earnings. The company maintained a buffer of Rs. 10-15 crore in cash credit limit and Rs. 15-20 crore in the current account/free fixed deposit as of December 2024. EPTL's liquidity is further strengthened by ~Rs. 130 crore funds infusion by a private equity (PE) investor. The company has planned a capex of Rs. 220-230 crore capex for FY2026-FY2027, which will be largely funded through the funds raised and balance from the internal accruals. EPTL also receives interest-free advances from customers, which is 10-15% of the order value. Most working capital requirements are addressed through letter of credit (LC) backed creditors and bank guarantee (BG) offered for mobilisation advances in the prefab division. Thus timely availability of this funding remains crucial.

Rating sensitivities

Positive factors – An upgrade in ratings would be driven by the healthy growth in revenue and earnings, while maintaining comfortable credit metrics and liquidity position on a sustained basis.

Positive factors – A significant decline in revenue and profitability, and/or a deterioration in its working capital cycle, constraining its liquidity, would put pressure on the company's ratings. In terms of specific credit metrics, Total Debt/OPBDITA higher than 2.0 times on a sustained basis will be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

EPTL (formerly known as Epack Polymers Private Limited), a part of the Epack Group, established in 1999, is involved in manufacturing EPS thermocol products and prefabricated structures. Its manufacturing facilities are in Greater Noida (Uttar Pradesh), Ghiloth (Rajasthan) and Mambattu (Andhra Pradesh). EPTL has received ~Rs. 130 crore of PE fund in December 2024 in the form of compulsory convertible preference shares (CCPS) from GEF Capital Partners. The company is contemplating an initial public offer (IPO) in the near term. EPTL is promoted by Singhania and Bothra families, which together hold ~97% of the equity shares.

The promoters have interests in Epack Durable Limited (EDL), which manufactures room air conditioners, induction cooktops, juicer-mixer-grinders, water coolers and water dispensers for customers, such as Voltas, Havells, Godrej, Whirlpool, Haier, Blue Star, Philips, and Bajaj. Another group company, East India Technologies Private Limited (EITPL) also manufactures EPS and electronic parts for customers such as Samsung, Whirlpool, Schneider Electric, and Panasonic. EITPL manufactures printed circuit boards (PCBs) from its electronic manufacturing services (EMS) division. The Group recently commenced operations of Epack Petrochem Solutions Private Limited, which manufactures EPS resin, ensuring backward integration and providing raw materials to manufacture EPS packaging.

Key financial indicators (audited)

EPTL – Standalone	FY2023	FY2024	H1FY2025*
Operating income	657.4	906.6	533.4
PAT	24.4	44.3	28.5
OPBDITA/OI	7.8%	9.6%	10.5%
PAT/OI	3.7%	4.9%	5.3%
Total outside liabilities/Tangible net worth (times)	2.3x	2.5x	2.5x
Total debt/OPBDITA (times)	2.1x	1.7x	1.7x
Interest coverage (times)	4.3x	5.1x	5.1x

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore *provisional financials*

Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current year (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	172.00	24-Jan-2025	[ICRA]A (Stable)	31-Mar-2024	[ICRA]A- (Stable)	15-Feb-2023	[ICRA]A- (Stable)	16-Dec-2021	[ICRA]A- (Stable)
			-	-	-	-	-	-	23-Nov-2021	[ICRA]A- (Stable)
Term loans	Long Term	278.34	24-Jan-2025	[ICRA]A (Stable)	31-Mar-2024	[ICRA]A- (Stable)	15-Feb-2023	[ICRA]A- (Stable)	16-Dec-2021	[ICRA]A- (Stable)
			-	-	-	-	-	-	23-Nov-2021	[ICRA]A- (Stable)
Letter of Credit/Bank Guarantee	Short-term	166.00	24-Jan-2025	[ICRA]A2+	31-Mar-2024	[ICRA]A2+	15-Feb-2023	[ICRA]A2+	16-Dec-2021	[ICRA]A2+
			-	-	-	-	-	-	23-Nov-2021	[ICRA]A2+
Unallocated	Long-term	-	-	-	-	-	-	-	16-Dec-2021	[ICRA]A- (Stable)

Note - Amount in Rs. crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based- Cash Credit	Simple
Long term - Fund based- Term Loan	Simple
Short term - Non-fund Based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash Credit**	NA	NA	NA	172.00	[ICRA]A (Stable)
NA	**Term Loans**	Apr 2023	9-9.5%	Mar 2030	278.34	[ICRA]A (Stable)
NA	**Letter of Credit/ Bank Guarantee**	NA	NA	NA	166.00	[ICRA]A2+

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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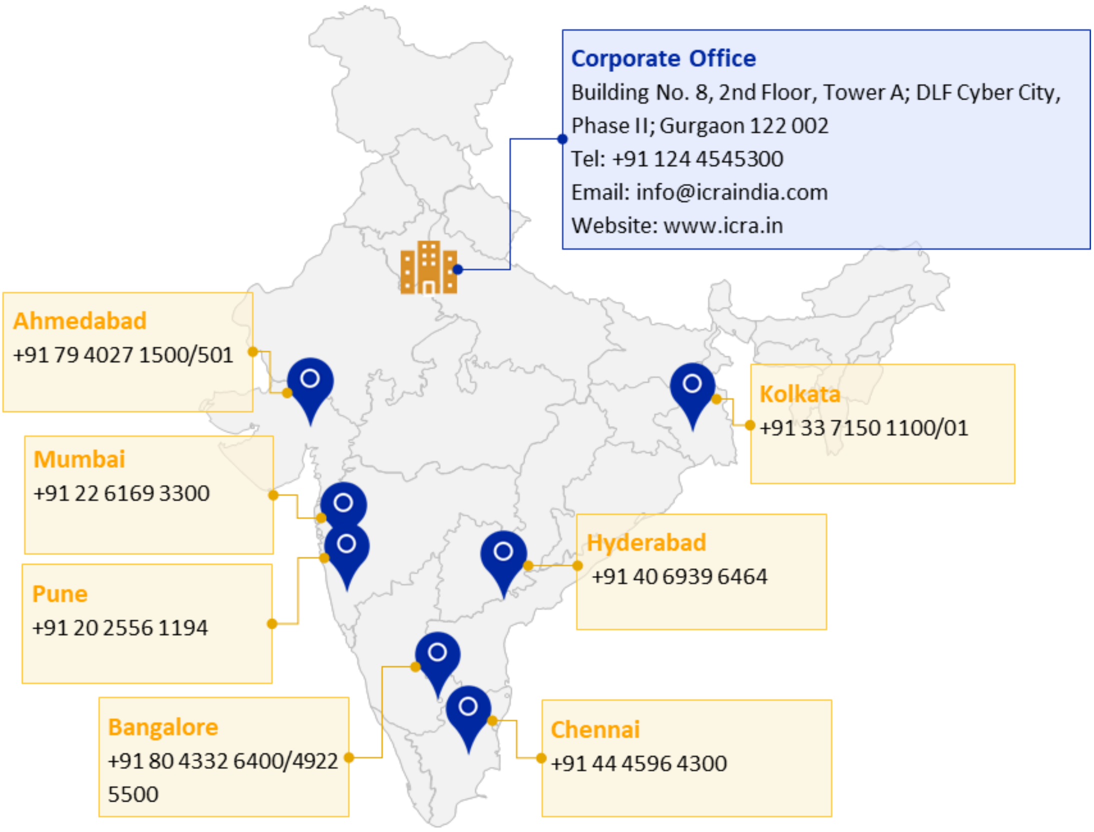

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