

Flexo Foam Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	2.50	SMERA B/Stable (Assigned)
Term Loan	1.50	SMERA B/Stable (Assigned)
Letter of Credit*	3.00	SMERA A4 (Assigned)

**Bank Guarantee is a sublimit of LC*

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.7.00 crore bank facilities of Flexo Foam Private Limited (FFPL). The outlook is **'Stable'**.

The ratings are constrained by the modest scale of operations and weak financial risk profile marked by low current ratio and low profitability. The ratings are also constrained by the intensely competitive mattress industry. However, the ratings draw support from the experienced promoters and long standing track record of operations.

The scale of operations of FFPL is modest marked by operating income of Rs.12.08 crore in FY2016 (provisional) as compared to Rs.6.18 crore in FY2015. The weak financial risk profile is marked by low current ratio of 0.81 times in FY2016 (provisional) as compared to 0.69 times in FY2015. The profitability margin stood at 0.47 percent in FY2015-16 (Provisional), an increase from 0.10 percent in FY2014-15. The interest coverage ratio has been moderate at 1.40 times in FY2016 (provisional) as compared to 1.41 times in the previous year. FFPL registered a low gearing of 1.30 times in FY2016 (provisional) as against 1.80 times in FY2015. The company has long standing relationships with Indian Railways with no bad debt in the past. Also, the company faces intense competition in the mattress industry.

However, FFPL, incorporated in 1985, has long track record of operations. The promoters, Mr. Rupesh Jain and Mrs. Sangeeta Jain have around two decades of experience in the mattress industry.

Outlook-Stable

SMERA believes that FFPL's outlook will remain stable owing to the extensive experience of the promoters. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in scale of operations
- Movement in working capital cycle

Criteria applied to arrive at the rating

- Manufacturing Entities

About the Company

FFPL, incorporated in 1985, is headed by Mr. Rupesh Jain and Mrs. Sangeeta Jain. The company is engaged in the manufacture of railway seats and other products made of foam.

In FY2015-16 (Provisional), the company achieved Profit after Tax (PAT) of Rs.0.06 crore on operating income of Rs.12.08 crore as compared to PAT of Rs.0.01 crore on operating income of Rs.6.18 crore a year earlier. The net worth stood at Rs.3.87 crore in FY2015-16 (Provisional) as compared to Rs.2.46 crore a year earlier. The total Net worth of Rs.3.87 crore in FY2015-16 includes quasi equity of Rs.3.72 crore.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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