Press Release

Future Flex Private Limited

May 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.60 Cr.
Long Term Rating	SMERA B / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' **(read as SMERA B)** on the Rs. 6.60 crore bank facilities of Future Flex Private Limited. The outlook is **'Stable'**.

Incorporated in 2011, Future Flex Private Limited (FPPL) is engaged in the manufacturing and selling of polypropylene fabrics (stitched and unstitched). The manufacturing facility is located at Kaithal (Haryana). The installed capacity stands at 8 tons per day.

Key Rating Drivers

Strengths

- **Experienced management**
  The company is led by Mr. Ram Bansal, Mr. Vinod Bansal and others who possess experience of around 15 years in the packaging industry. The day-to-day operations are managed by Mr. Vinod Bansal.

- **Healthy margins and modest accruals**
  The healthy margins are marked by EBITDA of 10.81 percent and 19.53 percent in FY2016 and FY2015 respectively. The dip in operating margins is mainly on account of rise in raw material prices (PP granules) which constitute around 78 percent of the total cost of sales compared to around 69 percent in the previous year. The PAT margins are however low but increased to 0.33 percent in FY2016 from a loss of 15.36 percent in FY2015. The low PAT is due to the high interest and depreciation costs in the initial stages of manufacturing. The accruals are modest reflected in the NCA/TD of 0.15 times in FY2016 as compared to nil in FY2015.

Weaknesses

- **Modest scale of operations**
  The modest scale of operations is marked by operating income of Rs.23.59 cr in FY2016 as compared to Rs.5.62 cr in FY2015. However, the same increased significantly as compared to previous years. The revenue stood at around Rs.27.44 crore (provisional) in FY2017.

- **Working capital intensive operations**
  FFPL's working capital intensive operations are marked by high GCA of 149 days in FY2016 as compared to 371 days in FY2015. This is mainly due to inventory of finished goods (unstitched PP fabrics) maintained at a level of 90 to 120 days. The debtors stood at 51 days and 62 days in FY2016 and FY2015 respectively. The creditors stood at 109 days and 194 days in FY2016 and FY2015 respectively.

- **Weak financial risk profile**
  The weak financial risk profile is marked by modest debt protection metrics, high gearing and low net worth base. The interest coverage ratio and debt service coverage ratio stood at 1.69 times and

1.08 times respectively in FY2016. The gearing stood at 2.14 times and 2.28 times in FY2016 and FY2015 respectively. The total debt mainly comprises term loans from bank of around Rs.3.50 cr and working capital facilities of around Rs.3.25 cr in FY2016. The net worth stood low at Rs.3.15 cr as on 31st March 2016. While arriving at the net worth, SMERA has treated Rs.3.04 crore of unsecured loans as quasi equity as the same is from promoters and directors who have undertaken to maintain this amount in the business over the medium term.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that FFPL will maintain a stable outlook over the medium term owing to its experienced management, healthy margins and accruals. The outlook may be revised to 'Positive' if the company scales up operations while maintaining profitability and improving financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than- expected growth in revenues or if the working capital cycle further deteriorates.

About the Rated Entity - Key Financials

For FY2016, FFPL reported profit after tax (PAT) of Rs.0.08 cr on total operating income of Rs.23.59 cr, as compared with PAT of Rs.-0.86 cr on total operating income of Rs.5.62 cr in FY2015. The tangible net worth stood at Rs.3.15 cr in FY2016 as compared to Rs.2.85 cr in FY2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.60	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2020	4.00	SMERA B / Stable

Contacts

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ABOUT SMERA

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