

Press Release

Fibre Foils Limited

December 29, 2021



Rating Upgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	6.40		ACUITE A3+ Upgraded
Bank Ratings Loan	11.60	ACUITE BBB Stable Upgraded	
Bank Ratings Loan	2.60	ACUITE BBB Upgraded & Withdrawn	
Total	18.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.18.00 Cr bank facilities of Fibre Foils Limited (FFL). The outlook is '**Stable**'.

Acuite has also upgraded & withdrawn the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.2.60 crore bank facilities of FFL as per the withdrawal request from FFL and No Dues Certificate from the banker in accordance with Acuite's withdrawal Policy.

The rating upgrade reflects consistent performance of the company in terms of scale of operations along with maintaining the profitability despite the ongoing pandemic. The rating is also driven by the expected improvement in the overall business risk profile of the company going ahead due to increase in demand. The financial risk profile of the company stood healthy with healthy debt protection metrics and coverage ratios. The liquidity is adequate marked by adequate cash accruals against its repayment obligations.

About the Company

Incorporated in 1968, Fibre Foils Limited (FFL) is engaged in manufacturing of consumer and industrial packaging products. The day to day operations is managed by its chairman, Mr. Diwakar S. Shetty who has an experience of over four decades of packaging industry along with Mrs. Yashoda D. Shetty, Mr. Daksharaj Shetty, Mr. Mohan Menon, Mr. Harsh Vardhan Jajoo and Mr. Narendra M. who has experience of over two decades in the packaging industry. The Company has 3 manufacturing units located at Khopoli (Maharashtra), Bhiwadi (Rajasthan) and Bengaluru (Karnataka). Khopoli unit is owned by the company and other 2 are on a rental basis.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of FFL to arrive at the rating.

Key Rating Drivers

Strengths

>Extensive track record and experienced management

Incorporated in 1968, the company has a long track record of operations in this industry. The company is led by its chairman Mr. Diwakar S. Shetty who has an experience of over four decades of packaging industry along with Mrs. Yashoda D. Shetty, Mr. Daksharaj Shetty, Mr. Mohan Menon, Mr. Harsh Vardhan Jajoo and Mr. Narendra M. who has experience of over two decades in the packaging industry. The long track record of the management has helped the company develop healthy relations with suppliers and reputed customers such as ITC Limited, Hindalco Limited, TATA Steels, J. K. Paper, Glaxo Smithkline Consumer, Diageo India, Allied Blenders and Dist., Wockhart Life Science, Glenmark Pharmaceuticals, Novartis India Limited, Zydus Nycomed, TVS Motor Company Limited, Titan Company Limited, Café Coffee Day Limited, Unibic Foods Limited, etc. The same has translated in the stable revenues of Rs.73.91 crore in FY2021 as against Rs.73.40 crore in FY2020. The operating and profitability margins have also stood at same level in FY2021.

Acuité believes that the experience of the management in the industry and established relationships with customers is likely to favorably impact the business risk profile of the company over the near to medium term.

>Healthy financial risk profile

Financial risk profile of FFL is healthy marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.34 times as on March 31, 2021 against 0.58 times as on March 31, 2020 on account of plough back of profits to reserves. TOL/TNW stood at 0.83 times as on March 31, 2021 against 1.17 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.28.26 crore as on March 31, 2021 against Rs.21.69 crore as on March 31, 2020. The total debt of Rs.9.63 crore as on March 31, 2021 mainly consists of long-term debt of Rs.1.69 crore and short-term debt of Rs.7.94 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 7.61 times and 0.80 times respectively in FY2021; while DSCR stood at 3.59 times in FY2021. Further, the company has not availed any covid loans / covid moratorium.

Acuité believes that the financial risk profile of the company is expected to remain healthy on account of modest net worth backed by healthy cash accruals vis- à-vis moderate debt repayment obligations and comfortable debt protection metrics.

>Diversified product range and diversified industry presence along with reputed clientele

Company has diversified product range under the segment of consumer and industrial packaging products. It finds its usage in various industries like food, pharmaceuticals, chemicals, commodities, liquor, pesticides, agriculture to name a few. It has reputed clientele which includes ITC Limited, Hindalco Limited, TATA Steels, Garware Polyester Limited, J. K. Paper, Glaxo Smithkline Consumer, Naturell India Private Limited, Diageo India, Pernod Ricard India, Allied Blenders and Dist., Agro Tech Foods Limited, USV Limited, Wockhart Life Science, Glenmark Pharmaceuticals, Novartis India Limited, UPL Limited, Gharda Chemicals Limited, Zydus Nycomed, TVS Motor Company Limited, Titan Company Limited, Café Coffee Day Limited, Unibic Foods Limited, etc.

Weaknesses

>Working capital intensive operations

FFL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 160 days in FY2021 against 147 days in FY2020. The inventory days stood at 74 days in FY2021 against 66 days in FY2020. The company maintains an inventory holding policy of upto 60 days. However, the inventory days increased in FY2021 majorly due to the pandemic situation. The company had kept more inventory in stock so that the production is not impacted and to cater to spot orders. The debtors' days stood at 67 days in FY2021 against 43 days in FY2020.

The credit period given to customers is upto 60 days. The debtors' days increased in FY2021 majorly due to the impact of Covid-19. There was some delay in receiving the payment from the customers. However, the situation is improving now. The creditors' days stood at 86 days in FY2021 against 71 days in FY2020. The company enjoys a credit period of 60 days from their suppliers. However, the creditors are stretched due to a back-to-back payment mechanism followed by the management. However, working capital limits remains utilized at 80-90percent for last 6 months ended November, 2021.

Acuité believes that FFL's working capital intensive operations would be mitigated by the availability of adequate liquidity over the medium term.

>Highly competitive and fragmented industry

The packaging industry is highly competitive and fragmented marked by the presence of many organized and unorganized players in this industry, thus putting pressure on the profitability margins of the company. However, this risk is partially mitigated by company's experienced management and long-standing relationships with its reputed clientele.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

FFL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.4.64 crore – Rs.7.74 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.1.22 crore – Rs.1.62 crore during the same period. It is expected to generate cash accruals in the range of Rs.10.07 crore – Rs.13.37 crore over the medium term, against moderate repayment obligations of Rs.0.58 crore. Unencumbered cash and bank balances stood at Rs.4.24 crore as on March 31, 2021 with a current ratio of 1.62 times in the same period. Liquid investments stood at Rs.4.20 crore as on March 31, 2021. The working capital limits remained utilized at ~80-90 percent for last trailing 6 months ended November, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that FFL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	73.91	73.40
PAT	Rs. Cr.	6.57	3.89
PAT Margin	(%)	8.89	5.30
Total Debt/Tangible Net Worth	Times	0.34	0.58
PBDIT/Interest	Times	7.61	6.11

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Oct 2020	Letter of Credit	Short Term	6.40	ACUITE A3 (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.60	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
The Cosmos Cooperative Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
The Cosmos Cooperative Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.40	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
The Cosmos Cooperative Bank Ltd	Not Applicable	Term Loan	14-03-2018	9.45	14-03-2023	2.60	ACUITE BBB Upgraded & Withdrawn (from ACUITE BBB-)

Note:

1. Order based packing credit is sublimit of Cash Credit to the extent of Rs.3.60 crore.
2. Letter of Credit is interchangeable with Cash Credit upto Rs.3.00crore.
3. Withdrawal amount not included in total facilities rated.

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Ashvita Ramesh Analyst-Rating Operations Tel: 022-49294065 ashvita.ramesh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité