

Press Release
Fibre Foils Limited

February 07, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.60	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	6.40	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for reaffirmation

The rating reaffirmation continues to reflect the stable operating performance of the company, healthy financial risk profile and reputed clientele base. The revenue of Fibre Foils Limited (FFL) stood at Rs.100.49 crore in FY2022 as against Rs.73.91 crore in FY2021. The operating profit margin of the company remained stable at around 12.5%. However, the rating remains constrained on account of the working capital intensive nature of operations.

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.

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

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.

Healthy Financial Risk Profile

The financial risk profile of FFL is healthy marked by low gearing, modest tangible net worth and comfortable debt protection metrics. The company has followed a conservative financial policy in the past as reflected by its peak gearing of 0.40 times as on March 31, 2022. The company's leverage policy is supported by the healthy tangible net-worth levels, reflected through its peak gearing and Total Outside Liabilities to Tangible Net-worth (TOL/TNW), which stood at 0.91 times as on March 31, 2022 against 0.83 times as on March 31, 2021. The tangible net worth of the company stood modest at Rs.33.49 crore as on March 31, 2022 against Rs.28.26 crore as on March 31, 2021.

The total debt of Rs.13.45 crore as on March 31, 2022 is the working capital borrowing. In the current financial year 2023, the company has availed a vehicle loan of Rs. 0.42 crore. The debt protection metrics including, interest coverage ratio stood comfortable at 12.94 times ; while DSCR stood at 4.40 times in FY2022.

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.

Weaknesses

Working Capital Intensive Nature of Operations

The operations of FFL are of working capital intensive nature marked by Gross Current Asset days (GCA) of 130 days in FY2022 against 160 days in FY2021. The inventory days stood at 52 days in FY2022 against 74 days in FY2021. The company sources raw material from secondary suppliers and stores inventory of 45-60 days on an average. The debtors' days stood at 58 days in FY2022 against 67 days in FY2021. The creditors' days stood at 87 days in FY2022

against 86 days in FY2021. The working capital limits remains utilized at 64.92 percent for last 7 months ended October 2022.

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

The liquidity position of the company is adequate marked by adequate net cash accruals against no maturing debt obligations. The company generated cash accruals of Rs.8.75 crore in FY2022. Going ahead in FY2023 to FY2024 the cash accruals are expected to be in the range of Rs.13.81 crore -Rs.15.50 crore against no significant maturing debt obligations. However, working capital limits remains utilized at 64.92 percent for last 7 months ended October 2022. The unencumbered cash and bank balances stood at Rs.6.39 crore as on March 31, 2022 with a current ratio of 1.59 times.

Outlook: Stable

Acuité believes that FFL will maintain a 'Stable' outlook over the medium term owing to its experienced management, its long track record of operations and its healthy financial risk profile. 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 particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	100.49	73.91
PAT	Rs. Cr.	7.48	6.57
PAT Margin	(%)	7.44	8.89
Total Debt/Tangible Net Worth	Times	0.40	0.34
PBDIT/Interest	Times	12.94	7.61

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

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2021	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	2.60	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	6.40	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	2.60	ACUITE BBB (Withdrawn)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
The Cosmos Cooperative Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB Stable Reaffirmed
The Cosmos Cooperative Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.40	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.60	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 vaishnavi.deshpande@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.