

Press Release
Fibre Foils Limited
May 07, 2024



Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BBB Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.60	Not Applicable Withdrawn	-
Bank Loan Ratings	6.40	-	ACUITE A3+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	18.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 15.40 crore bank facilities of Fibre Foils Limited (FFL). Acuite has also withdrawn the long-term rating on the Rs. 2.60 crore bank facilities of Fibre Foils Limited (FFL). The same is withdrawn without assigning any rating as it is a proposed facility. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

Rationale for rating Reaffirmation

The rating reaffirmation is driven by the stable operating performance of the company. The operating income of the company stood at Rs. 118.72 Cr. in FY2023 as against Rs. 100.49 Cr. in FY2022. The operating margin stood at 21.29 percent in FY2023 as against 12.29 percent in FY2022. The PAT margin of the company also remains healthy and stood at 14.99 percent in FY2023 as against 7.44 percent in FY2022.

The financial risk profile of Fibre Foils Limited stands healthy marked by moderate tangible net worth, low gearing levels and comfortable debt protection metrics.

The rating reaffirmation also considers the long track record of the company and long-standing experience of the promoters, which is expected to help the company to augment its revenue further.

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

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of Fibre Foils Limited (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 Fibre Foils Limited stood healthy marked by moderate tangible net worth, low gearing levels and comfortable debt protection metrics.

The capital structure stood comfortable with gearing ratio of 0.21 times as on March 31, 2023 as against 0.40 times on March 31, 2022.

The tangible networth of the company stood moderate at Rs. 48.10 crores on March 31, 2023 as against 33.49 crores on March 31, 2022. Increase in tangible networth is on account of accretion of profit to reserves.

The total debt of the company stood at Rs. 10.26 crores on March 31, 2023 of which Rs. 0.24 crore pertains to long term debt, Rs. 9.90 crores to short term borrowings and Rs. 0.12 crores to CPLTD. TOL/TNW stood at 0.52 times as on March 31, 2023 as against 0.91 times on March 31, 2022. NCA/TD stood at 1.88 times on March 31, 2023 as against 0.65 times as on March 31, 2022.

Given the comfortable capital structure and healthy profitability, the debt coverage indicators also stood comfortable with Interest Coverage Ratio and DSCR of 35.49 times and

27.42 times respectively in FY2023 as against 12.94 times and 4.40 times respectively in FY2022.

Moderate Working Capital Management

The company's working capital management is moderate marked by gross current asset (GCA) days of 109 days in FY2023 as against 130 days in FY2022. The GCA days are driven by the inventory days and debtor days. The inventory days stood at 70 days in FY2023 as against 52 days in FY2022. The debtor days stood at 40 days in FY2023 as against 58 days in FY2022. The company provides an average period 45 – 90 days to its debtors. On the other hand, creditor days stood at 69 days in FY2023 as against 87 days in FY2022. The company receives a credit period of ~45 days from its suppliers. The current ratio stood at 1.98 times on March 31, 2023 as against 1.59 times on March 31, 2022.

Weaknesses

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

Not Applicable

Liquidity Position Adequate

The company has generated healthy net cash accruals (NCA) worth RS. 19.28 crore in FY2023 against nil maturing debt obligations for the same period. Furthermore, the current ratio stood at 1.98 times on March 31, 2023 as against 1.59 times on March 31, 2022. The company has an unencumbered cash and bank balance of Rs. 3.68 crore on March 31, 2023. The average bank utilization of the company stood at 17.65 percent for twelve months ended March, 2024.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	118.72	100.49
PAT	Rs. Cr.	17.80	7.48
PAT Margin	(%)	14.99	7.44
Total Debt/Tangible Net Worth	Times	0.21	0.40
PBDIT/Interest	Times	35.49	12.94

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>
- Manufacturing Entities: <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
07 Feb 2023	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.60	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	6.40	ACUITE A3+ (Reaffirmed)
29 Dec 2021	Proposed Long Term Bank Facility	Long Term	2.60	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	9.00	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 (Upgraded & Withdrawn)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BBB Reaffirmed & Withdrawn
The Cosmos Cooperative Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.40	ACUITE A3+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.60	Not Applicable Withdrawn

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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.

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