



February 25, 2010

ICRA assigns LBB+ and A4+ ratings to bank facilities of Barflex Polyfilms Pvt. Ltd.

ICRA has assigned an LBB+ (pronounced L double B plus) rating, to the Rs. 76.2 million term loans and the Rs. 125.5 million long-term fund based limits of Barflex Polyfilms Pvt. Ltd. (BPPL) †. The outlook on the long term rating is positive. ICRA has also assigned an A4+ (pronounced A four plus) rating to the Rs. 64.0 million short-term non-fund based limits†.

The ratings are constrained by the relatively small size of operations in comparison to the size of the overall flexible packaging industry; high competition from other players; moderately high financial risk characterised by high gearing, moderate coverage indicators and high working capital intensity and tight liquidity position as reflected in high utilisation levels of working capital limits. ICRA also notes that the company has aggressive capital expenditure (capex) plans which could result in deterioration of capital structure in absence or delay of expected private-equity infusion. The ratings, however, factor in long experience of promoter of BPPL in the domestic flexible packaging materials business; healthy growth in revenues and customer base over the last few years; favourable demand prospects for flexible packaging material in the domestic market and fiscal benefits available for the Baddi unit, partly offset by higher freight cost to reach its customers. ICRA has assigned a positive outlook on the long term rating in anticipation of private equity infusion which would support major part of the capex plans and would limit the company's reliance on external debt. The outlook could be revised to stable in case of significant delays in the private equity infusion.

Company Profile:

Barflex Polyfilms Private Limited (BPPL) was incorporated as a Private Limited Company in January 2005 and started commercial production in November 2005. BPPL is a closely held company and has been promoted by Mr. Jaiwant Bery and his wife Mrs. Nomita Bery. Mr. Jaiwant Bery, an MBA from IIM Bangalore, has experience of around 15 years in the domestic flexible packaging industry. The company is into manufacturing of 3- and 5- layer films, polyvinyl chloride (PVC) Labels and laminates. BPPL's plant, located at Baddi (Himachal Pradesh) has capacity of 3720 MTPA to manufacture polyfilms from HDPE/LDPE/LLDPE granules and 6720 MTPA of conversion of plain films to printed films and laminates.

BPPL reported an operating income of Rs. 564.3 million and a net profit of Rs. 9.4 million in 2008-09. As per provisional results, the company reported operating income of Rs. 538.3 million and a net profit of Rs. 33.5 million during the nine months ended 31st December 2009.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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