August 01, 2017

Flexituff International Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Term loan	37.00	[ICRA]BBB+& ; placed under 'rating watch with developing implications'
Fund-based – Cash credit	289.00	[ICRA]BBB+&; placed under 'rating watch with developing implications'
Non-fund based	293.00	[ICRA]A2&; placed under 'rating watch with developing implications'
Total	**619.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has placed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) and short-term rating of [ICRA]A2 (pronounced ICRA A two) outstanding on the Rs. 619.00[1] crore bank facilities of Flexituff International Limited (FIL or the company)[2] under rating watch with developing implications.

Rationale

The rating watch follows the approval from the company's Board of Directors, at their meeting held on July 24, 2017, to transfer the company's FIBC[3] business segment of the Pithampur (Madhya Pradesh) manufacturing facility into a wholly-owned subsidiary. The transfer of the said business would be done through a slump sale to the subsidiary. The FIBC division of Pithampur facility represents around 44% of the company's total revenue and around 38% of its total net worth as on March 31, 2017. The transaction process is expected to be completed in the next 3-4 months. The aforementioned transaction, being a related party transaction, shall be subject to approval of members, shareholders and other statutory and regulatory authorities. The aforesaid transfer is being undertaken in order to categorize the two major product businesses viz. FIBC and Geo-textiles, into two separate companies which will result in unlocking of business value.

ICRA will monitor the above developments and will evaluate the potential impact on the credit profile of FIL upon availability of further details and accordingly finalise its rating action.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

Corporate Credit Rating Methodology

About the company:

FIL was formed in 1966 as a partnership firm. Subsequently, the firm was converted into a private limited company in 1985 and the company got listed on Indian Bourses in 2011. FIL is engaged in the business of manufacturing FIBC (Flexible Intermediate Bulk Containers), reverse printed BOPP (Biaxially Oriented

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[1] *100 lakh = 1 crore = 10 million*

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

[3] *FIBC: Flexible Intermediate Bulk Containers*

Polypropylene) woven bags, Leno Bags (small packaging bags, primarily for domestic markets), geotextile fabrics and ground cover (used for prevention of landslides, control of soil erosion and river bank protection) and polymer compounds (used for wires and cables) and drippers. The main product of the company is FIBC, which is used in bulk packaging and transportation requirement for multiple industries like cement, chemical, pharmaceutical, food processing consumer goods, sugar and meat products. The company has four manufacturing facilities, located at Pithampur (Madhya Pradesh) and Kashipur (Uttarakhand), and two wholly owned subsidiaries in U.K. and USA. The manufacturing facility at Kashipur commenced operations in December 2015 and has a capacity of 22,000 MT.

Key Financial Indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	1312.7	1456.1
PAT (Rs. crore)	4.8	5.7
OPBDIT/ OI (%)	10.9%	12.1%
RoCE (%)	8.9%	10.3%
Total Debt/ TNW (times)	1.5	1.9
Total Debt/ OPBDIT (times)	4.1	4.1
Interest coverage (times)	1.5	1.6
NWC/ OI (%)	26%	28%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress):NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017
				August 2017	September 2016
1	Term Loan	Long Term	37.00	[ICRA]BBB+ &	[ICRA]BBB+ (Stable)
2	Cash Credit	Long Term	289.00	[ICRA]BBB+ &	[ICRA]BBB+ (Stable)
3	Letter of Credit	Short Term	293.00	[ICRA]A2 &	[ICRA]A2

& placed under 'rating watch with developing implications'

Complexity level of the rated instrument:

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

Annexure-1
Instrument Details

ISIN No.	Instrument	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Term Loan	-	-	FY2020	37.00	[ICRA]BBB+ [&]
	Cash credit	-	-	-	289.00	[ICRA]BBB+ [&]
	Letter of Credit	-	-	-	293.00	[ICRA]A2 [&]

[&] placed under 'rating watch with developing implications'
Source: Flexituff International Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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