

Flexituff International Limited

Instrument	Amount	Rating Action
Term Loan	Rs. 37.00 crore	[ICRA]BBB+ (stable) assigned
Fund Based Limits (Cash Credit)	Rs. 25.00 crore	[ICRA]BBB+ (stable) assigned
Non-Fund Based Limits	Rs. 28.00 crore	[ICRA]A2 assigned

ICRA has assigned a long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) and a short-term rating of [ICRA]A2 (pronounced ICRA A two) to the term loans, fund based facilities and non-fund based facilities of Flexituff International Limited (FIL) aggregating to Rs. 90.00 crore¹². The outlook on the long-term rating is Stable.

The ratings take into account the company's established market position in the FIBC (Flexible Intermediate Bulk Container) industry both domestically & in overseas. The ratings further factor a favourable demand outlook for the company's business segments (i.e. FIBC and Geo-textiles) wherein demand for FIBC is mainly export driven & for Geo-textiles is domestic market driven with applications in Infrastructure segment. The company also benefits from its positioning in FIBC applications for food & pharma user industries where quality parameters are stringent

The ratings are, however, constrained by the high leveraging level due to both debt funded capital expenditure as well as working capital intensive nature of operations. The working capital intensity in the operations remains high arising out of relatively longer credit period offered to customers and inventory requirements. The ratings are further constrained by weak net profitability which is mainly on account of slow ramp-up of geo-textiles business segment from new facility (which was commissioned in December 2015) & relatively higher cost of debt financing. In turn, the company's return indicator (ROCE) has been affected as seen in decline from 15.7% in FY2013 to 8.9% in FY2016, also given the relatively higher fixed capital intensity involved. The ratings also take into account of the competitive pressures from other established players in export markets. Further, the company's operations remain exposed to raw material fluctuation risk, although the same is mitigated to some extent due to short tenure of supply orders and revision of price levels on a rolling basis. ICRA further notes that the company's ability to scale up the volumes in Geo-textiles & improve the net profitability & return indicators from the current level remains critical from the credit perspective.

Company Profile

Flexituff International Limited (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 (jumbo bags), reverse printed BOPP woven bags (flexible packaging 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. This facility has dedicated capacity for manufacturing of FIBCs and Geotextiles and was set up with a capex utilization of Rs. 150 crore, out of which Rs. 75 crore was raised through issue of Foreign Currency Convertible Bonds (FCCBs) and rest was contributed through equity.

During FY2015, FIL reported Profit after Tax (PAT) of Rs. 18.80 crore on an operating income of Rs. 1180.80 crore. For FY2016, the company reported PAT of Rs. 4.82 crore on an operating income of Rs. 1318.83 crore.

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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



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