

Flash Forge Private Limited

February 01, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	48.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	35.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable / CARE A4 (Double B Plus; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	82.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	165.00 (Rs. One Hundred Sixty- Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings has been seeking information from Flash Forge Private Limited to monitor the ratings vide e-mail communications dated January 19, 2022, January 17, 2022, January 10, 2022 and January 06, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Flash Forge Private Limited's bank facilities will now be denoted as CARE BB-; Stable ISSUER NOT COOPERATING/CARE A4 ISSUER NOT COOPERATING.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings assigned to the bank facilities of Flash Forge Private Limited (FFPL) is on account of deterioration in financial performance during FY20 (refers to the period April 01 to March 31) with significant reduction in revenue, profit level and cash accruals which along with inventory built up has moderated the liquidity position of the company with full utilization of the working capital limits. The ratings continue to remain constrained by the high dependence on defense segment, fluctuation in the input prices and extended operating cycle with high gross current asset days. The ratings are however underpinned by the long-established experience of the promoters in the industrial forging industry especially for defense engineering, proven quality standards and certifications, reputed clientele, moderate order book position and satisfactory capital structure.

Detailed description of the key rating drivers

Key Rating Weaknesses

Subdued financial performance with significant reduction in revenue and profit during FY20 and current fiscal:

The total operating income of the company declined by 16% from Rs.324.41 crore during FY19 to Rs.272.51 crore during FY20 mainly due to overall decline in domestic and export sales. The revenue was impacted in last quarter due to onset of Covid-19, with the work execution slowing down in March 2020 which impacted the overall revenue in FY20. This apart, there was a slowdown in the normal business orders as well. The revenue reduction and under absorption of fixed cost expenses resulted in significant reduction in PBILDT (by about 52.35%) and PAT level (by about 92.92%). As against provisional PAT of Rs.10.89 crore reported earlier by the entity, the PAT level as per audited FY20 is Rs.1.18 crore. The slowdown in the business operation continued during the current fiscal with provisional revenue of Rs.115 crore reported by the entity during 11MFY21 (i.e., annualized de-growth of more than 50%). Hence, the profitability and debt coverage are expected to remain under stress for the full year

Inventory built up with extended gross current asset days: Defence procurement procedures are complex and traditionally move at slow pace resulting in sudden spike or reduction in the order book and hence historically inventory level has been high. However, there has been further inventory built up with inventory days extended to 112 days in FY20 and inventory level remaining at similar level during current fiscal. This exposes the company to risk associated with adverse price movement. Collection days has also been at higher level. Hence, the gross current asset days has extended significantly (to 236

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

days in FY20 from 189 days in FY19) and is expected to remain at an extended level. This has also resulted in increased dependence on working capital limits with full utilization of limits, despite interchangeability allowed by the lenders.

Exposure to raw material price volatility: Stainless Steel, aluminium and ferro alloys form the key raw material required and procured both domestically and overseas. The prices being commodity items, are volatile in nature which exposes profitability to adverse movement in raw material prices. The prices have witnessed steep rise in the current fiscal on account of pent-up demand from China and domestic manufacturing activities and thus the ability to pass on the price hike would have significant impact on profitability. The company procures about 50%-60% of the raw material through imports against which less than 5% of the total revenue is derived from exports. The forex risk is partly managed through hedging based on the market scenario. The company only incurred exchange loss of Rs.0.05 crore in FY20 as against Rs.1.10 crore loss in FY19.

Key Rating Strengths

Experienced promoters with vast industry experience: Flash Forge Private Limited (FFPL) has been promoted by Mr. Gautam Makker (Managing Director) and Mr. Sunil Menon (Executive Director). They have contributed to steady growth of FFPL since inception in 1991. Mr. Makker was earlier associated with Ergo Bogen GmbH, Germany, where he was engaged in sales and marketing in international market and developed extensive network globally in sourcing and providing solutions to defense, power and marine industry. FFPL has proven experience of supply and execution contracts for the Defence segment and Indian Navy.

Satisfactory order book position with reputed clientele: The company has a satisfactory order book position and the aggregate orders in hand stood at Rs.195 crore as on December 31, 2020 as against Rs.240 crore as on October 10, 2020. The order book comprises work to be done for reputed entities such as Petr6leos de Venezuela, S.A. (PDVSA), Ship Building Centre (Vishakapatnam), Mazagaon Dock Shipbuilders Limited, Naval Dockyard, Munligarh Refinery Limited, Larsen & Turbo and others

Satisfactory capital structure: The working capital intensive nature of business operations has resulted in high working capital debt with debt profile of the company majorly constituting working capital borrowings (fund based limits and LC acceptances). Nevertheless, with long track record, networth position has been modest resulting in a satisfactory capital structure with overall gearing ratio remained close to unity as on March 31, 2020, almost in line with last year.

Liquidity analysis: Stretched - There has been slowdown of the business operation since last year with subsequent impact on the profitability and liquidity. Given the operations in a working capital intensive industry, the reliance on working capital borrowings has been high which has further intensified in the current fiscal due to inventory built up and slowdown in work execution. Consequently, the working capital limits have been almost fully utilized. The company has taken interest moratorium on working capital facilities for the period March 2020 to August 2020. However, the same was paid post end of moratorium.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

About the Company

In 1991, Flash Forge Private Limited (FFPL) was incorporated as a forging firm and subsequently the company has diversified into a wide array of Engineering Products, System Equipment, and Turnkey Project execution straddling four different industries: Defense, Power, Railway, and Oil & Gas. The company has forayed into the field of system integration and is also undertaking several system integration projects for the Indian Navy. The company also does ship production and ship repair for the Indian Navy

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	9MFY2022
Total operating income	324.41	272.55	NA
PBILDT	40.34	19.22	NA
PAT	16.67	1.18	NA
Overall gearing (times)	0.93	1.06	NA
Interest coverage (times)	3.34	1.44	NA

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	35.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	48.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	78.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST *	35.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4 (24-Mar-21) 2)CARE A3 (23-Oct-20) 3)CARE A3; ISSUER NOT COOPERATING * (28-Jul-20) 4)CARE A3+ (03-Apr-20)	1)CARE A3+ (02-Apr-19)	1)CARE A3 (04-Apr-18)
2	Fund-based - LT-Cash Credit	LT	48.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (24-Mar-21) 2)CARE BBB-; Stable (23-Oct-20) 3)CARE BBB-; Stable; ISSUER NOT COOPERATING * (28-Jul-20) 4)CARE BBB;	1)CARE BBB; Stable (02-Apr-19)	1)CARE BBB-; Stable (04-Apr-18)

						Stable (03-Apr-20)		
3	Non-fund-based - ST-Letter of credit	ST	78.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (24-Mar-21) 2)CARE A3 (23-Oct-20) 3)CARE A3; ISSUER NOT COOPERATING * (28-Jul-20) 4)CARE A3+ (03-Apr-20)	1)CARE A3+ (02-Apr- 19)	1)CARE A3 (04-Apr-18)
4	Non-fund-based - ST-Loan Equivalent Risk	ST	2.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (24-Mar-21) 2)CARE A3 (23-Oct-20) 3)CARE A3; ISSUER NOT COOPERATING * (28-Jul-20) 4)CARE A3+ (03-Apr-20)	1)CARE A3+ (02-Apr- 19)	1)CARE A3 (04-Apr-18)
5	Fund-based - LT- Term Loan	LT	-	-	-	-	-	1)Withdrawn (04-Apr-18)
6	Fund-based - ST- Bill Discounting/ Bills Purchasing	ST	2.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (24-Mar-21) 2)CARE A3 (23-Oct-20) 3)CARE A3; ISSUER NOT COOPERATING * (28-Jul-20) 4)CARE A3+ (03-Apr-20)	1)CARE A3+ (02-Apr- 19)	1)CARE A3 (04-Apr-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple
5	Non-fund-based - ST-Loan Equivalent Risk	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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