

## Flexituff Ventures International Limited

September 04, 2020

### Ratings

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	36.24	CARE D [Single D]	Assigned
Long-term/Short-term Bank Facilities	237.24	CARE D/ CARE D [Single D/ Single D]	Assigned
Short-term Bank Facilities	190.02	CARE D [Single D]	Assigned
<b>Total Facilities</b>	<b>463.50</b> <b>[Rupees Four Hundred Sixty Three Crore and Fifty Lakh Only]</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings for the bank facilities of Flexituff Ventures International Limited (FVIL) take into account the on-going delays and defaults in servicing of debt obligations owing to its poor liquidity arising due to weak financial performance marked by negative operating profitability and cash loss in FY20 (refers to period April 1 to March 31). The company has been facing inadequate cash flows to meet debt servicing requirements leading to delays and defaults in debt servicing since more than 12 months.

### Rating Sensitivities

#### Positive Factors

- Sustained track record of timely servicing of debt obligations for a minimum period of 90 days from the date of last delay/ defaults

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### ***On-going delays and defaults in servicing debt obligations***

There are on-going delays in servicing of debt obligations owing to the weak financial performance of the company over the last three years marked by net losses reported in FY18, FY19 and FY20 along with sizable cash loss in FY20, resulting in inadequate cash flows to meet operational and debt servicing requirements.

##### ***Susceptibility of operating profitability to volatility in raw material prices and foreign exchange fluctuation risk***

The key raw materials of FVIL include plastic granules which is a derivative of crude oil. The prices of raw material are volatile in nature being derivatives of crude. Considering the volatility associated with raw material prices and timing difference arising in procurement of raw material and realization of sales, the operating profitability of FVIL remains susceptible to volatility in crude oil prices. Any change in average crude oil prices would result into increased prices for most of its derivative products, leading to increase in raw material cost for FVIL. FVIL maintains inventory of around two months, thus maintaining the flexibility to pass on the volatility in raw material prices. Further, FVIL earns majority of its revenue from exports thereby exposing it to foreign exchange fluctuation risk.

#### **Liquidity: Poor**

The liquidity of the company remained stretched during the last three years ended FY20 with elongated working capital cycle as a result of high collection period. FVIL offers credit period to customers ranging from 1 month to 6 months. Correspondingly, FVIL utilizes letter of credit facility to facilitate the creditors which has to be paid within 90 days. Further, FVIL had long overdue debtors of more than Rs.100 crore outstanding as on March 31, 2020 which further put pressure on liquidity. Further, FVIL had large scheduled term debt repayment obligation during FY19 and FY20 as against low cash accruals resulting into cash flow mismatch and delays and defaults in debt servicing. Moreover, CARE takes cognizance of the company's decision to avail moratorium granted by its lenders as a Covid-19 relief measure (as permitted by the Reserve Bank of India) for a period of March to August 2020 towards the interest payment on its working capital limits.

**Analytical Approach:** Consolidated. For the purpose of analysis, CARE has considered consolidated financials of FVIL including its subsidiaries. The list of subsidiaries is placed at **Annexure 4**.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Applicable Criteria:**

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings  
 CARE's Policy on Default Recognition  
 Policy on Curing Period  
 Criteria for Short Term Instruments  
 Rating Methodology: Consolidation and Factoring Linkages in Ratings  
 Financial ratios – Non-Financial Sector  
 CARE's methodology for manufacturing companies  
 Liquidity Analysis of Non-Financial Sector Entities

**About the company**

Formerly known as Flexituff International Limited, the company 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 the Indian Stock Exchanges in 2011. The name of the company was changed to Flexituff Ventures International Limited w.e.f. September 28, 2018. FVIL is engaged in the business of manufacturing Flexible Intermediate Bulk Container (FIBC), reverse printed Biaxially-Oriented Polypropylene (BOPP) woven bags, Leno Bags (small packaging bags), 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. FVIL has a long and established track record in the FIBC market and is one of the leading players in the domestic market along with established relationship in the export markets which fetches repetitive orders for the company. The sales of FVIL are mainly focused on exports to Europe, UK and USA. The company has two manufacturing facilities, located at Pithampur (Madhya Pradesh) and Kashipur (Uttarakhand) which commenced its operations in December 2015 and has a total extrusion capacity of 1,02,050 MTPA as on March 31, 2020.

FVIL is spearheaded by Mr. Saurabh Kalani, who has been involved in the business of polymer packaging for over two decades. He is a commerce graduate from Sydenham College, Mumbai and the founder President of the Indian Flexible Intermediate Bulk Container Association (IFBCA). He is well supported by the senior professionals having over two decades of experience in varied industries, and more than ten years of experience with FVIL.

(Rs. Crore)

Brief Consolidated Financials of FVIL	FY18 (A)	FY19 (A)	FY20 (A)
Total operating income	1,284.09	1,263.49	898.78
PBILDT	178.55	147.90	(54.18)
PAT	(4.33)	(23.87)	(168.97)
Overall gearing (including acceptances and LC backed creditors) (times)	2.57	2.90	5.72
TOL/ TNW (times)	2.88	3.26	6.57
PBILDT Interest coverage (times)	1.60	1.35	(0.73)

A: Audited

**Status of non-cooperation with previous CRA:** ICRA, vide its press release dated April 17, 2020, had moved the rating assigned to bank facilities of the company to the 'ISSUER NOT COOPERATING' category due to non-submission of monthly "No Default Statement" by the company.

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2022	36.24	CARE D
Fund-based - LT/ ST-Working Capital Limits	-	-	-	237.24	CARE D/ CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	190.02	CARE D

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	36.24	CARE D	-	-	-	-
2.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	237.24	CARE D/ CARE D	-	-	-	-
3.	Non-fund-based - ST-Working Capital Limits	ST	190.02	CARE D	-	-	-	-

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT/ST-Working Capital Limits	Simple
3.	Non-fund-based - ST-Working Capital Limits	Simple

**Annexure-4: List of Subsidiaries**

Name of the entity	Ownership by FVIL
	As on March 31, 2020
Flexiglobal Holding Ltd.	100%
Flexiglobal (UK) Limited #	100%
Flexituff Technology International Ltd. (formerly as Flexituff FIBC Ltd.)	100%
Flexituff SA Enterprises LLP*	75%
Flexituff Javed LLP*	80%
Flexituff Hi Tech LLP*	80%
Ujjivan Luit LLP*	51%
Flexituff Sailendra Kalita LLP *	80%
Budheswar Das Flexituff International Limited JV **	45%
Sanyug Enterprise Flexituff International Limited JV **	80%
Vishnu Construction Flexituff International Limited JV **	75%
Mayur Kartick Barooah Flexituff International Ltd. JV **	50%
Flexituff Sailendra Kalita JV **	75%
Flexituff Pulin Borgohain JV **	75%

# Indirect subsidiary through Flexiglobal holdings Ltd.

\* Limited liability partnership - ownership through capital

\*\* Association of person - ownership through control over all activities of the entity

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications. Please refer Annexure-3 for more details.

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### About CARE Ratings:

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#### Disclaimer

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**