

## Jhaveri Flexo India Limited

March 17, 2017

### Ratings

Facilities	Amount (Rs crore)	Rating	Remark
Term Loan	6.00	<b>CARE BB+; Stable</b> (Double 'B' Plus; Outlook: Stable)	Assigned
Long Term Bank Facilities	40.00	<b>CARE BB+; Stable</b> (Double 'B' Plus; Outlook: Stable)	Assigned
Short Term Bank Facilities	34.00	<b>CARE A4+</b> ( 'A' Four Plus)	Assigned
<b>Total Facilities</b>	<b>80.00</b> (Rs Eighty Crore Only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Jhaveri Flexo India Limited are constraint by subdued operating performance exhibited in the last three years, exposure to volatility in raw material prices and foreign exchange risk, below average liquidity profile and competitive nature of the industry. CARE notes that the performance of the company has been improving over the past three years and the company has posted profit during H1FY17.

The ratings consider the experience of the promoter and long track record of the company in the flexible packaging industry, diversified customer profile with long term relationship with them, and financial support provided by the promoters over the years.

The ability of the company to consistently increase its scale of operations and turn profitable is the key rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### ***Extensive experience of the promoters and financial support provided by them over the years***

The company is promoted by Jhaveri family in 1998, and the promoters have more than two decades of experience in the industry. The Management of Jhaveri Flexo includes qualified professionals from various fields. The promoters over the years have supported the company through infusion of funds both as equity and as unsecured loans.

##### ***Diversified product portfolio and customer base***

JFL manufactures products which include durable laminates, flexible pouches, and a variety of films such as cling films, stretch films, surface protection films, and metallized films. JFL has two manufacturing facilities located at Silvassa and Aurangabad. The customer base spreads across various industries like food, edible Oil, confectionary, cosmetics, seeds etc.

#### Key Rating Weaknesses

##### ***Muted operational performance in the last three years***

The operating performance of the company has been marked by muted performance over last three years. Volatility in raw material prices and foreign exchange have affected the company and the company has incurred losses. However the operational performance have consistently improved over the past three years with stabilization in raw material prices, discontinuance of low margin clients and renegotiating prices with some of the clients. The company has turned profitable during H1FY17 with sales of Rs. 149.78 crore and PBT of Rs. 3.02 crore.

***Exposed to volatility in raw material prices and foreign exchange fluctuation risk***

The raw material being crude oil derivative is volatile and thus the company is exposed to volatility in raw material prices. Due to competitive nature of the industry it is not always possible to pass on the increase raw material prices to the customer. The company is a net importer (around 30-35% of total requirement is imported) and does not hedge its net exposure. Thus it is exposed to foreign exchange fluctuation risk.

***Below average liquidity profile***

The liquidity profile is below average with low current ratio and increasing operating cycle due to high inventory period. The average utilization of fund based limits is high at 87% for the past 12 months ending December 16 and provides no major liquidity cushion.

**Analytical approach:** Standalone

**Applicable Criteria**

Criteria on assigning Outlook to Credit Ratings

CARE's policy on Default Recognition

Rating Methodology – Manufacturing Sector Companies

Financial Ratios-Non Financial Sector

Criteria for Short Term Instruments

**About the Company**

Jhaveri Flexo India Ltd, which was incorporated in 1998, and promoted by Mr. Sandeep Jhaveri, manufactures customized flexible packaging solutions at its facilities in Aurangabad (Maharashtra) and Silvassa (Dadra & Nagar Haveli).

Its products include durable laminates, flexible pouches, and a variety of films such as cling films, stretch films, surface protection films, and metallized films. JFL was merged with Flexo Film Wraps (India) Ltd in 2006, and renamed Jhaveri Flexo India Limited (JFL). The company's clients are primarily reputed players in the fast-moving consumer goods, confectionary, processed food, and engineering industries.

During FY16 (refers to the period April 1 to March 31), JFL had recorded loss at the net level of Rs. 1.18 (PY loss at the net level of Rs. 6.89 crore) on a total income of Rs. 271.01crore (PY Rs. 290.92 crore). Besides, during H1FY17, the company had reported an income of Rs. 149.78 crore and PBT of Rs.3.02 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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.

**Analyst Contact**

Name: Mr Arunava Paul

Tel: 022-67543667

Mobile: 9820904584

Email: [arunava.paul@careratings.com](mailto:arunava.paul@careratings.com)

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

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own

risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

#### 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-Cash Credit	-	-	-	40.00	CARE BB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	34.00	CARE A4+
Term Loan-Long Term	-	-	-	6.00	CARE BB+; Stable

#### 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	40.00	CARE BB+; Stable	-	-	-	-
2.	Non-fund-based - ST-BG/LC	ST	34.00	CARE A4+	-	-	-	-
3.	Term Loan-Long Term	LT	6.00	CARE BB+; Stable	-	-	-	-

**CONTACT****Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: [amod.khanorkar@careratings.com](mailto:amod.khanorkar@careratings.com)**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [sajan.goyal@careratings.com](mailto:sajan.goyal@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691