Press Release

3B Films Limited (Erstwhile 3B Films Private Limited)

September 25, 2024

Ratings

Facility	**Amount (Rs. crore)**	**Current Ratings**	**Previous Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facilities	49.15 (reduced from 60.93)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB/ Negative ISSUER NOT COOPERATING* (IVR Double B with Negative Outlook Issuer Not Cooperating)	Upgraded with outlook changed from Negative to Stable and removed from Issuer Not Cooperating category	Simple
Short Term Bank Facilities	3.07	IVR A4+ (IVR A Four Plus)	IVR A4 ISSUER NOT COOPERATING* (IVR A Four Issuer Not Cooperating)	Upgraded and removed from Issuer Not Cooperating category	Simple
Total	**52.22 (Rs. Fifty Two Crore and Twenty Two Lakh Only)**				

**Issuer did not cooperate; based on best available information*

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Earlier Infomerics had moved the rating of 3B Films Limited (3BFL) into Issuer Not Cooperating category vide its press release dated July 05, 2024 due to non-submission of information required for the detailed review of the company. However, the company has started cooperating and has submitted the required information. Consequently, Infomerics has removed the rating from the ‘ISSUER NOT COOPERATING’ category.

The upgrade of the ratings assigned to the existing bank facilities of 3BFL is based on the long experience of promoters, significant improvement in profits in FY24 (refers to the period April 01, 2023 to March 31, 2024) and 4MFY25 (Provisional) (refers to the period April 01, 2024 to July 31, 2024), moderate capital structure, and favourable demand outlook for the packaging industry. However, these rating strengths are partially constrained due to the relatively small scale of current operations, high working capital intensive nature of operations, susceptibility of profitability to volatility in raw material prices and foreign exchange fluctuations, and highly fragmented industry.

Rating Sensitivities

Upward Factors

- Significant increase in scale of operations and profits thereby leading to an improvement in cash accruals.
- Further improvement in capital structure and improvement in debt protection metrics.
- Improvement in operating cycle leading to an improvement in liquidity position.

Downward Factors

- Dip in operating income and/or profitability thereby leading to any deterioration in the financial risk profile on a sustained basis.
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long experience of promoters

The company was incorporated in 2014 and started its commercial operation from 2017. The company is promoted by Gujarat-based Babariya family, who have a long experience in the industry. The directors, Mr. Ashok Dhanjibhai Babariya, Mr. Mukesh Dhanjibhai Babariya and

Ms. Gulabben Nitinbhai Babariya look after the day-to-day operation of the business along with a team of experienced professionals.

Significant improvement in profits in FY24 and 4MFY25 (Provisional)

Total Operating Income witnessed a muted increase from INR73.02 crore in FY23 (refers to the period April 01, 2022 to March 31, 2023) to INR76.40 crore in FY24 driven primarily by higher sales of NAT CPP Film and Exports while decline in sales were observed for MET CPP/CPE Films and other segments. EBITDAs in FY23 and FY24 were INR11.09crore, and INR15.66 crore respectively. EBITDA margin improved from 15.19% in FY23 to 20.50% in FY24 because of reduction in operating costs and inclusion of more speciality/high margin products in the sales mix. PAT improved significantly from INR0.56 crore in FY23 to INR5.14 crore in FY24 because the depreciation and interest charges were very similar in FY23 and FY24. PAT margin improved from 0.76% in FY23 to 6.73% in FY24. While revenue in 4MFY25(Provisional) declined to INR16.13 crore from INR19.89 crore in 4MFY24 (refers to the period April 01, 2023 to July 31, 2023), and EBITDA dropped from INR5.47 crore in 4MFY24 to INR5.39 crore in 4MFY25 (Provisional), PAT improved from INR1.43 crore in 4MFY24 to INR1.63 crore in 4MFY25 (Provisional). EBITDA margin improved from 27.5% in 4MFY24 to 33.4% in 4MFY25 (Provisional) while PAT margin improved from 7.2% in 4MFY24 to 10.1% in 4MFY25 (Provisional).

Moderate capital structure

Given the improved operating performance in FY24 and infusion of quasi equity to the tune of INR15.83 crore in FY24, the long term debt to equity ratio on adjusted tangible net worth improved from 0.90x on March 31, 2023 to 0.54x on March 31, 2024. Overall Gearing on adjusted networth also improved from 1.36x on March 31, 2023 to 0.88x on March 31, 2024 while TOL/TNW on adjusted networth improved from 1.67x on March 31, 2023 to 1.09x on March 31, 2024. Interest Coverage ratio improved from 1.76x in FY23 to 2.32x in FY24. DSCR also improved from 0.72x in FY23 to 0.81x in FY24 while still remaining below 1x. Debt repayments in FY24 were met through the infused quasi equity in FY24.

Favourable demand outlook for the packaging industry

The global population is rising at an unprecedented rate. Consequently, there is a huge rise in food and beverage items demand and inclination of consumers towards online shopping. Rising trend of consuming ready-to-eat meals especially in the western economies, is leading to the rise in demand for convenient packaging solutions. According to the Food and Agriculture Organization of the United Nations, roughly one-third of the food produced for human consumption is wasted globally and this is where the role of cast polypropylene comes into play. These packaging solutions improve the shelf life of the food products. Also, increasing demand of convenience foods due to changing lifestyle and busy schedule has further propelled the growth rate of the market.

Key Rating Weaknesses

Relatively small scale of current operations

The company's scale of operations continues to remain relatively small at INR76.40 crore in FY24, which results in low profits and cash accruals on an absolute basis. A sustained increase in topline and profit will be a key rating monitorable going ahead.

High working capital intensive nature of operations

The working capital cycle of the company was stretched at 270 days in FY24 compared with 204 days in FY23. The elongation was due to high inventory holding period of 279 days. The company is required to maintain an adequate quantity of raw materials and finished products to ensure smooth production and to meet demand of customers which has led to elongation in inventory holding period. The high working capital requirements were met largely through bank borrowings which resulted in a high average utilization of around 83% for the last 12 months ended June 2024.

Profitability remains susceptible to volatility in raw material prices and foreign exchange fluctuations

The company remains exposed to the volatility in prices of the key raw material, polymer, a derivative of crude oil. This exposes the company to fluctuations in polymer prices, particularly to the extent of inventory held. Moreover, ~30-40% of the total raw materials requirement of the company are imported and the remaining is sourced from domestic suppliers. The company also exports nearly 22-25% of its total sales. Therefore, being importer and exporter, there is a foreign currency risk. And, in the absence of any hedging policies adopted by the company, the unhedged exposure of the company is exposed to volatility in foreign exchange.

Highly fragmented industry

The packaging industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector).
- Criteria for assigning Rating outlook.
- Complexity Level of Rated Instruments/Facilities
- Policy on Default Recognition and Post -Default Curing Period

Liquidity – Adequate

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations from FY25 (refers to the period April 01, 2024 to March 31, 2025) to FY27 (refers to the period April 01, 2026 to March 31, 2027). The company's bank limits are utilized to the extent of ~83% on an average for the 12 months period ended June 2024. Absence of any major capex provides comfort to the liquidity position. The company had a comfortable current ratio of 1.48x as on March 31, 2024. Current ratio is expected to remain between 1.50x and 2.09x during March 31, 2025 to March 31, 2027.

About the company

Gujarat-based 3B Films Private Limited was incorporated in 2014. The company started its commercial operation from April 2017. The company is engaged in the manufacturing of cast polypropylene films (CPP). It can produce the entire range of CPP films from 15 microns to 300 microns in plain, white opaque, and metallizable grades. The installed capacity of the CPP films increased to 12,000 MT per annum (MTPA) from 6000 MTPA in August 2021. The company's name was changed from 3B Films Private Limited to 3B Films Limited on 20th June 2024.

Financials (Standalone): **(Rs. crore)**

For the year ended* / As on	31.03.2023	31.03.2024
	Audited	Audited
Total Operating Income	73.02	76.40
EBIDTA	11.09	15.66
PAT	0.56	5.14
Total Debt	67.39	59.55
Tangible Net Worth (Adjusted)	49.71	67.90
EBDITA Margin (%)	15.19	20.50
PAT Margin (%)	0.76	6.73
Overall Gearing Ratio (Adjusted) (x)	1.36	0.88
Interest Coverage Ratio	1.76	2.32

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Acuite Ratings continued the ratings of 3B Films Limited in the Issuer Non-Cooperating category owing to information insufficiency and lack of management cooperation as per the Press Release dated 23rd September 2024.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Jul 05, 2024	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
						Jun 01, 2023	Nov 09, 2022	Sep 01, 2021
1.	Cash Credit Limits	Long Term	23.00*	IVR BB+/ Stable	IVR BB/ Negative ISSUER	IVR BB+/ Stable	IVR BB- ISSUER NOT	IVR BB/ Stable

					NOT COOPERATING*		COOPERATING*	
2.	Term Loans	Long Term	26.15	IVR BB+/ Stable	IVR BB/ Negative ISSUER NOT COOPERATING*	IVR BB+/ Stable	IVR BB- ISSUER NOT COOPERATING*	IVR BB/ Stable
3.	Bank Guarantees	Short Term	3.07	IVR A4+	IVR A4 ISSUER NOT COOPERATING*	IVR A4+	-	-

 # PC/PCFC/FBP/FBD/PSCFC of INR2.00 crore are sublimit of CC of Bank of Baroda. PC/PCFC/EBN/EBD/EBP of INR3.00 crore are sublimit of CC of Central Bank of India. ILC/FLC – DP/DA usance 90 days of INR5.00 crore are sublimit of CC of Central Bank of India.
**Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	8.00*	IVR BB+/ Stable
Cash Credit 2	-	-	-	15.00#	IVR BB+/ Stable
Term Loan 1	-	-	Oct 2024	0.15	IVR BB+/ Stable
Term Loan 2	-	-	May 2027	15.70	IVR BB+/ Stable
Term Loan 3	-	-	Mar 2028	8.94	IVR BB+/ Stable
Term Loan 4	-	-	Mar 2027	1.36	IVR BB+/ Stable
Bank Guarantee 1	-	-	-	1.50	IVR A4+
Bank Guarantee 2	-	-	-	1.57	IVR A4+

***** *PC/PCFC/FBP/FBD/PSCFC of INR2.00 crore are sublimit of CC.*
 # PC/PCFC/EBN/EBD/EBP of INR3.00 crore are sublimit of CC. ILC/FLC – DP/DA usance 90 days of INR5.00 crore are sublimit of CC.

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-3B-Films-25sept24.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: NA

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.