

Press Release

Wheel Flexible Packaging

D-U-N-S® Number: 86-332-0477



January 21, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 16.25 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 16.25 crore bank facilities of Wheel Flexible Packaging (WFP). The outlook is '**Stable**'.

The Dadra and Nagar Haveli based, WFP was established as a partnership firm in 1999. The partners of the firm are Mr. A.C.B. Nambiar, Mr. P.A. Mohammed Abdulrehaman, Ms. Vidya Pathak, Mr. Zaidali Babu V.M. and Mr. Abhilash Nambiar. The firm is engaged in manufacturing printed, unprinted & laminated pouches and rolls. The manufacturing unit has an installed capacity of 9000 MT per annum with average utilisation of ~70 percent.

Analytical Approach

Acuité has consolidated the business and financial risk profile of Wheel Flexible Packaging (WFP) and Wheel Flexible Packaging Private Limited (WFPPL) together referred to as the 'Wheel Group' (WG). The consolidation is in view of the similar line of business, common management and common customer and supplier base. Extent of Consolidation : Full.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

Wheel Group (WG) comprises of two companies, Wheel Flexible Packaging (WFP) and Wheel Flexible Packaging Private Limited (WFPPL). WFP was established in 1999, and WFPPL was incorporated in 2016. Thus, have an operational track record of over two decades. Mr. A.C.B. Nambiar (Managing Partner) has an experience of around five decades in the flexible packaging industry. Hence, long track records of operations and vast experience of management has helped the group develop healthy relationship with its customers and suppliers. Acuité believes that WG will sustain its existing business profile on the back of established track record of operations and experienced management.

• Moderate financial risk profile

The financial risk profile of the group remained moderate marked by net worth of Rs. 29.12 crore (includes quasi equity of Rs. 7.02 crore) as on 31 March 2018 as against Rs. 18.69 crore (includes Rs. 6.37 crore of quasi equity) as on 31 March 2017. The gearing (debt-equity) stood at 0.91 times as on 31 March 2018 as against 0.81 times as on 31 March 2017. The total debt of Rs. 26.44 crore as on 31 March 2018 mainly comprises Rs. 16.89 crore of long term debt and Rs. 9.55 crore of working capital facility. Interest Coverage Ratio (ICR) stood at 2.75 times for FY2018 as against 3.19 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio remained at 0.13 times in FY2018 and 0.19 times in FY2017. Debt to EBITDA stood at 4.75 times in FY2018 as against 3.66 times in FY2017. WFPPL has availed term loan of Rs. 15.00 crore in FY2018; hence, Debt to EBITDA of the group is expected to be at a moderate level. Further, Acuité believes the financial risk profile of the group is expected to remain moderate backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

• Continuous increase in operations and stable profitability

WG's revenues have grown at a CAGR of 15 percent from FY2016 to FY2018. The operating income of the group stood at Rs. 112.39 crore in FY2018 as against Rs. 91.17 crore in FY2017 and Rs. 85.21 crore in FY2016. Further, the group has registered revenue of Rs. 128.00 crore from April 2018-November 2018. Acuité believes that the scale of operations will increase over the medium term. The operating margins stood at 4.95 percent in FY2018 as against 4.55 percent in FY2017. The PAT margins remain at 2.28 percent in FY2018 and 2.51 percent in FY2017.

Weaknesses

- **Moderate working capital operations**

The group's working capital operations are moderate marked by Gross Current Assets (GCA) of 147 days for FY2018 as against 132 days for FY2017. Debtor days stood at 73 days for FY2018 as against 61 days for FY2017. The inventory stood at 54 days for FY2018 as against 48 days for FY2017. The average bank limit utilization of the group stood at ~93 percent for the last six months ended November, 2018. Acuité believes that the group's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- **Competitive and fragmented nature of industry**

The flexible packaging industry is highly fragmented and competitive with several organised as well as unorganised players.

Outlook: Stable

Acuité believes that the Wheel Group will maintain a 'Stable' outlook and benefit over the medium term on the back of its promoters extensive industry experience. The outlook may be revised to 'Positive' if the group registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in working capital cycle.

About the Group

Wheel Group was founded in 1992 by Mr. A.C.B. Nambiar. The group includes Wheel Flexible Packaging (WFP) and Wheel Flexible Packaging Private Limited (WFPPL). The group is engaged in manufacturing of printed, unprinted and laminated multilayer flexible packaging material in form of pouches and rolls based on polyester, BOPP, and other variety of similar product line. The group has total installed capacity of 15000 MT per annum.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	112.39	91.17	85.27
EBITDA	Rs. Cr.	5.56	4.14	3.87
PAT	Rs. Cr.	2.57	2.29	2.26
EBITDA Margin	(%)	4.95	4.55	4.54
PAT Margin	(%)	2.28	2.51	2.65
ROCE	(%)	10.37	13.19	33.54
Total Debt/Tangible Net Worth	Times	0.91	0.81	0.69
PBDIT/Interest	Times	2.75	3.19	3.28
Total Debt/PBDIT	Times	4.75	3.66	2.16
Gross Current Assets (Days)	Days	147	132	116

Status of non-cooperation with previous CRA (if applicable)

ICRA, vide its press release dated September 28, 2018 had denoted the rating of Wheel Flexible Packaging as 'ICRA BB /Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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