

## Press Release

### Wheel Flexible Packaging Private Limited

March 12, 2020

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 21.00 Cr. (Enhanced from Rs. 20.00 Cr.)
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 21.00 crore bank facilities of Wheel Flexible Packaging Private Limited (WFPPL). The outlook is '**Stable**'.

#### About the company

The Vapi (Gujarat) based, WFPPL was incorporated in 2016. The Directors of the company are Mr. A.C.B. Nambiar and Ms. Vidya Pathak. The company is engaged in manufacturing printed, unprinted and laminated pouches and rolls. The manufacturing unit has an installed capacity of 6000 MT. The company commenced its operations in January 2018.

#### 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.

#### Analytical Approach

Acuite 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. Acuite believes that WG will sustain its existing business profile on the back of established track record of operations and experienced management.

- Growing scale of operations**

WG's revenues have grown at a CAGR of 18 per cent from FY2016 to FY2019. The operating income of the group stood at Rs. 141.22 crore in FY2019 as against Rs. 114.93 crore in FY2018. Further, the group has registered revenue of ~Rs. 172.00 crore from April 01, 2019 - Feb 20, 2020. The operating margins stood at 5.59 percent in FY2019 as against 4.84 percent in FY2018. PAT margins stood at 1.49 percent in FY2019 as against 2.23 percent in FY2018. This is mainly due to increased interest cost on account of high utilization of working capital limits in FY2019 as compared to previous year. Also, WFPPL's operations started in January 2018.

#### • **Moderate financial risk profile**

The financial risk profile of the group remained moderate marked by net worth of Rs. 29.74 crore as on 31 March 2019 as against Rs. 29.12 crore as on 31 March 2018. The networth includes Rs. 6.93 crore of quasi equity as on 31 March 2019. The gearing (debt-equity) stood at 1.02 times as on 31 March 2019 as against 0.91 times as on 31 March 2018. The total debt of Rs. 30.37 crore as on 31 March 2019 mainly comprises of Rs. 15.77 crore of long term debt, Rs. 14.33 crore of working capital facility and Rs. 0.27 crore of unsecured loans. Further, Interest Coverage Ratio (ICR) stood at 2.19 times for FY2019 as against 2.75 times for FY2018. Debt to EBITDA stood at 3.82 times for FY2019 as against 4.75 times for FY2018. Acuite believes that 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.

#### **Weaknesses**

##### • **Moderate working capital operations**

The group's working capital operations are moderate marked by Gross Current Assets (GCA) of 157 days for FY2019 as against 143 days for FY2018. This is mainly on account of increased inventory days to 75 days for FY2019 from 53 days for FY2018. Debtor days stood same at 72 days for FY2019 and FY2018. Further, the average bank limit utilization of the group stood at ~97.11 percent for the last six months ended December, 2019. Acuite 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.

#### **Rating Sensitivities**

- Substantial improvement in scale of operation while maintaining profitability margin.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

#### **Any Material Covenants**

Quasi equity (unsecured loans) is not withdrawn during the currency of the loan.

#### **Liquidity Position: Adequate**

WG has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 4.28 crore for FY2019, while its maturing debt obligations were Rs. 1.53 crore for the same period. The cash accruals of the group are estimated to remain in the range of ~Rs. 7.00 crore to Rs. 9.50 crore during 2020-22 against debt obligation in the range of ~ Rs. 1.50 crore to Rs. 2.50 crore for the same period. The group's working capital operations are moderate marked by GCA days of 157 days for FY2019. The group maintains unencumbered cash and bank balances of Rs. 0.26 crore as on 31 March, 2019. The current ratio stood at 1.39 times as on 31 March, 2019. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

#### **Outlook: Stable**

Acuite believes that the Wheel Group will maintain a 'Stable' outlook and benefit over the medium term on the back of its promoter's 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 Rated Entity - Key Financials (Consolidated)**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	141.22	114.93
PAT	Rs. Cr.	2.11	2.57
PAT Margin	(%)	1.49	2.23
Total Debt/Tangible Net Worth	Times	1.02	0.91
PBDIT/Interest	Times	2.19	2.75

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

Not applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**
<https://www.acuite.in/criteria-complexity-levels.htm>
**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Jan-2019	Cash Credit	Long Term	5.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB- / Stable (Assigned)

**\*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	8.00	ACUITE BBB- /Stable (Reaffirmed)
Term Loan	09-Sep-2017	Not applicable	01-Sep-2026	12.91	ACUITE BBB- /Stable (Reaffirmed)
Proposed Bank Facility	Not applicable	Not applicable	Not applicable	0.09	ACUITE BBB- /Stable (Reaffirmed)

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**About Acuité Ratings & Research:**

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