



Press Release
Wheel Flexible Packaging Private Limited
December 01, 2023

Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.52	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	27.80	ACUITE BB+ Stable Downgraded Negative to Stable	-
Bank Loan Ratings	10.00	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	42.32	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A Four Plus**) from '**ACUITE A3**' (read as **ACUITE A Three**) on Rs.37.80 Cr bank facilities of Wheel Flexible Packaging (WFP). The outlook has been revised from '**Negative**' to '**Stable**'.

Further, Acuite has also assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE Double B Plus**) on the Rs. 4.52 Cr bank facilities of WFP. The outlook is '**Stable**'.

Rationale for rating Downgrade and revision in outlook

The downgrade in the rating reflects further deterioration in the financial risk profile of the group. The Debt to equity of the group increased to 2.54 times for FY2023 as against 2.38 times for FY2022. Also, there is continuous deterioration in the profitability margins from the period FY21-23. Further, the rating downgrade also takes into consideration high reliance on working capital limits which stood at ~97 percent for last 10 months ended October 2023. The DSCR also remained at 1.00 times for FY2023 as against 1.32 times for FY2022, indicating stretched liquidity position of the group. However, the rating continues to draw comfort from experienced management, established track record of operations and improved scale of operations. The group earned revenue of Rs.244 Cr for FY23 as against Rs.199 Cr for FY2022. The operating margins of the group also improved to 6.19 percent in FY2023 as against 5.56 percent in FY2022. Going forward, the group's ability to maintain its improved scale of operations and profitability while improving its financial risk profile and liquidity position will remain a key rating sensitivity.

About Company

Vapi, Gujarat based Wheel Flexible Packaging Private Limited 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 & laminated pouches and rolls. The manufacturing unit has an installed capacity of 12000 metric tonnes (MT). The company commenced its operations in January 2018. The company procures polyester, granules, ink and processes the same to produce packaging material in the factory located in Vapi, Gujarat.

About the Group

Wheel Group was founded in 1992 by Mr. A.C.B. Nambiar. The group is engaged in

manufacturing of printed, unprinted & laminated multilayer flexible packaging material in form of pouches and rolls based on polyester, BOPP, etc. and other variety of similar product line. The group has total installed capacity of 24000 MT per annum with 55-60 percent utilization.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the rating, Acuité has taken a consolidated view on the business and financial risk profile of Wheel Flexible Packaging Private Limited and Wheel Flexible Packaging. The aforementioned entities are collectively referred to as the Wheel Group (WG). The consolidation is in view of the companies' similar business model, common management, operational and financial synergies.

Key Rating Drivers

Strengths

Experienced Management and established track record of operations:

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 diversify its customer base.

Acuité believes that WG will sustain its existing business profile on the back of established track record of operations and strategic decision by the management to increase overall scale of operations.

Improved Scale of operations:

The revenue of the group has increased to Rs.243.72 Cr in FY2023 as against Rs.198.62 in FY2022 on account of increase in demand of product. Further, the operating margins of the group also improved to 6.19 percent in FY2023 as against 5.56 percent in FY2022. The major raw material procured by the group include Polyethylene and Polyester films. These raw materials are susceptible to change in crude oil prices and fluctuation in USD. The ability to transfer the fluctuation in raw material prices ensures overall stability in operating margins. Also, there is adequate customer diversification, the group derives about 32 percent of its revenue in FY2023 through top 10 customers against 26 percent in the previous year. .

The Group until October 2023 has earned an aggregate revenue of Rs. 137 Cr and has an outstanding order book of Rs. 46.45 Cr as of same period

Weaknesses

Deterioration in the financial risk profile:

The financial risk profile of the group stood average marked by moderate net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.34.47 crore as on 31 March 2023 as against Rs.30.06 crore as on 31 March, 2022. The total debt of the company for FY2023 stood at Rs.87.47 crore includes Rs.26.56 crore of long-term debt, Rs.43.69 crore of short-term debt, Rs.9.36 crore of unsecured loans and Rs.7.85 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood high at 2.54 times as on 31 March, 2023 as against 2.38 times as on 31 March, 2022. Interest Coverage Ratio stood at 1.93 times for FY2023 as against 2.30 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.00 times in FY2023 as against 1.32 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.14 times as on 31 March, 2023 as against 3.94 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.07 times for FY2023 and FY2022. Acuité believes any further debt funded capital expenditure will result into further deterioration in the overall financial risk profile.

Working capital intensive nature of operations:

The working capital operations of the group is intensive marked by Gross Current Assets (GCA) of 173 days for FY2023 as against 182 days for FY2022. This is primarily due to high inventory cycle of 100 days in FY2023 as against 102 in FY2022 which has resulted into

increased dependence on external funding. The average inventory holding period remain at 60-90 days. Also, the debtor days stood at 67 days in FY2023 as against 58 days in FY2022. The average credit period allowed to customers is 60-75 days. On the other hand, creditors cycle stood at 56 days in FY2023 as against 60 days in FY2022. The average credit period allowed by suppliers is 30-90 days.

Acuité believes that the working capital nature of the group will continue to remain intensive over the medium term.

Rating Sensitivities

- Deterioration in the financial risk profile.
- Substantial improvement in the scale of operation and operating margin.
- Stretch in the working capital cycle resulting into increased reliance on working capital borrowings.

All Covenants

None

Liquidity Position Stretched

The Group's liquidity position is stretched marked by tightly matching cash accruals against repayment obligations and significant reliance on bank borrowings to fund working capital requirements. The Group generated net cash accruals in the range of Rs.5.19-5.95 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.2.76-7.85 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.7.63-8.97 crores against the maturing repayment obligations of around Rs.6.52-7.00 crore over the medium term. The working capital operations of the Group are intensive marked by GCA days of 173 days in FY2023 The average utilization of fund-based limits stood at ~97% for the last 10 months ended October 2023. The group maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2023. The current ratio stands at 1.30 times as on March 31, 2023 as against 1.40 times as on March 31, 2022.

Acuité believes that the liquidity of the group is likely to remain stretched on account of modest net cash accruals against its maturing debt obligation.

Outlook: Stable

Acuité has revised the outlook on WG to 'Stable' on account of its established track record and experienced management along with improved scale of operations. The outlook may be revised to 'Positive' in case the group achieves higher than expected growth in revenues and improvement in profitability, financial risk profile along with reduced dependence on short term funding through decline in working capital cycle days. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, further deterioration in financial risk profile along with high reliance on bank borrowings due to increase in working capital cycle days.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	243.72	198.62
PAT	Rs. Cr.	2.64	2.68
PAT Margin	(%)	1.08	1.35
Total Debt/Tangible Net Worth	Times	2.54	2.38
PBDIT/Interest	Times	1.93	2.30

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Sep 2022	Working Capital Term Loan	Long Term	2.01	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	1.80	ACUITE BBB- Negative (Assigned)
	Packing Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Working Capital Term Loan	Long Term	0.87	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	8.12	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Negative (Assigned)
10 Jun 2021	Proposed Term Loan	Long Term	2.15	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.85	ACUITE BBB- Stable (Reaffirmed)
12 Mar 2020	Proposed Bank Facility	Long Term	0.09	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.91	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.98	ACUITE BB+ Stable Downgraded Negative to Stable
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.52	ACUITE BB+ Stable Assigned
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4+ Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE BB+ Stable Downgraded Negative to Stable
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.52	ACUITE BB+ Stable Downgraded Negative to Stable
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.01	ACUITE BB+ Stable Downgraded Negative to Stable
Punjab National Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.89	ACUITE BB+ Stable Downgraded Negative to Stable

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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