



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Wonder Wage Waggon Trading Co. Private Limited

January 30, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1.	Long Term Bank Facilities	7.50	IVR B+/Stable Outlook(IVR Single B Plus with Stable Outlook)
2.	Short Term Bank Facilities	0.40	IVR A4 (IVR A Four)

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Wonder Wage Waggon Trading Co. Private Limited (WWWTCPL) draws comfort from its experienced promoters, healthy order book indicating strong revenue visibility in the near to medium term and reputed clientele albeit high concentration. These rating strengths are partially offset by small scale of operations of the Company, weak financial risk profile marked by small net worth base, highly leveraged capital structure and stretched liquidity marked by high working capital intensity.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operations and profitability on a sustained basis
- Improvement in the capital structure, operating cycle and liquidity

Downward Factors

- Moderation in scale of operation and profitability on a sustained basis
- Further elongation of operating cycle



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters have long standing experience in the chemicals industry. Mr. Nisar Hussain Dar (MD) has over 18 years of experience in manufacturing of basic drugs, chemicals and fine chemicals. Prior to setting WWTCPL, he was associated with Fortune Drugs Private Limited, AR Chemicals Pvt Ltd and National Biotech as Executive Director. The Company is likely to benefit from the extensive experience of its promoters going forward.

Healthy order book indicating a strong revenue visibility

The company has a strong outstanding order book of Rs.42crore as on January 20, 2020 (~7x of its FY19 revenue). Strong order book indicates healthy near to medium term revenue visibility for the company.

Reputed clientele albeit high concentration

The company has a reputed clientele base including many government departments and reputed private companies. However, the top five customers contributed ~92% of its revenue which indicates a high degree of revenue concentration.

Key Rating Weaknesses

Small scale of operations

The operating income of the Company declined to Rs.0.45crore in FY18 from Rs.5.22crore in FY17 due to fire incident in the premises of the company in September, 2017 and the company has witnessed cash loss during the fiscal. However, The Company witnessed healthy growth in its scale of operation in FY19 and registered operating income of Rs.6.11crore in FY19. Small scale of operations restricts the financial flexibility of the company to a large extent. Infomerics



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expects further improvement in the scale of operation over the medium term though it will continue to remain small. During 9MFY20, the company has achieved a total operating income of ~Rs.10.77crore.

Weak financial risk profile marked by small net worth and highly leveraged capital structure

The financial risk profile of WWWTCP has remained weak marked by its small net worth base of Rs.2.03crore and highly leveraged capital structure marked by TOL/TNW at 5.17x as on March 31, 2019. The debt protection metrics also remained below average with Total Debt/GCA at 43.94x in FY19.

Stretched liquidity marked by high working capital intensity

The operations of the company are working capital intensive as reflected in operating cycle of over 6 months in the fiscal ending FY19. The operating cycle remained elongated on account of stretch in receivables and high inventory. Majority of the sales are made to Government departments wherein payment is usually stretched. High working capital intensity coupled with low cash accruals indicates a liquidity pressure for the company.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The Company has stretched liquidity marked by its elongated operating cycle and high utilization of its working capital limits and instances of adhoc limits availed by the Company.

About the Company

Wonder Wage Waggon Trading Co. was incorporated in Delhi in 2012 as a proprietorship concern. It was subsequently converted into a Private Limited Company in 2015, in the name of

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Wonder Wage Waggon Trading Co. Private Limited (WWWTCPL) with its registered office at Badgam, J&K. The Company is engaged in trading of chemicals, mechanical and lab equipment's and coal. Majority of the sales are made to Government departments

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	0.45	6.11
EBITDA	0.05	0.51
PAT	-0.23	0.09
Total Debt	3.42	5.88
Tangible Net worth	0.93	2.03
EBITDA Margin (%)	10.40	8.35
PAT Margin (%)	-51.48	1.55
Overall Gearing Ratio (x)	3.67	2.90

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Cash Credit	Long Term	1.60	IVR B+/Stable	-	-	-
2.	SOD	Long Term	5.90	IVR B+/Stable	-	-	-
3.	Letter of Credit	Short Term	0.40	IVR A4	-	-	-



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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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long Term Bank Facilities- Cash Credit	-	-	-	1.60	IVR B+/Stable
Long Term Bank Facilities- SOD	-	-	-	5.90	IVR B+/Stable
Short Term Bank Facilities – Letter of Credit	-	-	-	0.40	IVR A4