



Press Release

Wellcon Constructions Private Limited (WCPL)

June 25, 2024

Ratings

Instrument/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Proposed Long Term Fund Based Bank Facilities - Cash Credit	10.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Proposed Short Term Non-Fund Based Bank Facilities – Letter of Credit/Bank Guarantee	35.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	Rs.45.00 (Forty-Five Crores Only)				

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

Detailed Rationale

The assignment of ratings to the proposed bank facilities of Wellcon Constructions Private Limited takes into account resourceful and experienced promoters with established track record of operations, WCPL's ability to pivot business to asset-light business model of operations, strong growth in revenues during FY24 (provisional) (refers to period April 1st, 2023, to Mar 31, 2024) albeit with reduction in EBITDA margins and comfortable debt coverage protection metrics. The rating is however constrained by profitability susceptible to volatile fuel prices and hire charges mitigated to some extent by price-escalation clauses and highly competitive and fragmented nature of road transport industry.

The stable outlook reflects the fact that the entity will continue to benefit from the extensive experience of the promoters and management in the industry, as also its established relationship with the customers and suppliers.



Press Release

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis may lead to rating upgrade.

Downward Factors

- Significant decline in revenues or moderation in profitability leading to stretch in debt coverage metrics.
- Significant increase in debt thereby deteriorating the leverage ratios.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Resourceful and experienced promoters with established track record of operations**

WCPL's promoters have an established track record of operations in coal transport services. The promoter Mr. Mr. Rajendra Kumar Agarwal has more four decades of experience in coal trading and transport. The promoter's extensive experience in coal trading and logistics will continue to support business growth. Also, the promoters are resourceful as envisaged by infusion Rs.10.00 cr. in FY24 -Provisional Figures (refers to period April 1st, 2023, to Mar 31, 2024) as quasi equity to support the business growth.

- **WCPL's ability to pivot business to asset-light business model of operations**

WCPL has pivoted its business strategy to a more asset light business model in recent past (FY23). As per FY24 provisional figures out of total transported tonnage of 52.85 lakh tonnes about ~ 61% was outsourced and ~ 39% was from its own fleet. The asset-light model helps WCPL to save on fixed cost of asset maintenance and financing, as also gives WCPL flexibility to scale up its operations in the event of demand build up. Likewise, it reduces idle capacity during business downturns, thus saving fixed costs and protecting EBITDA margins.

- **Strong growth in revenues during FY24 (Provisional) while maintaining its competitive position .**

The Company reported strong growth in revenues in FY24 at Rs.322.03 crores (FY23: Rs.76.08 crores) which is a growth of ~ 323% mainly driven by a change in the business strategy of the company. WCPL is now focusing more on increasing revenues by outsourcing



Press Release

majority of its tonnage capacity to third party transporters. WCPL has maintained its competitive position envisaged by increase in EBITDA margins to 9.91% in FY24 (FY23: 7.89%). Also average realization per tonne has increased to Rs.609.31 per tonne in FY24 from Rs.498.55 in FY22 per tonne.

- **Comfortable debt coverage protection metrics**

WCPL has comfortable debt protection metrics as envisaged by FY 24 ISCR and DSCR of 7.12x (FY23: 6.65x) and 6.23x (FY23: 1.98x) respectively. Debt protection metrics were supported by rise in operating profits caused by substantial increase in WCPL's revenues barring corresponding proportionate increase in fixed costs.

B. Key Rating Weaknesses

- **Profitability susceptible to volatile fuel prices and hire charges; mitigated to some extent by price-escalation clauses**

WCPL's profitability remains exposed to any substantial increase in fuel prices, though existence of price-escalation clause in the contracts mitigates the risk to an extent. Also, due to change in the WCPL's business strategy to augment capacity by outsourcing, its profit margins are now exposed to hire charges of third-party transporters.

- **Highly competitive and fragmented nature of road transport industry**

Road transport industry is highly competitive and fragmented given the low entry barriers and is dominated by transport operators with small fleet sizes. However, WCPL has strong relationship with its customers translating into repeated orders, which mitigates the competition to an extent.

Analytical Approach: Standalone



Press Release

Applicable Criteria:

[Rating methodology for service sector companies](#)

[Criteria of assigning rating outlook](#)

[Policy on Default recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate

WCPL's liquidity position remained adequate as envisaged by adequate generation of GCA in comparison to upcoming debt repayment. Cash credit facility of Rs. 0.90 cr. remained unutilized for the 12 months ended March 2024. Also, the current ratio of the company remained adequate at 1.45x as on March 31, 2024 with at operating cycle of 16 days. Free cash and cash equivalents as on 31.03.2024 were at Rs.10.55 crore.

About the Company

Wellcon Constructions Private Limited (WCPL) is a Korba, Chhattisgarh based private limited company engaged in transport services business. WCPL is engaged in providing transportation services in B2B segment transporting coal from mines to various user industries which are under radius of 50-60 km from the coal mines. The Company's principal area of operation is Chattisgarh, Korba.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	76.08	322.03
EBITDA	6.00	31.90
PAT	2.71	11.55
Total Debt	30.08	41.37
Tangible Net worth	4.30	15.85
EBITDA Margin (%)	7.89	9.91
PAT Margin (%)	3.57	3.59
Overall Gearing Ratio (x)	7.00	3.24
Interest Coverage (x)	6.65	7.12

*Classification as per Infomerics' standards



Press Release

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Proposed Long Term Fund Based Bank Facilities - Cash Credit	Long Term	10.00	IVR BBB-/Stable	--	--	--
Proposed Short Term Non-Fund Based Bank Facilities – Letter of Credit/Bank Guarantee	Short Term	35.00	IVR A3	--	--	--

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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).

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Press Release

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Long Term Fund Based Bank Facilities - Cash Credit	-	-	-	-	10.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)
Proposed Short Term Non-Fund Based Bank Facilities – Letter of Credit/Bank Guarantee	-	-	-	-	35.00	IVR A3 (IVR A Three)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Wellcon-june24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.