

Infomerics Valuation and Rating Pvt. Ltd



Press Release

Worlds Window Impex India Pvt. Ltd.

February 16, 2018

Ratings

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Fund based facilities- Cash Credit	195.50 (including proposed limits of Rs. 10.50 crore)	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	Assigned
Short Term Fund based facilities- EPC/PCFC/LC/BG	804.50 (including proposed limits of Rs. 150 crore)	IVR A2+ (IVR A Two Plus)	Assigned
Total	1000.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned derive strength from the experienced promoters and management team, presence of a reputed shareholder along with comfortable capital structure and debt protection metrics. The rating further derives comfort from satisfactory profitability, diversified business profile offering operational synergies, and established supplier base.

The ratings, however, are tempered by customer and geographical concentration, foreign exchange fluctuation risk, intense competition of the metal trading industry and susceptibility of the ICD business.

Maintaining profitability and leverage along with efficient management of working capital are the key rating sensitivities.

List of Key Rating Drivers

- *Experienced promoter and management team*
- *Presence of reputed shareholder*
- *Improvement in gearing and debt protection metrics.*
- *Satisfactory profit level*
- *Diversified business profile offering operational synergy*
- *Established and moderately-diversified supplier base*

- *Concentrated customer base*
- *Country-concentration risk*
- *Foreign exchange fluctuation risk*
- *Intense competition of the metal trading industry and susceptibility of ICD business*

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced promoter and management team

Mr. Piyoosh Goyal, promoter of the group, has long experience of over two decades in metal and metal scrap trading. Mr.Goyal is also expanded the business by foraying into logistics and transportation. Besides, the group is also backed by experienced management personnel for its operation.

Presence of reputed shareholder

The flagship company of the group (WWIPL), has been enjoying the presence of a reputed international investor since 1996-97. M/s International Metal and Steel BV (IMSBV), Holland, a wholly-owned subsidiary of European Metal Recycling Company (EMR), has 49% shareholding in WWIPL. One of the world's largest metal recycler, EMR is rated 5A1 by D&B (Dun & Bradstreet) depicting minimum risk of business failure. This strategic investment was planned by EMR group to establish a presence in the Asian market.

Improvement in gearing and debt protection matrices

The overall gearing position of the company, on consolidated basis, improved over the last three years. From 1.26x as on March 31, 2015, overall gearing ratio of the company improved to 0.99x as on March 31, 2016 and further improved to 0.79x as on March 31, 2017. Both overall gearing and long term debt equity ratio (0.26x as on March 31, 2017) became very comfortable particularly in the context of major

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part of group operation being trading. Moreover, the interest coverage ratio of the company was also improved to 2.12x in FY17 from 1.85x in FY16.

Satisfactory profit level

Though the group reported a decline in the turnover in last two years, the PAT level improved over the same period. The consolidated level of PAT increased from Rs.57.2 crore in FY15 to Rs.69.2 crore in FY16 and further rose to Rs.75.6 crore in FY17. Besides, the group also witnessed improvement in PAT margin over the last three years.

Diversified business profile offering operational synergy

The group has long-presence in trading of metal, metal scrap and coal trading. Initially started as metal scrap trading, the group gradually entered into various allied business operations/services, such as transportation, logistics, freight forwarding, etc. which offer operating synergic to the group. However, currently captive consumption of these allied business operations is marginal (due to cost advantages) and are majorly catered to external entities.

Established and moderately-diversified supplier base

Worlds Window group has established moderately-diversified supplier base, with top five suppliers, on a consolidated level, accounting for less than 50% of total raw material cost/purchase of stock in trade in FY17. However, top two suppliers had over 30% share in total raw material cost/purchase of stock in trade during the year.

Key Weaknesses:

Concentrated customer base

With top five customers accounting for over 68% of the company's total sales in FY17, the group is exposed to the risk of concentrated customer base. Moreover,

top three customers accounted for over 55% of the company's sales in FY17 on a consolidated basis.

Country-concentration risk

In FY17, the group generated over 50% of its revenues from exports. With more than 30% of exports to China during the year, the group is exposed to country-concentration risk as any downturn to the China's economy would have negative repercussions on the group's entire operational parameters.

Foreign exchange fluctuation risk

The company being in the business of international trade, it is exposed to the risk of foreign exchange fluctuation. However, most (80%) of its forex exposure is managed through natural hedge. The remaining forex exposure is hedged through derivative products as per the company's risk management policy.

Intense competition of the metal trading industry and susceptibility of ICD business

The metal trading industry is highly competitive with presence of organised and many small unorganised players resulting in lower margin (less than two percent). Also, ICD (inland container depot) business being mainly dependent on the global economy, any downturn in major economies would have negative impact on the ICD business.

Analytical Approach: As per applicable criteria

Rating Methodology for Trading Companies

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

About the Company

Worlds Window Impex India Pvt. Ltd. (WWIPL), the flagship company of Worlds Window Group (WWG), was established in 1993, as a proprietorship firm by Mr. Piyoosh Goyal.

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Mr. Piyoosh Goyal, a first generation entrepreneur and promoter of the group, laid the foundation of the group in the year 1993 by entering into the business of import and trading of ferrous and non-ferrous metals through a proprietorship firm “Worlds Window” which is today known as “Worlds Window Impex India Private Limited”. The company is in the business of international trading of metal scrap. The company has its presence in more than 25 geographies comprising UK, USA, Europe, South Africa, Bahrain, Kuwait, Ghana etc. The company takes back-to-back trading orders. Today, the group is in the business of international trading of metal and metal scrap, coal and other commodities, owning & managing inland container depots, logistics solutions, manufacturing of aluminium composite panels and freight forwarding with WWIPL being the flagship company.

Financials

(Rs. Crores)

For the year ended / As On	31-03-2016	31-03-2017
	Audited	Provisional
Total Operating Income	5159.9	4953.2
EBITDA	208.4	186.4
PAT	69.2	75.6
Total Debt	666.6	618.6
Tangible Networth	673.9	780.9
EBITDA Margin (%)	4.04	3.76
PAT Margin (%)	1.38	1.60
Overall Gearing Ratio (x)	0.99	0.79

Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2017-18)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16	Date(s) & Rating(s) assigned in 2014-15

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1.	Long Term Fund Based Limits- Cash Credit	Long Term	195.50 (including proposed limits of Rs. 10.50 crore)	IVR A-/ Stable Outlook	--	--	--
2.	Short Term Fund based facilities- EPC/PCFC/LC/ BG	Short Term	804.50 (including proposed limits of Rs. 150 crore)	IVR A2+			

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 Fund Based Limits- Cash Credit	NA	NA	NA	195.50 (including proposed limits of Rs. 10.50 crore)	IVR A-/ Stable Outlook
Short Term Fund based facilities- EPC/PCFC/LC/BG	NA	NA	NA	804.50 (including proposed limits of Rs. 150 crore)	IVR A2+