



## Press Release

**Westwell Iron & Steel Private Limited**

**November 25, 2020**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	10.00 (Enhanced from Rs.5.50 crore)	IVR BBB- / Negative Outlook (IVR Triple B Minus with Negative Outlook)	Reaffirmed with revision in outlook
Long Term Bank Facilities – Working capital term loan	6.53 (New Facility)	IVR BBB- / Negative Outlook (IVR Triple B Minus with Negative Outlook)	Assigned
Short Term Bank Facilities – Bank OD	9.35 (New Facility)	IVR A3 (IVR A Three)	Assigned
Short Term Bank Facilities – Bank Guarantee	18.00 (Reduced from Rs.19.50 crore)	IVR A3 (IVR A Three)	Reaffirmed
<b>Total</b>	<b>43.88</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Westwell Iron & Steel Private Limited (WWISPL) continues to derive strength from its long track record of operation under experienced promoters and its stable financial performance albeit moderation in profitability in FY20 (Prov.) coupled with comfortable gearing and debt protection metrics. However, these rating strengths are partially offset by uncertainty regarding renewal of contract for toll collection and general risks associated with toll-based road projects. Further, the rating also notes exposure to a group company through extension of joint and several corporate guarantee. The outlook has been revised from stable to negative due to expected moderation in its financial performance in FY21 in view of weak performance in H1FY21 due to impact on road traffic driven by nationwide pandemic and consequent countrywide lockdown

### Key Rating Sensitivities:

#### Upward factors

- Growth in scale of operations with improvement in profitability on a sustained basis
- Sustenance of the capital structure and improvement in debt protection metrics
- Improvement in cash conversion cycle in stone crushing business



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### **Downward factors**

- Moderation in the capital structure with deterioration in overall gearing to more than 1.50x
- Discontinuance of tender for toll collection
- Further elongation of operating cycle with deterioration in liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters with long track record**

Westwell Iron & Steel Private Limited (WWISPL) is promoted by Mr. Prashant Jaiswal and Mr. Rajesh Kumar Prasad who have decade long experience in stone crushing activity and also considerable experience in toll collection for NHAI. They are actively involved in managing the affairs of the company along with the support of the other Director - Mr. Vikash Kumar Agrawal who also have adequate experience in the sector. The company has a team of experienced and qualified professionals who look after the day-to-day operations of the company under the guidance of the promoter directors.

##### **Stable financial performance albeit moderation in profitability FY20 (Prov.)**

The financial performance of the company continued to remain stable in FY20 (Prov.) despite moderation in profitability. Total operating income witnessed a y-o-y growth of 5.49% from ~Rs.176.01 crore in FY19 to Rs.185.67 crore in FY20 (Prov.) on account of increase in revenue from toll collection (Toll revenue increased from Rs.123.60 crore in FY19 to Rs.150.90 crore in FY20 (Prov.)). However, the revenue from stone crushing business witnessed a decline from Rs.52.42 crore in FY19 to Rs.34.77 crore in FY20 (Prov.). This is due to the fact that during Jan-Feb, 2020 the production was on hold due to change in pollution control norms by the Government. The company received the environmental clearance certificate on April, 2020 post which the production commenced in full swing. Also, the toll collection and stone crushing business were impacted during the last ten days of March, 2020 due to the outbreak of COVID 19 pandemic. In spite of increase in TOI in FY20 (Prov.) as compared to FY19, absolute EBITDA declined marginally from Rs.10.01 crore in FY19 to Rs.9.16 crore in FY20 (Provisional) leading to decline in EBITDA margin from 5.69% in FY19 to 4.94% in FY20 (Prov.). This is due to the fact that the toll business was



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severely impacted during the last ten days of March, 2020 leading to decline in surplus. Further, there was a decline in sales realisation per ton from stone crushing business which further aided to the decline in margins in FY20 (Prov.) as compared to FY19. Moreover, there was an increase in interest cost from Rs.1.83 crore in FY19 to Rs.3.38 crore in FY20 (Prov.) on account of higher utilisation of CC and OD limits which led to decline in PBT margin from 3.79% in FY19 to 2.57% in FY20 (Prov.). Consequently, the PAT margin also declined from 2.66% in FY19 to 1.93% in FY20 (Prov.). GCA also declined from Rs.7.13 crore in FY19 to Rs.5.69 crore in FY20 (Prov.). The half yearly performance of the company was also impacted due to COVID19 pandemic and the ensuing lockdown. The company was able to achieve a PBT of Rs.1.24 crore on a TOI of Rs.63.24 crore during H1FY21.

### **Comfortable gearing and debt protection metrics**

The capital structure continued to remain comfortable with long term debt equity ratio at 0.22x (0.23x as on March 31, 2019) and overall gearing at 0.65x (0.69x as on March 31, 2019) respectively as on March 31, 2020 (Prov.) (The debt ratios have been calculated on the basis of adjusted net worth. Also, subordinated unsecured loan of Rs.5.56 crore as on March 31, 2020 has not been treated as part of debt and has been added to adjusted net worth). Interest coverage ratio though moderated due to rise in interest outgo owing higher utilisation of bank borrowings and elevated debt level to yet remained comfortable at 2.71x (5.86x in FY19) in FY20 (Prov.). Total debt to GCA remained moderate at 5.04x (3.71x in FY19) in FY20 (Prov.). Total indebtedness of the company as reflected by TOL/ANW stood comfortable at 0.98x as on March 31, 2020 (Prov.).

### **Key Rating Weaknesses**

#### **Uncertainty regarding renewal of contract for toll collection**

The tender for toll collection generally remains valid for a period of three months to one year and a new tender is obtained through bidding process. Therefore, the renewal of the tender remains uncertain. The contract for toll collection from Kokpara toll plaza got expired in July, 2020 and currently the company is operating with only one toll contract at Rasoiyadhama Toll Plaza.

#### **General risks associated with toll-based road projects**

With major part of cash outflow being fixed in the form of royalty payments to NHAI, the cashflows of the company remain sensitive to traffic growth, traffic composition, traffic



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diversion to alternative routes, etc. Further, the company's cashflows also remain exposed to risks arising out of changes in government policies, local issues in the vicinity of toll plazas and political / local resistance towards toll payments. Any adverse variation in any of these parameters may impact the debt servicing ability of the company.

### **Exposure to group company through corporate guarantee**

WWISPL along with its other group companies has extended a joint and several corporate guarantee to one of its group company, Sonasati Organics Pvt Ltd (SOPL) for its bank facilities. However, the expected impact of the said joint and several corporate guarantee on the financial risk profile of WWISPL appears low as SOPL has sufficient cash accruals to support its debt obligations.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies  
Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

The liquidity position of the company is expected to remain adequate in the near to medium term since the company has been earning a healthy level of GCA vis-à-vis its debt repayment obligation since the past few years. Further, the company has healthy current ratio which stood at 1.93x as on March 31, 2020 (Prov.). Moreover, with a gearing of 0.65 times as on March 31, 2020 (Prov.), the company has sufficient gearing headroom. However, the average working capital utilisation remained moderate at ~81% for the past twelve months ended October, 2020 indicating a limited liquidity cushion. However, the amount of free cash and cash equivalent remained comfortable at Rs.2.26 crore as on March 31, 2020.

### **About the Company**

Westwell Iron & Steel Private Limited (WWISPL) ventured into automatic crusher for crushing of stone chips from March 2009 onwards. The company had established a 400 TPH crusher unit at Rajgram, West Bengal, having a capacity to produce 50,000 tonnes of stone chips per month. The company has taken a mining lease (Kanupur Mines, Mangal Mines and Gopalpur Mines) in Jharkhand area which is 4 km away from the crusher unit /



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railway siding. Apart from the stone crushing activity, Westwell is also engaged in collection of toll for National Highway Authority of India, being the major revenue earner currently, since November, 2011. At present, the company is engaged in toll collection from Rasoiyadhamna Toll Plaza at Km. 279.425 of NH 2 in the state of Jharkhand.

### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	176.01	185.67
Total Income	176.98	186.77
EBITDA	10.01	9.16
PAT	4.70	3.60
Total Debt	26.41	28.70
Tangible Net worth	43.22	46.82
EBITDA Margin (%)	5.69	4.94
PAT Margin (%)	2.66	1.93
Overall Gearing Ratio (x)	0.69	0.65

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

CRISIL Ratings has moved the rating of WWISPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated March 19, 2020.

India Ratings has moved the rating of WWISPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated September 04, 2018.

Any other information: Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	10.00 (Enhanced from Rs.5.50 crore)	IVR BBB- / Negative Outlook	IVR BBB- / Stable Outlook (December 24, 2019)	IVR BBB- / Stable Outlook (September 26, 2018)	-



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
2.	Working Capital Term Loan	Long Term	6.53 (New Facility)	IVR BBB- / Negative Outlook	-	-	-
3.	Bank OD	Short Term	9.35 (New Facility)	IVR A3	-	-	-
4.	Bank Guarantee	Short Term	18.00 (Reduced from Rs.19.50 crore)	IVR A3	IVR A3 (December 24, 2019)	IVR A3 (September 26, 2018)	

**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](http://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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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 Bank Facilities – Cash Credit	-	-	-	10.00 (Enhanced from Rs.5.50 crore)	IVR BBB- / Negative Outlook
Long Term Bank Facilities – Working Capital Term Loan	-	-	-	6.53 (New Facility)	IVR BBB- / Negative Outlook
Short Term Bank Facilities – Bank OD	-	-	-	9.35 (New Facility)	IVR A3
Short Term Bank Facilities – Bank Guarantee	-	-	-	18.00 (Reduced from Rs.19.50 crore)	IVR A3