

June 30, 2022

Wohr Parking Systems Pvt Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based / Cash Credit	6.0	6.0	[ICRA]BBB-(Stable); reaffirmed
Long Term – Fund Based / Term Loan	0.6	0.6	[ICRA]BBB-(Stable); reaffirmed
Short Term – Non Fund Based	12.0	12.0	[ICRA]A3; reaffirmed
Total	18.6	18.6	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in the the strong technical and operational support enjoyed by Wohr Parking Systems Pvt Ltd (Wohr or the company) from its joint venture (JV) partner, Wohr Autoparksysteme GmbH (WAG), which has helped the company in establishing its brand presence in India and neighbouring countries. Over the years, Wohr has developed well-established relations with its clientele, largely comprising of reputed real estate clients, providing revenue visibility and growth momentum to the company. ICRA also notes the steady revenue growth potential for the company, with promising demand prospects in the domestic as well as overseas markets. Wohr has demonstrated a considerable increase in the contribution from exports in its revenue pie – up from 7% in FY2020 to 21% in FY2022. Addition of newer overseas geographies in the recent past is expected to gel well with Wohr’s plans to increase its focus on exports going forward. The company continues to demonstrate a comfortable liquidity profile, with Rs. 30+ crore cash and liquid investments as on March 31, 2022 and a moderate buffer in the form of undrawn working capital lines. Further, the company demonstrated an improvement in its working capital efficiently, with working capital intensity of -4% for FY2022 (provisional). Comfortable credit terms with key suppliers and sufficient customer advances continue to limit Wohr’s dependence on the external working capital borrowings to meet its operational funding.

The ratings, however, continue to remain constrained by the company’s moderate scale of operations and the exposure of the company’s revenues to business conditions in the real estate industry. Any significant slowdown in the real estate sector could, therefore, lead to a considerable impact on the operations of the company. The company’s margins also remain vulnerable to the fluctuations in raw material prices (mainly steel prices) as evident from the steep decline in its margins in FY2022 on account of inability of the company to fully pass on the input cost hikes to the end customers. Wohr’s ability to safeguard its margins against raw material price fluctuations remains a key monitorable going forward. Further, as the company has a significant portion of its outstanding debt in the form of external commercial borrowings (ECB), its profitability remains exposed to forex risks. Nevertheless, the ECB availed by Wohr is funded by the group entities.

The Stable outlook on the long-term rating reflects ICRA’s expectations that Wohr would continue to demonstrate a steady pace of revenue growth aided by healthy demand for automated parking systems in the domestic as well as overseas markets. The technological expertise, operational and financial assistance from WAG is expected to aid future growth momentum of Wohr across the geographies catered to by the company.

Key rating drivers and their description

Credit strengths

Strong technical and operational support from Wohr Group – Wohr is a JV between the Vyas Group of India and WAG of Germany. The company enjoys strong technical and operational support from WAG, its German promoter. WAG has a well-established track record of manufacturing automobile parking systems worldwide and has installed more than 470,000 car parking systems across 60 countries over its operational history of over a hundred years. Associating with WAG provides Wohr with brand recognition and also helps the company in acquiring new customers in domestic as well as overseas markets. The presence of the Vyas Group in the domestic real estate market has also ensured steady order inflow from the real estate sector over the years.

Well established relations with reputed real estate players – The clientele of Wohr comprises several reputed real estate players, with repeat orders from key clients offering revenue visibility to the company. With its presence in both domestic as well as overseas markets, such as Malaysia, Australia and USA, the company benefits from geographic diversification. Presence across multiple markets safeguards its business against any geography specific slowdown risk to an extent.

Steady revenue growth potential with promising demand prospects in the domestic as well as overseas markets – Driven by increasing demand for automated parking systems in the metropolitan and tier-I cities in the domestic market and the increasing trend of export revenues, Wohr is expected to demonstrate a steady revenue growth going forward. Although Wohr's revenue base in FY2021 remained moderately (YoY de-growth of 24%) impacted by pandemic related disruptions, the company regained its growth momentum in FY2022, demonstrating a sizable 55% YoY revenue growth during the fiscal.

Improved working capital efficiency and liquidity profile – Wohr continued to show improved working capital efficiency and comfortable liquidity profile in FY2022 (provisional), with considerable free cash and liquid investments, and moderate buffer in the working capital limits during the fiscal. Prudent working capital management coupled with support provided by advances from customers led to a comfortable working capital intensity (NWC/OI of -4% in FY2022 provisional). Hence, the liquidity position of the company remains comfortable. The company continued to demonstrate negative net debt position in FY2022.

Credit challenges

Moderate scale of operations – With a revenue base of Rs. 195.8 crore in FY2022 (provisional), Wohr continues to operate at a moderate scale. The company could leverage economies of scale by expanding its scale of operations through geographical diversification resulting in higher order inflow. The steady growth momentum in the revenue is, however, expected to provide some comfort, going forward. Citing considerable growth momentum anticipated over the medium to long term, the company plans to set up a new manufacturing facility in the next 1-2 years.

Revenues exposed to business conditions in real estate industry – The clientele of Wohr is dominated by players from the real estate industry. As a result, its revenues remain exposed to business conditions prevailing in the real estate industry. Any sector specific risk or regulatory change in the real estate industry can adversely affect the order book position of Wohr. However, the well-established relations with reputed real estate players provide some comfort against the said risk.

Margins vulnerable to fluctuations in raw material prices – The margins of Wohr remain vulnerable to fluctuations in raw material prices, especially steel, due to its commoditised nature and the cyclicity associated with the metal industry. This was evident during FY2022, as the limited ability of the company to pass on the input cost hikes to customers led to decline in operating margin from 9.7% (FY2021) to 3.4% (FY2022 provisional) despite reporting significant revenue expansion for the fiscal. However, the company has renegotiated with its key customers on price agreements, in order to safeguard its profitability metrics against extreme volatility in the raw material prices. Further, the recent fall in steel prices is expected to provide some comfort to Wohr's profitability over the near term.

Borrowing in foreign currency exposes profitability margins to forex risks – The company has availed long-term ECBs from its German JV partner. Borrowing in foreign currency exposes the company's profitability margins to forex risks. Any adverse movement in forex can, therefore, adversely affect the profitability of Wohr. As the company partially relies on imports and

engages in exports to several overseas markets, it further exposes its profitability margins to forex risks; however, natural hedging provides comfort against the said risk to an extent.

Liquidity position: Adequate

Company's liquidity profile is **adequate**, supported by cash and liquid investments of over Rs. 30 crore and a moderate buffer of over Rs. 4 crore from the undrawn working capital lines, as on March 31, 2022. Although the debt level is expected to increase moderately over the next 2-3 years with the planned debt-funded capital expenditure, the accruals position is expected to remain comfortable to meet the debt repayment obligations going forward.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company exhibits significant growth in revenue, coupled with improvement in profitability on a sustained basis.

Negative factors – The ratings could be downgraded if the company shows considerable degrowth in revenues and decline in profitability leading to stress on liquidity, or any significant debt-funded capital expenditure leading to stress on liquidity.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Wohr Parking Systems Pvt Ltd.

About the company

Wohr was incorporated in FY2005 as a 50:50 JV between the Vyas Group of Pune (Maharashtra), promoted by Mr. Girish Vyas, and WAG of Germany. The JV was set up to manufacture, sell and maintain manual and automated parking systems in India and other Asian markets. The company's manufacturing plant is in Pirangut, Pune, set up in 2006-07, which started commercial operations in April 2007. Wohr offers automated parking systems in India (especially to metropolitan areas and major cities) and also derives a part of its revenue from exports. In order to enhance its manufacturing capacity, the company has planned to set up a new manufacturing plant in the near term.

Key financial indicators

Wohr	FY2020 Audited	FY2021 Audited	FY2022 Provisional
Operating Income (Rs. crore)	167.2	126.7	195.8
PAT (Rs. crore)	6.3	7.3	2.3
OPBDIT/OI (%)	6.2%	9.7%	.4%
PAT/OI (%)	3.7%	5.8%	1.2%
Total Outside Liabilities/Tangible Net Worth (times)	2.7	2.3	2.1
Total Debt/OPBDIT (times)	1.1	0.9	0.7
Interest Coverage (times)	9.0	13.2	8.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: *Wohr, ICRA Research*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2022 (Rs. crore)	Date & Rating in	Date and rating in FY2022	Date and rating in FY2021	Date and rating in FY2020	
				Jun 30, 2022	Apr 8, 2021	Sep 29, 2020	-	
1 Cash Credit	Long-term	6.0	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable); removed from 'ISSUER NOT COOPERATING' category	[ICRA]BB+(Stable); moved to 'ISSUER NOT COOPERATING' category	-	
2 Term Loan	Long-term	0.6	0.0*	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable); removed from 'ISSUER NOT COOPERATING' category	-	-	
3 Non-fund based facilities	Short-term	12.0	-	[ICRA]A3	[ICRA]A3; removed from 'ISSUER NOT COOPERATING' category	[ICRA]A4+; moved to 'ISSUER NOT COOPERATING' category	-	
4 Unallocated amount	Long-term	-	-	-	-	[ICRA]BB+(Stable); moved to 'ISSUER NOT COOPERATING' category	-	
5 Interchangeable	Long-term / Short-term	-	-	-	-	[ICRA]BB+(Stable)/ [ICRA]A4+; moved to 'ISSUER NOT COOPERATING' category	-	

*proposed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple
Term Loan	Simple
Non-fund based facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan*	NA	NA	NA	0.6	[ICRA]BBB-(Stable)
NA	Cash Credit	NA	NA	NA	6.0	[ICRA]BBB-(Stable)
NA	Short Term – Non Fund Based	NA	NA	NA	12.0	[ICRA]A3

Source: Company; *proposed

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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