



Rating Rationale

Walia Construction Co

9 July 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 16.50 Crores of Walia Construction Co.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (October,2017)	Present
Fund based Cash Credit	5.75	5.75	Long Term	BWR BB [Pronounced as BWR Double B] Outlook:Stable	BWR BB [Pronounced as BWR Double B] Outlook:Stable [Reaffirmation]
Non Fund Based Bank Guarantee	10.75	10.75	Short Term	BWR A4 [Pronounced as BWR A FOur]	BWR A4 [Pronounced as BWR A Four] [Reaffirmation]
Total	16.50	16.50	INR Sixteen Crore & Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed at BWR BB/A4

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18 and publicly available information and information/clarifications provided by the management.

The rating continues to draw comfort from the business experience of the partners in the construction industry, long track record of the operations and moderate financial risk profile. The ratings, however, are constrained by the low profitability, geographical concentration exposure to risks due to tender based business and fragmented and competitive nature of the industry.

Going forward, the ability of the Firm to increase its scale of operations, improve its credit profile and



manage its working capital efficiently would be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**
 - **Satisfactory track record and experienced Management:** Walia Construction has a track record of more than four decades. The partners of the firm have more than 40 years of business experience which has enabled the firm to bag repeat orders from government entities.
 - **Relatively Moderate Financial Risk Profile:** The firm has a tangible net worth in tune of Rs 17.30cr with an ISCR & DSCR of 3.19X & 1.66X respectively in FY18. The partners have been infusing capital on a regular basis in the firm.

- **Credit Risks:**
 - **Geographical Concentration Risk:** The Projects executed by the firm are mostly concentrated in Punjab and nearby regions.
 - **Presence in competitive and fragmented industry and exposure to tender driven nature of business:** The Construction Industry is highly fragmented and competitive with the presence of a few organized and several unorganized players.
 - **Exposure to risks related to tender-based business:** Since revenue depends on success in winning tenders in a competitive bidding process, it may fluctuate.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile

The firm has no liquid investments and cash balances in FY18 is Rs. 0.74crs. The firm is availing long term facility of cash credit. The CC Utilization stands around 80-90%. As it is an EPC contractor Conversion Cycle has not been taken into account. There are Long Term Borrowings in tune of Rs 15.92cr, however, the firm has not provided us with cash flows for the same. The firm has a DSCR of 1.66X & ISCR of 3.19X in FY18. Current ratio of the firm stands at 1.64X in FY18. There are no subsidiary. Liquidity profile of the company is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook.

Rating Outlook: Stable

BWR believes the **Walia Construction Co** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The



rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Walia Construction Co. was established in 1980 as a family based partnership firm at Pathankot, Punjab. The firm is engaged in road construction and bridges, mining, stone crushing etc. and procures work orders through government tenders from PWD department.

Mr. Harjit Singh Walia, Mr. Narinder Singh Walia, Mrs. Kuldeep Kaur Walia, Mrs. Jasvir Kaur Walia, Mr. Simranjit Walia and Mr. Bikramjit Singh Walia are the partners of the firm.

Company Financial Performance

The firm has earned a total operating revenue & PAT in tune of Rs52.78cr & Rs 0.77cr in FY18 vis-a-vis Rs 72.05cr & Rs 1.80cr in FY17. On provisional basis the firm has earned revenues in tune of Rs 54.50cr in FY19

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	October,2017	2016	2015
	Fund Based	Long Term	5.75	BWR BB [Pronounced as BWR Double B] Outlook:Stable [Reaffirmation]	BWR BB [Pronounced as BWR Double B] Outlook:Stable	NA	NA
	Non Fund Based	Short Term	10.75	BWR A4 [Pronounced as BWR A Four] [Reaffirmation]	BWR A4 [Pronounced as BWR A Four]	NA	NA
	Total		16.50	₹ Sixteen Crores & Fifty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-NA

Any other information - NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Crores	52.78	72.05
EBITDA	Crores	8.86	9.85
PAT	Crores	0.77	1.80
Tangible Net worth	Crores	17.30	13.51
Total Debt/Tangible Net worth	Times	1.15	1.36
Current Ratio	Times	1.64	1.73

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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