



RATING RATIONALE

11 Dec 2020

Western Construction Company (Guj.) LLP

Brickwork Ratings restores the rating for the Bank Loan Facilities of Rs.58.15 Crs. of Western Construction Company (Guj.) LLP . (WCC or the 'Firm')

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2020)	Present
Fund based	99.25	58.15	Long Term	BWR BB+ Stable Issuer Not Cooperating [^]	BWR BB+ (Stable) Removal from INC
Total	99.25	58.15	Rupees Fifty Eight Crores and Fifteen Lakhs Only		

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

** Details of Bank facilities are provided in Annexure-I

[^] Issuer did not cooperate based on best available information

Ratings: BWR BB+ (Stable) and Removal from INC

RATING ACTION / OUTLOOK

The rating takes into consideration the long track record of the partners, strategic location, corporate guarantee received, improvement in the construction and sale status .The rating is however, constrained by competition from established players, constitution as a partnership Firm, lack of revenue visibility, cyclical in the industry with sudden slowdown.

The long term rating has been assigned a stable outlook on account of several government initiatives taken and a possibly slow but steady demand and rise in the real estate sentiment. BWR believes that Western Construction Company (Guj.) LLP's business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Long track record of the promoters: The partners, Mr. Gopalkumar Dokania and Mayaben Dokania have been in the same line of business for over two decades and the LLP has completed over 14 projects so far.



Locational Advantage: The existing project of Ashirvad Textile Market is located in Dumbhal, Magob, Surat, which is one of the most upcoming commercial areas in Surat. Thus the project is likely to gain the advantage of a good location.

Corporate Guarantee: The LLP has received a corporate guarantee from Evergreen Industries Pvt Ltd which is a group company having Mayaben and Gopalkumar Dokania as the directors along with Mahendra Rathiz. which is into manufacturing of dyes and is not rated by any CRA.

Healthy pace of bookings: The physical construction of the project is complete and 71% of the entire project is sold. The LLP has sold ~383 units out of 536 units at an average rate of ~Rs 2100 per sq ft.

Credit Risks:

Geographical concentration and intense competition from other players: The LLP has undertaken all its projects in Gujarat itself and also, it faces stiff competition from other established players in the industry.

Constitution as a partnership Firm: Firm exposed to the inherent risk of fluctuation of capital due to withdrawal of capital by the partners.

Lack of revenue visibility and susceptibility to risks and cyclicity inherent in the real estate industry: The LLP has no upcoming projects in the near future which results in lack of revenue visibility. Also, the real estate sector in India is cyclical because of sharp movements in prices and a highly fragmented market structure. With increase in supply, attractive prices offered by various builders, and constant regulatory changes, slowdown due to COVID 19, performance of players is likely to remain constrained.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Western Construction Company (Guj.) LLP. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the Firm's ability to improve the scale of operations, and improve and maintain profitability, along with the debt servicing capability and liquidity, will be key rating sensitivities.

Positive: The rating may be upgraded if the Company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities.

Negative: The rating may be downgraded if lower-than-expected revenues affect profitability margins, coverage ratios, liquidity and gearing ratios adversely.

LIQUIDITY POSITION: Adequate

The current ratio of the Firm stands at 9.13x as per FY19 audited financials and at 20.34x in FY20 provisionals. The Firm has cash and cash equivalents amounting to Rs 13.94 Cr as per FY19 audited financials & 1.46 Cr as per FY20 provisionals. It has a corporate guarantee from Evergreen Industries Pvt Ltd having a networth of Rs 150.62 Cr and the Firm has paid off majority of the term loan sanctioned to it. The physical construction is 100% complete and the company has sold ~71% of the entire project. The LLP has not yet decided whether they would like to go ahead with OTR or not.

Company Profile:

Western Construction Co. (Gujarat) LLP. was originally incorporated under Indian Companies Act on 02/03/1987. However, later on to cater benefits of LLP model and new laws of LLP the company converted itself under LLP on 13/08/2014 and obtained a certificate of conversion from the Ministry of Corporate Affairs. The Firm belongs to Ashirwad Group or Gopal Dokania Group, Surat's premier real estate developer. The group initially commenced with residential and commercial complexes. Due to good business acumenship the group has expanded its activities and constructed business parks, offices, shops, commercial complexes, luxurious bungalows and apartments.

KEY FINANCIAL INDICATORS :

Key Financial Indicators	Unit	FY19 Audited	FY18 Audited
Total Operating Income	(in ₹ Cr)	165.70	12.31
PAT	(in ₹ Cr)	3.85	1.60
Tangible Net Worth	(in ₹ Cr)	82.63	105.96
Total debt/ TNW	Times	1.56	1.64
Current ratio	Times	9.13	31.60
ISCR	Times	1.29	0.61

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: ICRA B+ (Stable) INC
as on 30 March, 2020

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Chronology of Rating History for previous three years (Rating Assigned & date, rating withdrawn/ suspended if applicable)								
	Dec 2020			23 June, 2020			15 March, 2019			5 April, 2018		
	Tenure	Amt (₹ Cr)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating	Tenure	Amt (Rs Crs)	Rating
Fund Based	Long Term	58.15	BWR BB+ [Stable] Removal from INC	Long Term	99.25	BWR BB+ [Stable] Downgraded Issuer not cooperating	Long Term	99.25	BWR BBB- (Stable) Upgraded	Long Term	140.00	BWR BB+ (Stable) Reaffirmed
TOTAL		58.15	Rupees Fifty Eight Crores Fifteen Lakhs Only									

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf
Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to financial ratios](#)

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ANNEXURE I - Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Syndicate Bank (Now as Canara Bank)	TL	58.15	-	58.15
TOTAL					58.15

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