

Press Release

Walia Builders

October 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.25 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 6.25 crore bank facilities of Walia Builders. The outlook is '**Stable**'.

The Punjab-based, Walia Builders (WB) was established in the year 1994 as a partnership firm by Mr. Sanjeev Walia and Ms. Anju Walia. WB is engaged in undertaking civil contracts for the Military Engineering Services (MES) such as building construction, offices, road and others. The firm is registered as 'S' class contractor.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The firm was established in the year 1994 by Mr. Sanjeev Walia and Mrs. Anju Walia thereby established track record for more than two decades. The knowledge base of promoter has helped WB to establish healthy relations with customers and suppliers. Acuite believes that the firm will be benefitted by established track record of operations and experienced management over the medium term.

- **Improving profitability margins along with operating income**

WB has registered improvement in operating income over the last year. The operating income stood at Rs.15.17 crore in FY2018 as against Rs.13.30 crore in FY2017. The operating profitability stood stable at 10.85 percent in FY2018 as against 9.89 percent in FY2017. The net profitability margins improved marginally to 6.49 percent in FY2018 as against 6.08 percent in FY2017. Acuite believes that WB will maintain the profitability over the medium term.

Weaknesses

- **Working capital intensive operations**

The firm has working capital intensive operations reflected in high gross current asset days of 207 days in FY2018 as against 148 days in FY2017. This is on the account of high inventory holding period of 153 days in FY2018 as compared to 48 days in FY2017. The increase is mainly due to the delay in one project for inspection period and which in turn affect creditor days on higher side i.e. 97 days in FY2018. However WB is managing their working capital days efficiently reflected by 77 days in FY2018 as against 73 days in FY2017.

- **Average financial risk profile**

The financial risk profile of WB is average marked by net worth of Rs. 3.03 crore as on 31 March 2018 as against Rs. 1.65 crore as on 31 March 2017. The gearing stood at 1.79 times as on 31 March 2018. The total debt of Rs. 5.41 crore outstanding as on 31 March 2018 comprises of working capital borrowings of Rs. 4.59 crore and term loans of Rs. 0.46 crore. The interest coverage ratio stood 3.32 times in FY2018 as against 3.50 times in FY2017. Total outside Liabilities/Tangible Net worth (TOL/TNW) stood at 1.22 times as on 31 March 2018 as against 1.15 times in previous year.

- **Tender based business**

WB's major business is bagged through open tenders. Hence the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. Firm has to do tendering on competitive prices; this may affect the profitability of the firm.

Analytical Approach

Acuité has considered standalone business and financial risk profile of WB to arrive at the rating.

Outlook: Stable

Acuité believes that WB would continue to benefit over the medium term from its promoters' extensive experience in the civil construction industry. The outlook may be revised 'Positive' if the firm generates substantial and sustainable revenues or operating margins thereby resulting in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if WB's working capital cycle further deteriorates resulting in weakening of its financial risk profile particularly liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	15.17	13.30	19.58
EBITDA	Rs. Cr.	1.65	1.32	1.14
PAT	Rs. Cr.	0.98	0.81	0.81
EBITDA Margin	(%)	10.85	9.89	5.84
PAT Margin	(%)	6.49	6.08	4.15
ROCE	(%)	19.94	21.43	43.93
Total Debt/Tangible Net Worth	Times	1.79	2.99	2.57
PBDIT/Interest	Times	3.32	3.50	6.25
Total Debt/PBDIT	Times	3.17	3.67	2.79
Gross Current Assets (Days)	Days	207	148	90

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+

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About Acuité Ratings & Research:

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