

Press Release

ARWADE INFRASTRUCTURE LIMITED

December 20, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 28.00 crore bank facilities of ARWADE INFRASTRUCTURE LIMITED. The outlook is '**Stable**'.

Arwade Infrastructure Limited (AIL), incorporated in 2009 is a Pune-based company promoted by Mr. Subhash Arwade and Mr. Nitin Arwade. The civil construction company has recently begun to undertake EPC contracts.

Key Rating Drivers

Strengths

- **Experienced management, moderate track record of operations**

AIL was established in 2009 by Mr. Subhash Arwade, Mrs. Soniya Arwade and Mr. Nitin Arwade. The management has over two decades of experience in construction, steel trading and infrastructure industry. AIL caters to various industries including healthcare, education to name a few.

- **Healthy order book position**

The company has outstanding orders worth Rs. 81 crore as on 31 October, 2017 that provides revenue visibility for the medium term. The company has executed orders worth Rs.69 crore till November 2017 out of the total order book of Rs.150 crore.

- **Healthy financial risk profile**

The financial risk profile is healthy. The net worth stood moderate at Rs.12.45 crore in FY2017 compared to Rs.6.64 crore in FY2016. The gearing of the company stood at a low of 0.49 times as on 31 March, 2017 as against 0.99 times as on 31 March, 2016. The low gearing is on account of moderate net worth of Rs.12.45 crore compared to the total debt of Rs.6.12 crore in FY2016-17. The coverage indicators are healthy with Interest Coverage Ratio (ICR) of 3.52 times in FY2017 and 3.03 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood moderate at 2.56 times as on 31 March, 2017. The Net Cash Accruals improved to Rs.3.07 crore in FY2017 and Rs. 2.44 crore in FY2016. AIL has booked revenue of Rs.45.42 crore till 30 November, 2017 as against Rs.74.05 crore in FY2017 and Rs. 66.19 crore in FY2016.

- **Reputed clientele**

The company has developed long term relations with Bharti Wal-Mart, Bridgestone India, Mahindra and Mahindra, Reliance Industries to name a few. The current clients are Reliance Industries Ltd., Indian Institute of Astrophysics (Govt. of India), and Shri Vile Parle Kelvani Mandal (SVKMs), Kokuyo Camlin Ltd among others.

Weaknesses

- **Tender driven business**

The operations are tender-based and order procurement depends on the successful bidding of projects.

- **Competitive and fragmented industry**

The industry is highly fragmented with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of AIL

Outlook: Stable

SMERA believes that AIL will maintain a stable outlook over the medium term on account of its experienced management and healthy order book visibility over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements undertaken by the company.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	74.05	66.19	85.91
EBITDA	Rs. Cr.	5.50	4.67	5.73
PAT	Rs. Cr.	2.24	1.53	1.50
EBITDA Margin	(%)	7.43	7.06	6.67
PAT Margin	(%)	3.02	2.31	1.74
ROCE	(%)	31.20	32.98	83.30
Total Debt/Tangible Net Worth	Times	0.49	0.99	1.21
PBDIT/Interest	Times	3.52	3.03	2.74
Total Debt/PBDIT	Times	1.05	1.34	1.05
Gross Current Assets (Days)	Days	179	168	96

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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	6.00	SMERA BBB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A3

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in	

ABOUT SMERA

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