

## Press Release

### Arwade Infrastructure Limited

December 04, 2018



### Rating Reaffirmed

|                                     |                                                  |
|-------------------------------------|--------------------------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 45.00 Cr.<br>(enhanced from Rs. 28.00 crore) |
| <b>Long Term Rating</b>             | ACUITE BBB- / Outlook: Stable<br>(Reaffirmed)    |
| <b>Short Term Rating</b>            | ACUITE A3<br>(Reaffirmed)                        |

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 45.00 crore bank facilities of Arwade Infrastructure Limited (AIL). The outlook is '**Stable**'.

AIL, incorporated in 2009, is a Pune-based company promoted by Arwade family. The company is engaged in civil construction works for building Industrial & commercial space for corporates and Institutions. AIL has recently started undertaking EPC contracts and Turnkey Projects.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of AIL for arriving at the rating.

### Key Rating Drivers

#### Strengths

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

AIL is engaged in undertaking civil contractor works for industrial construction since 2009. The company is promoted 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 also caters to various industries including healthcare, education to name a few.

- **Healthy order book position**

The company has total order book worth Rs.378.38 crore as on 31 March, 2018 of which company has already executed orders worth Rs.156.86 crore. Further, the company has executed orders worth Rs.59.64 crore till 15 November, 2018 of the total outstanding order book of Rs.221.52 crore as on September 2018. Thus, provide revenue visibility for the medium term.

- **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 Limited, Bharat Gears Limited, Indian Institute of Astrophysics (Govt. of India), Shri Vile Parle Kelvani Mandal (SVKM), Kokuyo Camlin Limited and IBIS hotel, among others.

#### Weaknesses

- **Moderate working capital cycle**

The working capital intensive nature of operation is marked by moderate Gross Current Assets (GCA) of 228 days in FY2018 which has increased from 179 days in FY2017. The increase in GCA days is marked by increase in debtors to 110 days in FY2018 as compared to 67 days in FY2017. The bank working capital facility utilisation stood at 64.09 percent for last six month ending October 2018.

- **Highly competitive industry and tender driven business**

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

**Outlook: Stable**

Acuité 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    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 68.60         | 74.05         | 66.19         |
| EBITDA                        | Rs. Cr. | 5.29          | 5.50          | 4.67          |
| PAT                           | Rs. Cr. | 2.91          | 2.24          | 1.53          |
| EBITDA Margin                 | (%)     | 7.71          | 7.43          | 7.06          |
| PAT Margin                    | (%)     | 4.25          | 3.02          | 2.31          |
| ROCE                          | (%)     | 21.50         | 31.20         | 32.98         |
| Total Debt/Tangible Net Worth | Times   | 0.61          | 0.45          | 0.89          |
| PBDIT/Interest                | Times   | 3.89          | 3.52          | 3.03          |
| Total Debt/PBDIT              | Times   | 1.77          | 0.99          | 1.27          |
| Gross Current Assets (Days)   | Days    | 228           | 179           | 168           |

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

None

**Any other information**

Not Applicable

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Crore) | Ratings/Outlook                 |
|-------------|---------------------------------|------------|--------------------|---------------------------------|
| 20-Dec-2017 | Cash Credit                     | Long Term  | 6.00               | ACUITE BBB- / Stable (Assigned) |
|             | Proposed Bank Facility          | Long Term  | 2.00               | ACUITE BBB- / Stable (Assigned) |
|             | Bank Guarantee                  | Short Term | 20.00              | ACUITE A3 (Assigned)            |

**\*Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Crore) | Ratings/Outlook                   |
|------------------------|------------------|----------------|----------------|-------------------------------|-----------------------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 11.00* (enhanced from 8.00)   | ACUITE BBB- / Stable (Reaffirmed) |
| Bank guarantee         | Not Applicable   | Not Applicable | Not Applicable | 34.00 (enhanced from 20.00)   | ACUITE A3 (Reaffirmed)            |

\*Cash Credit has sublimit of Letter of Credit of Rs. 4.00 crore.

**Contacts**

| Analytical                                                                                                                                                    | Rating Desk                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Aditya Gupta<br>Head - Corporate and Infrastructure Sector Ratings<br>Tel: 022-49294041<br><a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a> | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |
| Rupesh Patel<br>Analyst - Rating Operations<br>Tel: 02249294032<br><a href="mailto:rupesh.patel@acuite.ratings.in">rupesh.patel@acuite.ratings.in</a>         |                                                                                                                               |

**About Acuité Ratings & Research:**

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