

Press Release

Arwade Infrastructure Limited

D-U-N-S® Number: 86-414-9519



February 18, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 45.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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 above mentioned bank facilities of Rs. 45.00 crores for Arwade Infrastructure Limited (AIL). The outlook is 'Stable'.

Pune-based Arwade Infrastructure Limited (AIL), was incorporated in 2009. The company is promoted by Arwade family. The company is engaged in civil construction works for Industrial & commercial space for corporates and Institutions. AIL has recently started undertaking EPC contracts and Turnkey Projects which also undertakes execution of electrical, water and warehousing related work.

Analytical Approach

Acuite 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**

The company is engaged in undertaking of civil contractor works for industrial construction since 2009. AIL has establish presence of over a decade in undertaking civil construction works for Industrial & commercial space for corporates and Institutions. The company has been able maintain longstanding relationship with its customers resulting in recurring flow of orders and suppliers. AIL 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 diversified industries such as healthcare, chemicals and education to name a few. Acuite believes that the industry experience and domain knowledge of the management and reputed clientele are expected to support in improving its business risk profile over the medium term.

- Moderate order book position and reputed clientele**

The company has total order book of Rs.190.39 crore as on 31 December, 2019 of which company has already executed orders worth Rs. 71.35 crore. Further, the company has executed orders worth Rs.82.00 to 83.00 crore till 31 December, 2019 which includes previous orders. Thus, provide revenue visibility for the medium term. The company has developed projects for Bharti Wal-Mart, Bridgestone India, Mahindra and Mahindra, Indian Institute of Astrophysics (Govt. of India), Shri Vile Parle Kelvani Mandal (SVKM), Kokuyo Camlin Limited and Bharat Gears Limited to name a few. The current clients are Reliance Industries Limited, Whirlpool India, Tata Motors, Hyundai Construction Equipment's and IBIS hotel, among others.

• **Moderate financial risk profile**

The financial risk profile of AIL is moderate marked by moderate net worth, debt protection metrics and leverage ratios. The tangible net worth of the company stood at Rs. 22.15 crore as on 31 March, 2019 (including quasi equity of Rs. 3.89 crore) as against Rs.16.33 crore as on 31 March, 2018 (including quasi equity of Rs. 1.06 crore). The Gearing (debt-equity) stood at 0.44 times as on 31 March, 2019 as against 0.61 times in the previous year. The total debt as on 31 March, 2019 of Rs. 9.76 crore comprises of working capital limits of Rs. 4.71 crore, and term loan outstanding of Rs.5.04 crore. The coverage indicators of the company are moderate marked by interest coverage ratio (ICR) at 3.53 times in FY2019 as against 3.89 times in the previous year. The debt service coverage ratio (DSCR) stood at 2.79 times in FY2019 as compared to 2.88 times in FY2018. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.49 times as on 31 March, 2019 as against 2.50 times in the previous year.

Weaknesses

• **Moderate working capital cycle**

The working capital intensive nature of operation is marked by moderate Gross Current Assets (GCA) of 210 days in FY2019 as against 228 days in FY2018. The increase in GCA days is marked by increase in inventory levels to 75 days in FY2019 as compared to 69 days in FY2017. The receivable days stood at 72 days in FY2019 and 110 days in FY2018. The bank working capital facility utilisation stood at 27.09 percent and bank guarantee utilization stood at 80.47 percent for last six month ending December 2019.

• **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. AIL has expanded its scope of services which will benefit the company in maintaining existing market share and customer profile.

Liquidity Position

AIL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs. 4.85 crore during the last year 2018 -19, while its maturing debt obligations were in the range of Rs.1.43 crore in the same period. The cash accrual of AIL is estimated to remain around Rs.4.00 to 5.00 crore during 2020 -22, while its repayment obligations are estimated to be around Rs.1.50 -1.60 crore. Moderate net worth base and moderate working capital cycle has resulted in moderate reliance on Working capital facility utilisation stood at 27.09 percent and bank guarantee utilization stood at 80.47 percent for last six month ending December 2019. The current ratio of the AIL stood at 1.28 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals as against moderate repayments over the medium term.

Rating Sensitivities

- Improving revenues and profitability
- Efficiently managing of Working capital cycle
- Significant debt funded capex beyond expected level leading to deterioration in capital structure

Outlook: Stable

Acuite believes that AIL will maintain a 'Stable' outlook over the medium term on account of its experienced management and moderate 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	94.70	68.60
PAT	Rs. Cr.	3.14	2.91
PAT Margin	(%)	3.32	4.25
Total Debt/Tangible Net Worth	Times	0.44	0.61
PBDIT/Interest	Times	3.53	3.89

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
04-Dec-2018	Cash Credit	Long Term	11.00* (enhanced from 8.00)	ACUITE BBB-/ Stable (Reaffirmed)
	Bank guarantee	Short Term	34.00 (enhanced from 20.00)	ACUITE A3 (Reaffirmed)
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)

*Letter of Credit of Rs. 4.00 is Sub Limit of Cash Credit Facility.

*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	11.00*	ACUITE BBB-/ Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE A3 (Reaffirmed)

*Letter of Credit of Rs. 4.00 is Sub Limit of Cash Credit Facility.

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About Acuite Ratings & Research:

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