

Press Release

Adroit Associates

May 17, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.95 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**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs. 9.95 crore bank facilities of Adroit Associates. The outlook is '**Stable**'.

Adroit Associates (AA) is Indore based proprietorship concern of Mr. Rajendra Purandare set up in 1987. AA is engaged in executing integrated water supply projects for complete cities and towns including water treatment plants, pumping stations, pipelines, sewage treatment plants and operation and maintenance of complete system. It undertakes turnkey EPC projects from various government departments, municipal bodies, railways, industrial development corporations of both Madhya Pradesh and Chattisgarh. Adroit Associates is a "A" Class contractor with eligibility to bid and participate in projects of unlimited value. SMERA has considered the consolidated approach of Adroit Associates (AA), Adroit Water Projects (P) Ltd (AWPPL) and Red Fox Ventures (RFV), herein referred as the group. Both these concerns are family owned concerns and act as arms for subcontracting. RFV is a proprietary concern of Mr. Jay Purandare and AWPL is also a family owned company.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

The group is promoted by Mr. Rajendra Purandare who has an experience of almost 3 decades in the same line of business and holds a bachelor's degree in Mechanical Engineering. Mr. Jay Purandare, son of Mr. Rajendra Purandare; and daughter in law Ekta Purandare have pursued B.Tech in civil engineering from reputed institutions and have relevant qualification to manage and run the business. The group has strong and reputable track record for its project delivery and technical expertise in field of water infrastructure and possesses varied experience in all segments of water and sewage infrastructure related works. Its in-house design capacity and electromechanical works expertise with manufacturing facility/work shop, brings down its projects cost considerably and gives it a competitive advantage.

• Favorable Government Policies

Drinking water supply and sanitation has become a prime focus for Government of India and Madhya Pradesh under schemes such as SMART city, AMRUT, Swachh Bharat Abhiyan and various development programs run by international development banks. Government of Madhya Pradesh and Chattisgarh have scaled up their outlays for integrated water supply projects for all urban areas and have a mission to cover all rural blocks and villages by 2030 by piped surface water supply schemes which forms a major and continuous business opportunity for the group. Owing to which, the group has been able to bag various reputable projects for water supply arrangements & sewage disposal like Simhastha Kumbh Mela 2016 and projects floated by Madhya Pradesh Jal Nigam and Asian Development Bank.

• Comfortable financial risk profile and liquidity profile albeit moderate networth

The group has a comfortable financial risk profile marked by moderate net worth of Rs. 5.22 crore as on 31 March, 2017 compared to Rs. 3.71 crore as on 31 March, 2016. The gearing stood comfortable at 1.09 times

as on 31 March, 2017. The total debt stood at Rs. 5.69 crore which mainly comprises of working capital funds of Rs. 4.34 crore and unsecured loans of Rs. 1.34 crore as on 31 March, 2017. The Interest Coverage ratio stood healthy at 17.11 times in FY2017 as against 17.19 times in FY2016. The net cash accruals stood at Rs.2.11 crore in FY2017. Going forward, SMERA expects the group to maintain a healthy financial risk profile on the back of higher scale of operations and conservative approach towards less debt funded capital structure.

Weaknesses

• Modest scale of operations due to tender based nature of business

The operations of Adroit group are considered to be at moderate level considering the fact that they are in existence for such a long period. However, the group has showed a positive growth curve in last three years and has confirmed contracts in hand over Rs. 110 Crores which shows its ability to scale up its operations manifold than the existing. The group is being ably backed by the next generation which opens avenues for further expansion.

• Highly competitive landscape

The company is engaged as a contractor which is presently marked by presence of several mid to big size players. The risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated by group's established track record and experience. Meanwhile the group has shown steady growth in profits in such a competitive industry which indicates its current strength profitability and industry expertise.

Analytical Approach

SMERA has consolidated the business and financial risk profile of Adroit Associates (AA), Adroit Water Projects (P) Ltd (AWPPL) and Red Fox Ventures (RFV), herein referred as the Adroit group.

Outlook: Stable

SMERA believes Adroit will maintain a stable business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to "Positive" if the entity registers higher-than-expected growth in revenues and margins while maintaining its operating cash flows. Conversely, the outlook may be revised to "Negative" in case of significant due to delays in project implementation or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.28	18.53	9.71
EBITDA	Rs. Cr.	2.17	1.39	0.80
PAT	Rs. Cr.	2.07	1.37	0.76
EBITDA Margin (%)	(%)	7.18	7.49	8.21
PAT Margin (%)	(%)	6.83	7.37	7.81
ROCE (%)	(%)	28.49	33.36	46.45
Total Debt/Tangible Net Worth	Times	1.09	0.38	0.43
PBDIT/Interest	Times	17.11	17.19	7.78
Total Debt/PBDIT	Times	2.45	0.91	1.24
Gross Current Assets (Days)	Days	110	76	104

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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	1.45	SMERA BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA A3+

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ABOUT SMERA

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