

Press Release

Adroit Associates Private Limited

May 25, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr. (Reduced from Rs. 29.95 Cr.)
Long Term Rating	ACUITE BBB/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) and short-term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.20.00 crore bank facilities of Adroit Associate Private Limited (AAPL). The outlook is revised from '**Negative**' to '**Stable**'.

Further, Acuité has reaffirmed and withdrawn the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 9.95 crore bank facilities of AAPL.

Reason for rating reaffirmation and outlook revision

The rating reaffirmation considers the comfort drawn on the long track record of operations and stable business risk profile with a healthy order book position. Coupled to that, the company has moderate financial risk profile, adequate liquidity with moderate bank limit utilization. The rating, however, remains constrained on account of modest scale of operations mainly on account of tender based business and high GCA days. Further, revision in outlook is on account of improvement in profitability and debt protection metrics. The working capital cycle has further deteriorated. However, it has not impacted the liquidity position of the company.

About the Company

AAPL is Indore based company promoted by Mr. Rajendra Purandare. It was established as a proprietorship concern by Mr. Rajendra Purandare in 1987. Later, in 2020 it was reconstituted as a Private Limited company. It 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, and railways, industrial development corporations of both Madhya Pradesh and Chhattisgarh. Adroit Associates is a "A" Class contractor with eligibility to bid and participate in projects of unlimited value.

About the Group

Adroit Group includes three companies i.e. Adroit Associates Private Limited (AAPL), Adroit Water Projects (P) Ltd (AWPPL) and Red Fox Ventures (RFV). Both these concerns are family owned concerns and act as arms for subcontracting. RFV is a proprietary concern of Mr. Jay Purandare and AWPPL is also a family owned company.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of AAPL, AWPPL and RFV, herein referred as the Adroit Group to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

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

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. It's 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.

- **Moderate financial risk profile**

The group has moderate financial risk profile marked by moderate networth, low gearing and robust debt protection measures. The networth stood at Rs.11.03 crore as against Rs.9.33 crore in the previous year. The gearing stood low at 0.78 times as on 31st March 2020 as against 1.04 times in the previous year. The total debt of Rs. 8.56 crore consists of term loans of Rs.0.57, unsecured loans of Rs.4.65 crore and short term debt of Rs.3.34 crore. The interest coverage ratio stood at 4.76 as on 31st March 2020 as against 6.64 times in the previous year. The NCA/TD ratio stood at 0.33 times in FY2020 as against 0.35 times in the previous year.

Acuité believes that the group will continue to maintain the moderate financial risk profile in absence of major debt funded capex plan and sustainable profitability.

- **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, Swach Bharat Abhiyan and various development programs run by international development banks. Government of Madhya Pradesh and Chhattisgarh 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.

Weaknesses

- **Working capital intensive operations**

The working capital cycle of the group has deteriorated in FY2020 as compared to FY2019 marked by high GCA of 363 days in FY2020 (PY: 277 days). GCA has increased majorly on account of increase in inventory days to 192 in FY2020 (PY: 103 days). The build-up in inventory during the yearend is owing to unbilled revenue on account of covid. Further, the suppliers were also stretched at 237 days in FY2020 (PY: 149 days). Hence, the reliance on working capital borrowings was moderate as reflected by average bank limit utilisation of ~55 per cent for the last six months ended December, 2020.

- **Modest scale of operations**

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. The operating income of the group stood at Rs. 23.95 crore for FY2020 as against Rs. 29.87 crore for FY2019 and Rs. 21.28 crore for FY2018. Also, the group has confirmed contracts in hand over Rs. 140.08 Crores as on 31 December, 2020 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.

Rating Sensitivity

- Significant growth in operating performance leading to overall improvement in financial risk profile.
- Stretched working capital cycle and deterioration in liquidity position.

Material Covenants

None

Liquidity Position – Adequate

The group has adequate liquidity marked by net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.11-3.35 crore during the four years through 2017-20 with no major debt obligations over the same period. The cash accruals of the company are estimated to remain around Rs.2.50-3.50 crore during 2021-23. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 363 in FY 2020. The current ratio of the company stands moderate at 1.81 times as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual and no major debt repayments over the near to medium term.

Outlook: Stable

Acuite believes the group 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	23.95	29.87
PAT	Rs. Cr.	2.65	3.25
PAT Margin	(%)	11.08	10.89
Total Debt/Tangible Net Worth	Times	0.78	1.04
PBDIT/Interest	Times	4.76	6.64

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-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jun-2019	Cash Credit	Long Term	5.00 (Enhanced from Rs.1.45 Cr.)	ACUITE BBB/Negative (Reaffirmed)
	Bank guarantee	Short Term	15.00 (Enhanced from Rs.8.50 Cr.)	ACUITE A3+ (Reaffirmed)
	Bank guarantee	Short Term	6.05	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Short Term	3.90	ACUITE A3+ (Assigned)
17-May-2018	Cash Credit	Long Term	1.45	ACUITE BBB/ Stable (Assigned)
	Bank guarantee	Short Term	8.50	ACUITE A3+ (Assigned)

Cash Credit Facility of Rs. 5.00 crore includes sublimit of letter of credit of Rs.0.50 crore

***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	5.00	ACUITE BBB/Stable (Reaffirmed and outlook revised)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	6.05	ACUITE A3+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE A3+ (Withdrawn)

Cash Credit Facility of Rs. 5.00 crore includes sublimit of letter of credit of Rs.0.50 crore

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About Acuité Ratings & Research:

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