

## Press Release

Adroit Associates Private Limited (Erstwhile Adroit Associates)

August 23, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	-	ACUITE A3+   Reaffirmed
Bank Loan Ratings	2.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A3+   Assigned
Bank Loan Ratings	8.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

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

Further, Acuite has assigned its long-term rating of 'ACUITE BBB' (read as ACUITE triple B) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 10.00 crore bank facilities of Adroit Associate Private Limited (AAPL). The outlook is '**Stable**'.

### Reason for Rating Reaffirmation

The rating reaffirmation considers the comfort drawn from the long track record of operations and stable business risk profile with a healthy order book position. Further, the rating taken into the account the moderate financial risk profile of the company along with the adequate liquidity position with moderate bank limit utilization. The rating, however, remains constrained on account of modest scale of operations, working capital intensive nature of operations and tender based nature of business.

### About the Company

Adroit Associates Private Limited, incorporated in 2020, is operating from Indore, Madhya Pradesh. It is involved in water infrastructure EPC & DBOT projects i.e. designing, constructing, commissioning, operating and maintaining the entire water infrastructure for complete cities and towns or group of villages for various government departments. The company is a class A contractor and has valuable trust and expertise of 35 years in this line of business. The company has successfully executed over 100+ Water/Wastewater projects with governments of Madhya Pradesh, Rajasthan and Chhattisgarh.

The company is directed by Mr. Rajendra Purandare, and Mrs. Vandana Purandare among the others.

## About the Group

Adroit Group includes four companies i.e. Adroit Associates Private Limited (AAPL), Adroit Water Projects (P) Ltd (AWPPL), Adroit Railsystems Private Limited and Red Fox Ventures (RFV). These concerns are family owned concerns and act as arms for subcontracting.

## Analytical Approach

Acuité has considered the standalone financials and risk profile of AAPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Established track record of operations

The company has a long standing of 35+ years, having excellent rapport with various government clients in Madhya Pradesh, Chhattisgarh and Rajasthan. The company has strong experience in bidding and winning tenders across the water value chain and has proven capabilities of executing complicated water/wastewater projects. The company is also involved in designing and manufacturing of electro-mechanical equipment required for functioning of water and wastewater treatment plants. These equipment form a major component of these projects allowing the company a major competitive advantage to its peers. Further, the company has orders to be executed of Rs 93 crore as on July 2022 which gives revenue visibility over the medium term.

Acuite believes AAPL will continue to benefit from its long track record of operation and the extensive experience of the promoters.

#### Moderate financial risk profile

The group has moderate financial risk profile marked by moderate network, low gearing and robust debt protection metrics. The Network stood at Rs. 9.11 crore in FY 2022 (Prov) as against Rs. 6.76 crore in FY 2021 and Rs 8.05 crore in FY 2020. The network has declined in FY 2021 due to conversion of partnership firm into company and hence, resulted in withdrawal. The Unsecured Loans from the Promoters have been considered as Quasi Equity of Rs. 5.00 crore. Resultant of the Quasi Equity adjustment, the gearing stood low at 1.20 times as on 31st March 2022 as against 1.04 times in the previous year FY 2021. Subsequently, in FY 2023 [30th June 2022], the Company has issued shares to promoters worth Rs. 5.00 crore, thus, translating the Unsecured Loan to Equity Capital. The total debt of Rs. 10.89 crore consists of short-term debt of Rs. 7.87 crore, unsecured loans of Rs. 3.03 crore. The interest coverage ratio stood at 5.12 as on 31st March 2022 as against 4.21 times in the previous year FY 2021. The NCA / TD ratio stood at 0.23 times in FY 2022 as well as in FY 2021.

Acuite believes that financial risk profile of the company is likely continue to remain moderate on account of conservative financial policy.

## Government policies

Water supply and sanitation is a prime focus for Government of India. There is significant infrastructure push by government through Jal Jeevan Mission, Swachh Bharat Mission and AMRUT Schemes offering abundant opportunities for growth. Government of Madhya Pradesh and Chhattisgarh have scaled up their outlays for integrated water/wastewater projects for all urban areas and have a mission to cover all rural blocks and villages by 2030 which forms a major and continuous business opportunity for the group.

## Weaknesses

#### Working capital operations

The working capital cycle of the group has marginally improved in FY 2022 as compared to FY 2021, marked by relatively lower GCA of 305 days in FY 2022 (PY – FY 2021: 464 days). GCA has decreased majorly on account of decrease in inventory days to 80 days in FY 2022 (PY: 245 days). Further, the suppliers shrunk to 111 days in FY 2022 (PY – FY 2021: 286 days). Hence, the

reliance on working capital borrowings was moderate as reflected by average bank limit utilisation of ~69% for the last six months ended March 2022.

### Modest scale of operations

The operations of Adroit Associates Private Limited 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. 39.03 crore for FY 2022 as against Rs. 23.86 crore for FY 2021 and Rs. 23.95 crore for FY 2020. Also, the group has confirmed contracts in hand over Rs. 92.32 Crores as on 31st March 2022 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 industry

The industry is a fairly fragmented with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor.

### Rating Sensitivities

- Significant growth in revenue performance leading to overall improvement in financial risk profile
- Stretched working capital cycle and margin de-growth over the past year

### 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. 2.48 crore during the FY 2022 with no major debt obligations over the same period. The cash accruals of the company are estimated to remain around Rs. 2.40 - 2.75 crore during FY 2023 – FY 2024. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 305 days in FY 2022. The current ratio of the company stands moderate at 1.57 times as on March 31, 2022.

### Outlook: Stable

Acuité 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.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	39.03	23.86
PAT	Rs. Cr.	2.34	1.51
PAT Margin	(%)	6.00	6.31
Total Debt/Tangible Net Worth	Times	1.20	1.04
PBDIT/Interest	Times	5.12	4.21

### 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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 May 2021	Bank Guarantee	Short Term	6.05	ACUITE A3+ (Withdrawn)
	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	3.90	ACUITE A3+ (Withdrawn)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
04 Jun 2019	Proposed Bank Facility	Short Term	3.90	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB   Negative (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	6.05	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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3+   Reaffirmed
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3+   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB   Stable   Assigned

**Note:** One way interchangeability from CC limit of Rs. 8.00 crore to BG limit of Rs. 3.00 crore is permitted as per sanction letter.

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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