



Press Release
Adroit Associates Private Limited (Erstwhile Adroit Associates)
November 02, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BBB Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.00	Not Applicable Withdrawn	-
Bank Loan Ratings	12.00	-	ACUITE A3+ Reaffirmed & Withdrawn
Bank Loan Ratings	8.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and its shortterm rating of '**ACUITE A3+**' (read as **ACUITE A three 'Plus'**) on the Rs. 20.00 Cr bank facilities of Adroit Associate Private Limited (AAPL).

Acuite has also withdrawn the long term and the short term rating on the Rs 10.00 Cr **proposed** bank facilities of Adroit Associate Private Limited.

The withdrawal is on account of client's request and receipt of NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

Rationale of rating reaffirmation

The rating reaffirmation takes into account established track record of operations and moderate financial risk profile of AAPL. The rating also draws comfort from the favourable government policies for the industry. However, the rating is contrained by the working capital intensive nature of operations and highly competitive nature of the industry.

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

Unsupported Rating

Not Applicable

Analytical Approach

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

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

- **Moderate financial risk profile metrics**

The company's financial risk profile is marked by a moderate net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.10.78 Cr and Rs.8.99 Cr as on March 31, 2023 (Prov.) and 2022 respectively. The gearing of the company stood at 0.95 times as on March 31, 2023 (prov.) against 1.78 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 3.89 times and 3.21 times as on March 31, 2023 (Prov.) respectively as against 5.15 times and 4.03 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.96 times and 3.15 times as on March 31, 2023(Prov.) and 2022 respectively. The debt to EBITDA of the company stood at 3.11 times as on 31 March, 2023 (Prov.) as against 4.02 times as on March 31, 2022.

- **Favourable 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 company.

Weaknesses

- **Intensive working capital management**

The company's working capital operation is intensive in nature with Gross Current Asset (GCA) at 330 days as on March 31, 2023(Prov.) as against 298 days as on March 31, 2022. GCA days majorly driven by inventory and debtors days. Inventory days stood at 115 days as on March 31, 2023(Prov.) as against 83 days as on March 31, 2022. Subsequently, the payable period stood at 126 days as on March 31, 2023 (Prov.) as against 105 days as on March 31, 2022 respectively. The debtor day stood at 146 days as on March 31, 2023 (Prov.) as against 107 days as on March 31, 2022. Further, the average bank limit utilization in the last seven months ended September 2023 remained at 69 percent for fund based limits.

- **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

Not applicable

All Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals as against which there are no repayment obligations. The company has generated cash accruals in the range of Rs.1.86 Cr in FY2023, while its maturing debt obligations were NIL during the same period. The current ratio stood at 1.77 times as on March 31, 2023(Prov.) and the fund-based limit remains utilized at 69 percent over the seven months ended September 30, 2023. The company maintains unencumbered cash and bank balances of Rs.0.29 Cr as on March 31, 2023(Prov.).

Outlook: Not applicable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	35.03	39.13
PAT	Rs. Cr.	1.71	2.24
PAT Margin	(%)	4.87	5.73
Total Debt/Tangible Net Worth	Times	0.95	1.78
PBDIT/Interest	Times	3.89	5.15

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Aug 2022	Bank Guarantee	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	8.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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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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