



Press Release

Arwade Infrastructure Limited

May 17, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.00	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	50.00	IVR A3 (IVR A three)	Assigned	Simple
Total	61.00 (INR Sixty one crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Arwade Infrastructure Limited (AIL) considers experienced promoters with long track record in the civil construction business, steady growth in topline and profits. Moreover, the ratings also consider moderate order book position leading to revenue visibility in the near term and conservative capital structure and comfortable coverage indicators. However, these rating strengths are constrained by relatively small scale of current operations, elongated receivable cycle leading to high working capital intensity, exposure to high client concentration risk and tender driven nature of business in highly fragmented & competitive operating scenario.

Key Rating Sensitivities:

Upward Factors

- Growth in revenue and profitability leading to rise in gross cash accruals on a sustained basis with healthy order inflow
- Improvement in capital structure and debt protection metrics
- Improvement in liquidity position marked by improvement in the operating cycle.

Downward Factors



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- Moderation in total operating income and/or moderation in profitability leading to deterioration in gross cash accruals on a sustained basis
- Deterioration in the capital structure and/or deterioration in debt protection metrics with decline in interest coverage ratio
- Stretch in working capital cycle leading to deterioration in liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and established relationship with reputed players in the market**

Mr. Nitin Arwade, the director of the company, has around 15 years of experience in construction of green field & brown field projects. With long presence in the industry and timely execution of projects, the management has enlarged its customer base and have been working with majority of them from long time. Some of the clients base include TATA Motors, Gharda Chemical, Whirlpool, Bhakti Vedanta, Reliance etc.

- **Steady growth in topline and profits**

Topline of the company increased to Rs.112.80 crore in FY23 from Rs.65.45 crore in FY22 i.e. registering a year on year (y-o-y) growth of ~73% driven by increase in the execution of the work orders. EBIDTA and PAT also grew significantly to Rs.13.46 crore and Rs.6.12 crore, respectively, in FY23 from Rs.7.46 crore and 2.74 crore, respectively, in FY22 led by an increase in topline. Accordingly, EBIDTA and PAT margin increased to 11.93% and 5.39%, respectively, in FY23 from 11.40% and 4.15%, respectively, in FY22 on the back of increase scale of operations. GCA of the company doubled to Rs.8.86 crore in FY23 from 4.61 crore in FY22 i.e. nearly doubled.

Moderate order book position leading to revenue visibility in the near term

The company's unexecuted order book position as on April 21, 2023 stood at Rs.255.31 crore which is expected to be executed within a period of 12 months. The unexecuted orders in hand is equivalent to 2.26x of the turnover of FY23. The company has been awarded a single work order to the tune of Rs.135.29 crore to be executed with 9 months period. The work orders indicate healthy revenue visibility in the near term.

- **Conservative capital structure and comfortable coverage indicators.**



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The capital structure of the company stood comfortable marked by gearing at 1.12x as on March 31, 2023, which, however, moderated from 0.62x as on March 31, 2022 due to addition of mortgage loan of Rs. 9.80 to buy office premises in Mumbai. Long Term Debt to equity ratio remained comfortable at 0.61x as on March 31, 2023 though the same moderated from 0.35 times as on March 31, 2022. TOL/TNW moderated to 1.93x as on March 31, 2023 from 1.68 times on March 31, 2022 due to addition of mortgage loan. Debt protection metrics of the ALL remained comfortable at 3.92x in FY23 from 3.18x in FY22. Total debt to GCA (in years) remained at 4.20 in FY23.

Key Rating Weaknesses

- **Relatively small scale of current operations**

The company's top line though improved gradually remained modest over the past three fiscals with total operating income of ~Rs.112 crore in FY23. Small scale of operations restricts the financial flexibility of the company to an extent. However, the scale of operations is expected to improve with the higher execution of work orders in the medium term.

- **Elongated receivable cycle leading to high working capital intensity**

The firm's working capital intensity remained at 0.27 times in FY23 though improved from 0.31 times in FY22 with the decrease in average collection period to 72 days in FY23 from 151 days in FY22 and decrease in creditor days to 66 days in FY23 from 83 days in FY22. Further gross current asset remained high at ~185 days in FY23 though improved from 271 days in FY22 due to reduction in collection period.

- **Exposed to high client concentration risk**

In FY21 and FY22 top 5 clients constituted nearly 60% of the turnover. Moreover, as on April 21, 2023 the unexecuted order book position of ~Rs.255 crore, comprises of 53% share from single order of Talegaon Industrial Parks Private Limited. Further Shree Dhootpapeshwar Limited comprises of ~11% of the unexecuted work orders indicating concentration risk on the client side.

- **Tender driven nature of business in highly fragmented & competitive operating scenario**

ALL's business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic infrastructure/construction sector is highly fragmented with presence of



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many players with varied statures & capabilities. This restricts AIL's operating and financial flexibility.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The average fund based utilisation for the past twelve months ended March, 2023 remained moderate at ~61% indicating a sufficient liquidity cushion. The company has earned Gross Cash Accruals of Rs.8.86 crore in FY23.

About the company

Arwade Infrastructure Limited (AIL) was incorporated in 2009. It is Pune-based company and is engaged in industrial construction and is ISO 9001 and ISO 45001 2015 certified company. The company specializes in construction of green field & brown field projects. AIL operates in core segment of industrial construction of Global MNCs and reputed Indian companies. The key business activities of AIL includes EPC work pertaining to heating, ventilation and air conditioning (HVAC), firefighting, transmission & distribution, electrical installations and civil work for factories and industrial facilities. AIL is promoted by Mr. Subhash Arwade, Mrs. Soniya Arwade and Mr. Nitin Arwade.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	65.45	112.80



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EBIDTA	7.46	13.46
PAT	2.74	6.12
Total Debt	16.78	37.18
Tangible Net Worth	26.92	33.10
Adjusted Tangible Net Worth	27.84	34.05
EBDITA Margin (%)	11.40	11.93
PAT Margin (%)	4.15	5.39
Overall Gearing Ratio (x)	0.62	1.12

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CARE Ratings Ltd. has maintained the rating(s) under the 'issuer non-cooperating' of Arwade Infrastructure Limited (AIL) as AIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement vide its press release dated January 25, 2023.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	11.00*	IVR BBB-/ Stable	-	-	-
2.	Bank Guarantee	Short Term	50.00	IVR A3	-	-	-

**Letter of Credit of Rs. 8 crore as sublimit of Cash Credit.*

Name and Contact Details of the Rating Analyst:

Name: Preety Jalan Tel: (033)- 46022266 Email: preety.jalan@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: Sandeep.khaitan@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after



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obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	11.00*	IVR BBB-/ Stable
Bank Guarantee	-	-	-	50.00	IVR A3

*Letter of Credit of Rs. 8 crore as sublimit of Cash Credit.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Arwade-may23.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

