



Press Release

Arwade Infrastructure Limited

July 03, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.00	IVR BBB-/ Positive (IVR triple B minus with positive outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating reaffirmed; long-term rating outlook revised	Simple
Short Term Bank Facilities	70.00 (enhanced from Rs.50.00)	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Reaffirmed/ Assigned	Simple
Total	81.00 (INR Eighty-one crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

The reaffirmation of the ratings assigned to the existing bank facilities, and the short-term rating assigned to the enhanced 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 healthy 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, moderate client and geographical concentration risks and tender driven nature of business in highly fragmented & competitive operating scenario.

The revision in the long-term rating outlook from Stable to Positive is due to the expected improvement in the overall financial performance of the company during FY2025 and going forward.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics



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- Timely and proper execution of existing order book and diversification in regional presence

Downward Factors

- Decline in the operating income or profitability impacting the debt coverage indicators on a sustained basis
- Moderation in the capital structure with deterioration in the overall gearing ratio.
- Elongation in the operating cycle adversely impacting the 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

The total operating revenue of the company witnessed a y-o-y growth of ~43.64% to Rs. 162.03cr in FY24 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs.112.80cr in FY23 (refers to period April 1st, 2022, to Mar 31, 2023) on account of increase in new contract and tenders. The increase in topline is also due to completion of unexecuted work in hand. With the increase in topline, the EBITDA margin has improved to 14.85% in FY24 from 11.93% in FY23 driven by execution of few higher margin contracts. Further, PAT margin has also improved 7.13% in FY24 from 5.39% in FY23 due to improvement in its scale of operation leading to higher absorption of fixed overheads.

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

The company's unexecuted order book position as on April 30, 2024 stood at Rs.330.21 crore which is expected to be executed within a period of 12 months. The unexecuted orders in



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hand are equivalent to 2.04x of the turnover of FY24. The work orders indicate healthy revenue visibility in the near term.

Conservative capital structure and comfortable coverage indicators

The capital structure of the company stood comfortable marked by overall gearing ratio improved to 0.90x in FY 24 from 1.09x in FY23. The overall indebtedness of the company marked by adjusted TOL/TNW improved to 1.68x in FY24 from 1.88x in FY23 due to accreditation of net worth. Also, debt to equity ratio improved to 0.52 in FY24 as against 0.61 in FY23. Debt protection metrics marked by interest coverage ratio stood comfortable at 4.06 in FY24 as compared to 3.92 in FY23 on account of increase in borrowing cost. Total debt/ EBITDA improved to 1.61x in FYY24 as compared to 2.76x in FY23. Also, Total debt/ NCA improved to 2.59 year in FY24 as against 4.20 year in FY23. Further, DSCR remained satisfactory at 1.95x in FY24 as against 1.37x in FY23

Key Rating Weaknesses

Relatively small scale of current operations

The company's topline though improved gradually, remained modest over the past three fiscals with total operating income of ~Rs.162 crore in FY24. 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.

Moderate client and geographical concentration risks

The company has moderate client concentration risk, with the majority of revenues and order book contributed by few clients. The company participates in tenders and executes its projects mainly in Maharashtra and Delhi. However, the company is trying to expand its bid to new states thus exposing the company to moderate geographical concentration risk.

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 of assigning rating outlook](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Default recognition policy](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY25-FY27. The company has earned a gross cash accrual of Rs.14.96 crore in FY24 against debt repayment obligation of Rs.4.80 crore. Further, the average cash credit utilisation of the company in the past 12 months ended in March 2024 remains at ~70% indicating adequate liquidity buffer.

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*	31-03-2023	31-03-2024



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	Audited	Audited
Total Operating Income	112.80	162.03
EBITDA	13.46	24.06
PAT	6.12	11.63
Total Debt	37.18	38.80
Tangible Net Worth	33.10	42.07
EBITDA Margin (%)	11.93	14.85
PAT Margin (%)	5.39	7.13
Overall Gearing Ratio (x)	1.09	0.90
Interest Coverage (x)	3.92	4.06

*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 April 12, 2024

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (May 17, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	11.00*	IVR BBB-/Positive	IVR BBB-/Stable	-	-
2.	Bank Guarantee	Short Term	70.00	IVR A3	IVR A3	-	-

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

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About Infomerics:



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Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	11.00*	IVR BBB-/ Positive
Bank Guarantee	-	-	-	-	70.00	IVR A3

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



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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Arwade-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

