

Rating Rationale

Adroit Industries (India) Ltd

13 July 2018

Brickwork reaffirms the ratings with revised outlook for the Bank Loan Facilities of ₹. 32.34 Crores of Adroit Industries (India) Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based	29.79	29.34	Long Term	BWR BBB (Pronounced as BWR Triple B) [Outlook:Stable]	BWR BBB (Pronounced as BWR Triple B) [Outlook: Positive]
Non Fund Based	3.00	3.00	Short Term	BWR A2 (Pronounced as BWR A Two)	(BWR A2 Pronounced as BWR A Two) (Reaffirmation)
Total	32.79	32.34	INR Thirty Two Crores & Thirty Four Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY17, Provisional financials for FY18 projected financial statements up to FY19, publicly available information and information/clarifications provided by the Company.

The rating has, inter alia, factored in the promoter's extensive business experience, high profitability margins, moderate tangible net worth, considerable return over capital employed, comfortable debt protection metrics, diversified customer base, low leverage levels, low industry risk as the company is catering to multiple industries. The rating has also taken into consideration the new order of ~Rs. 27.00 Crs from Volvo Eicher Commercial Vehicle Ltd. The rating is, however, constrained by low scale of operations, elongated conversion cycle owing to nature of business.

Going forward increasing scale of operations, infusing liquidity into the business, improving conversion cycle and ensuring timely servicing of debt would be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Experienced management:-** The principal promoter, **Mr. Mukesh Sangla**, MD of the company is a commerce graduate and has over four decades of experience in the agro and polymers business. He is responsible for overall strategic decision in the company. **Mr. Saurabh Sangla**, (son of Mr. Mukesh Sangla) Director, is an Industrial Engineer, having more than 15 years of experience and currently heads the technical and sales operations teams of the company
- **Low leverage levels:-** With the Y-O-Y profit retention coupled with high profitability margins the company has managed to move leverage level in a favourable position. Also with the beginning of term loan repayment, the company expects leverage to go down further in the coming years. Leverage for the company went down from 0.54 times in FY17 to 0.48 times in FY18
- **Diversified customer base:-** The company caters to large customer base from number of industries keeping the customer and industry concentration on lower side. Also risk of losing customer is on lower side owing to the nature of business as the company develops customised products from scratch for its customers.
- **Strong debt protection metrics:-** Due to high profitability and low debt level, debt protection metrics of the company stood strong with ISCR and DSCR at 5.31 times and 1.89 times respectively in FY18

Credit Risks:

- **Small scale of operations:-** Scale of operations of the company is still on lower side as the company is catering to specialised segment. Recently the company has received orders of ~Rs. 27.00 Crs from VE Commercial Vehicle Ltd. which will help the company gain recognition in the market. The management of the company expects to reach Rs. 75 - 80 Crs of sales by year end. On provisional basis the company has achieved Rs. 19.88 Crs during first quarter of FY19
- **Elongated conversion cycle:-** Even after some decline in inventory levels, conversion cycle of the company is still elongated at 236 days in FY18 making it a capital intensive business

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Positive

BWR believes the **Adroit Industries (India) Ltd** business risk profile will improve over the medium term on account of healthy order book supported high profitability margins owing to customized nature of business. The rating outlook may be revised to 'stable' in case the company fails to meet the expectations in terms of revenue & profitability

About the Company

Adroit Industries (India) Limited (Adroit) was established as a partnership firm by Mr. Mukesh Sangla and Mr. Saurabh Sangla in 1967 and was reconstituted as a company in January 1995. Adroit is engaged in manufacturing of propeller shafts, drive shaft assemblies and components which find wide applications in industries such as automotive, industrial equipment, firefighting equipment, locomotives, irrigation industry, off-highway products and marine equipment. The company is an export oriented unit where all the manufactured products other than scrap is exported to other countries. The company has integrated manufacturing units including foundry, forging, machining, assembling and balancing division. Adroit's manufacturing facilities are located at Indore and Dewas, Madhya Pradesh, with a total installed capacity of 1,800(MTPA) metric tonnes per annum. It is a part of Signet group, the flagship company of which is Signet Industries Ltd. a listed entity, which is engaged in manufacturing of plastic products, MIS segment & trading and distribution of polymers.

Company Financial Performance

AAIL's reported operating income of Rs. 50.15 Crs. with a net profit of Rs. 6.37 Crs. in FY18 (provisionals) against an operating income of Rs. 45.76 Crs. with a net profit of Rs. 7.84 Crs in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017May	2016	2015
1.	CC/EPC/ FBP/FBD/ FBN/PCFC	Long Term	19.20	BWR BBB Outlook Positive (reaffirmation)	BWR BBB Outlook Stable	NA	NA
2.	Term Loan	Long Term	10.14				
3.	LC/BG	Short Term	3.00	BWR A2 (reaffirmation)	BWR A2	NA	NA
Total			32.34	₹ Thirty Two Crores and Thirty Four Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Provisional	Audited
Operating Revenue	Rs. in Crs.	50.15	45.76
EBITDA	Rs. in Crs.	13.55	13.97
PAT	Rs. in Crs.	6.37	7.84
Tangible Net worth	Rs. in Crs.	60.71	53.97
Total Debt/Tangible Net worth	Times	0.48	0.54
Current Ratio	Times	1.41	1.27

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.