Rating Rationale

Adroit Industries (India) Ltd.

18th May 2017

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 32.79 Crs. of Adroit Industries (India) Ltd.

Particulars

Facility Rated	Amount (Rs. Crs.)	Tenure	Rating*
Fund Based	**Present**		**Rating Assigned**
CC/EPC/FBP/FBD/FBN/PCFC	19.20	Long Term	BWR BBB Pronounced BWR Triple B (Outlook: Stable)
Term Loan	10.59		
Non Fund Based			
LC/BG (with BG as sublimit within LC)	3.00	Short Term	BWR A2 Pronounced BWR A Two
Total	**32.79**	**Rupees Thirty Two Crores and Seventy Nine Lakhs Only**	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of Adroit Industries (India) Ltd. upto FY17 and projected financials upto FY18, publicly available information and information provided by the management.

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 is, however, constrained by low scale of operations, stretched liquidity position, 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.

Rating Outlook: Stable

BWR believes the **Adroit Industries (India) Ltd.'s** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

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.

Promoters of the company

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

Company's Financial Performance

AIIL's reported operating income of Rs. 45.76 Crs. with a net profit of Rs. 7.84 Crs. in FY17 against an operating income of Rs. 44.36 Crs. with a net profit of Rs. 4.36 Crs in FY16.

Rating History for the last three years (including withdrawn/suspended ratings)

Facility	Tenure	Amount (RsCrs)	Rating 2017	2016	2015	2014
CC/EPC/FBP/FBD/FBN/PCFC	Long Term	19.20	BWR BBB (Outlook Stable)	NA	NA	NA
Term loan		10.59				
LC/BG (with BG as sublimit within LC)	Short Term	3.00	BWR A2	NA	NA	NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term debt

Analytical Contacts	Media
R K Sharma General Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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