



RATING RATIONALE

11 May 2020

Adroit Industries India Limited

Brickwork Ratings Upgrades the ratings for the Bank Loan Facilities of Rs. 33.74 Crs of Adroit Industries India Limited

Particulars:

Facility**	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous (28 Jan 2020)	Present
Fund-Based	29.34	27.74	LongTerm	BWR BBB- (Stable) (ISSUER NOT COOPERATING)	BWR BBB (Stable) (Upgrade)
Non-Fund-Based	3.00	6.00	Short Term	BWR A3	BWR A2 (Upgrade)
Total	32.34	33.74	Rs Thirty Three Crores and Seventy Four Lakhs Only		

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

** Details of bank facilities are provided in Annexure-I

RATING ACTION / OUTLOOK

The long- and short-term rating has been Upgraded owing to growth in the total operating income achieved in FY19.

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 and diversified customer base. The rating is, however, constrained by low scale of operations, elongated conversion cycle owing to nature of business.



The rating outlook continues to be Stable on account of the company's improved financial performance until FY 19 and comfortable order book position which shows revenue visibility in short to medium term

KEY RATING DRIVERS

Description of Key Rating Drivers

Rating 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 decisions 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 0.50 times in FY18 to 0.46 times in FY19
- **Diversified customer base:-** The company caters to a large customer base from a number of industries keeping the customer and industry concentration on the lower side. Also risk of losing customers 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 4.68 times and 1.68 times respectively in FY19

Rating Weakness

- **Small scale of operations:-** Scale of operations of the company is still on lower side as the company is catering to a specialised segment. . The company has orders of ~Rs.30.86 Crs. to be executed during the current year.. On provisional basis the company has achieved Rs. 57.55 Crs during 9 M FY 20. The management of the company expects to



reach Rs. 81.45 Crs. sales by FY 21.

- **Elongated conversion cycle:-** Even after some decline in inventory levels, conversion cycle of the company is still elongated at 157 days in FY19 making it a working capital intensive business

Analytical Approach

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

RATING SENSITIVITIES

Positive: BWR may revise the ratings upwards if the company's scale of operations, net profit and EBITDA improve from current levels, with other metrics, such as gearing, debt protection metrics and liquidity, also favoring an upgrade.

Negative: BWR may revise the ratings downwards if the position of the company's scale of operations, net profit, EBITDA, liquidity and receivables deteriorates.

Liquidity Position (Adequate): The current ratio stood at 1.44 x in FY19. The working capital utilisation was 85 % for twelve months ending March 2020. The company reported cash & cash equivalents of Rs. 0.95 Crs as on March 31, 2019. In addition to this, the company generated cash accruals (PAT+Depreciation) amounting to Rs. 8.06 Crs in FY 19. In comparison with this, the company's repayment obligation is R 3.7 Crs in FY 19 indicating that there is sufficient cushion available to ensure timely debt servicing.

COMPANY PROFILE

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 are 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.

KEY FINANCIAL INDICATORS (in Rs Crs)

Key Parameters	Units	FY 18	FY 19
Result Type		Audited	Audited
Operating Income	Rs in Crs	49.58	66.33
EBITDA	Rs in Crs	10.85	12.78
PAT	Rs in Crs	4.18	5.61
Tangible Net Worth	Rs in Crs	58.27	64.00
Total Debt/Tangible Net Worth	Times	0.5	0.46
Current ratio	Times	1.36	1.44

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - Not applicable

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - Not applicable
RATING HISTORY for Last three years (Including withdrawn and Suspended)

Instrument / Facilities	Current Rating (2020)				Rating History									
	Tenure (Long Term/ Short Term)	Amount (Rs in Crs)	Rating		28 Jan 2020		2019*	13 July 2018			18 May 2017			
Bank Loan	FB	Long Term	27.74	BWR BBB (Stable) (Upgrade)	FB	29.34	BWR BBB- (Stable) (ISSUER NOT COOPERATING) (Downgrade)	-	FB	29.34	BWR BBB (Positive) Reaffirmation	FB	29.79	BWR BBB (Stable)
	NFB	Short Term	6.00	BWR A2 (Upgrade)	NFB	3.00	BWR A3 (ISSUER NOT COOPERATING) (Downgrade)	-	NFB	3.00	BWR A2 Reaffirmation	NFB	3.00	BWR A2
Total	33.74			Rs Thirty Three Crores and Seventy Four Lakhs Only										

*Rating was moved to Rating Not reviewed on 15 July 2019

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Hyperlink/Reference to applicable Criteria

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Adroit Industries India Limited

ANNEXURE I -Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs Crs)	Short Term (Rs Crs)	Total (Rs Crs)
1	Exim Bank	Term Loans	5.74		5.74
2	Kotak Mahindra Bank	CC/EPC/FBP/FBD /FBN/PCFC	22.00		22.00
3	Kotak Mahindra Bank	LC/BG		6.00	6.00
TOTAL					33.74

(Rs Thirty Three Crores and Seventy Four Lakhs Only)

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