



RATING RATIONALE

13 April 2020

Adroit Pharmaceuticals Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facility of ₹ 90 Crs of Adroit Pharmaceuticals Pvt. Ltd.

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (1 April,2020)	Present
Fund Based	4.50	35.50	Long Term	BWR BB (Stable)	BWR BB (Stable) Reaffirmation
Non Fund Based	42.00	54.50	Short Term	BWR A4	BWR A4 Reaffirmation
Total	46.50	90.00	INR Ninety Crores Only		

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

** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

BWR has reaffirmed the Long Term rating at BWR BB(Outlook: Stable) and Short Term rating at BWR A4 for the bank loan facilities of Adroit Pharmaceuticals Pvt. Ltd.

The rating continues to draw strength from the extensive experience of the management of the firm in the same line of business, consistent growth in the pharmaceutical industry and company's future expansion plans. The rating of the firm is constrained by High regulatory issues pertaining to the industry norms and average Financial Risk Profile.

The outlook is stable as the company has been able to sustain its topline and better demand for their products due to prevailing economic conditions.

KEY RATING DRIVERS



BWR principally relied upon audited financials upto FY19, projections upto FY22, publicly available information and information/clarification provided by the management.

Credit Strengths :

- **Company Existence and Management Experience :** The company has been in existence since 1977 and the directors of the firm have about three to four decades of experience in the same line of business.
- **Industry growth and future prospects of the company :** The company operates in a high revenue generating industry i.e Pharmaceutical Industry. Indian pharmaceutical industry has a prominent and rapidly growing presence in global pharmaceuticals too. Also, the company is acquiring additional manufacturing facilities to enhance its manufacturing capacity in order to improve their topline; the ongoing scenario of Covid-19, has also boosted the sales of the firm as large scale orders of sanitizers and face masks have been received by the firm through Govt. Deptts. The operating revenue of the firm in FY20 (based on management certified provisionals as on 20th March 2020) has gone up which is at Rs 59.93 Cr as against Rs 56.10 Cr in FY19. The profits of the firm have also improved in FY20 which is at Rs 1.68 Cr as on 20th March 2020 as against INR 0.90 Crores in FY19.

Credit Weaknesses :

- **Highly Regulated Industry :** The company has to maintain high compliance standards due to stringent regulations and licencing processes in the Pharmaceutical Industry.
- **Trading of pulses :** The company also indulges in trading of pulses such as chana dal, exposing the company to seasonal availability and competitive pricing of the goods, impacting the topline from time to time.
- **Average Financial Risk profile :** The tangible net worth of the firm is Rs 5.11 Crores for FY19 excluding unsecured loans. The conversion cycle of the company has risen to 148 Days in FY19 due to increase in days receivables. The profit margins are also at a lower level, Net profit margin and operating profit margin being at 1.61% and 4.93% respectively in FY19.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the Firm to improve its revenue and profit margins would be the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in Revenues and Profit margins of the firm.

Negative: Rating may be downgraded in case of deterioration in financial risk profile.

LIQUIDITY POSITION (Adequate)

The company had Cash accruals(PAT+Dep) of Rs 1.16 Cr and cash and cash equivalents of Rs 0.96 Cr in FY19. The Cash Credit Utilisation of the last six months is below 80%.The current ratio is comfortable at 1.34 times in FY19. The company's liquidity is also supported by Unsecured loans from Directors of Rs 1.93 Cr and Friends/Family of Rs 3.78 Cr . As advised by the company, they have infused Rs. 3 crore till 31st March 2020 as unsecured loans and will be converting the same into equity. The company is also expecting PAT of above Rs 2.00 Cr for FY 20.

COMPANY PROFILE

Adroit Pharmaceuticals Pvt. Ltd. (APPL), incorporated in 1977, is currently managed by the Kukreja family headed by Shri Abhimanyu Hassanand Kukreja, Shri Cheturam Hassanand Kukreja and Shri Ghanshyamdas Hassanand Kukreja. The company is incorporated in Nagpur, Maharashtra, engaging in manufacturing of pharmaceutical products with installed capacity of manufacturing 300 Lacs tablets, 22.5 Lacs capsules, 1.2 Lacs litres oral liquid, 30000 litres ointment and 1 metric tons of medicines per month. The manufacturing facility of the company is situated at Wardhaman Nagar, Nagpur. The Company supplies Paracetamol Syrup to various Government health care departments & hospitals in the state of Uttar Pradesh, Andhra Pradesh, Telangana, Tamilnadu & Defense. Also, the company trades in grains and Chana Dal. The company belongs to the group which is involved in the business of Wholesale & Retail Trading of Pharmaceutical Products via their Firm named M/s. Kukreja Agencies, M/s. Kukreja Brothers,



and M/s. Mukund & Company all of which are incorporated in Nagpur, Maharashtra. In 2005, the group also acquired the manufacturing unit of M/s. Household Pharmaceuticals, based at Dehradun in order to enhance the manufacturing capacity of the company.

Adroit is acquiring the existing plant/building/machinery of Leela ventures India Private Limited. The plant is situated in land of 16440 sq mtrs at Butibori, District- Nagpur. The said company became NPA with Union Bank of India and Adroit is acquiring it at Rs.12.5 crore under the OTS scheme (as per deed dated 2nd August 2019). The said proposal is under the consideration of Bank of Maharashtra. Management expects this plant to become operational by Aug 2020 with a total installed capacity of 16000 KG per day of paracetamol powder. Management plant to utilise 50% of the capacity towards existing sales.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Crs	61.61	56.10
OPBDIT	Crs	2.31	2.77
PAT	Crs	0.81	0.90
Tangible Net Worth [^]	Crs	4.20	5.11
Total Debt/TNW	Times	1.94	2.11
Current Ratio	Times	1.32	1.34

[^]Analyzed net worth of the company is Rs 8.92 Cr considering the unsecured loans as quasi equity.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY : CARE moved the rating to Issuer Non Cooperating category on 30 March,2020.

RATING HISTORY

Facilities Availed	Current Rating (9 April 2020)			Rating History for the past 3 years (Amount in (Rs. Crores))					
	Tenure	Amount (In Crs)	Rating	1 April 2020		2019	2018	2017	
Bank Loan Fund Based (FB)	Long Term	35.50	BWR BB (Stable) Reaffirmation	FB	4.50	BWR BB (Stable)	-	-	-
Bank Loan Fund Based (NFB)	Short Term	54.50	BWR A4 Reaffirmation	FB	42.00	BWR A4	-	-	-
Total		90.00	INR Ninety crores Only						

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 Companies](#)
- [Short Term Debt](#)

Analytical Contacts	Investor and Media Relations
<p>Raman Thakur Rating Analyst Phone:011-23412232 raman.t@brickworkratings.com</p> <p>RK Sharma Senior Director - Ratings Phone:011-23412232 rksharma@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Adroit Pharmaceuticals Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank of Maharashtra	Term Loan	1.00	-	1.00
		Term Loan(Proposed)	20.00	-	20.00
CC		4.50	-	4.50	
CC(Proposed)		10.00	-	10.00	
3.		BG	-	5.00	5.00
		BG(Proposed)	-	10.00	10.00
4.		LC	-	2.00	2.00
		LC(Proposed)	-	37.50	37.50
TOTAL					90.00

Total INR Ninety crores Only

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.

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