



Press Release

Adroit Engineers

October 17, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 9.50 crore bank facilities of Adroit Engineers (AE). The outlook is '**Stable**'.

Adroit Engineers (AE), based at Kolhapur (Maharashtra) was established by Mr. A. B. Patil (Proprietor) in 1983. The firm is manufacturer of lubrication oil pumps, sintered Ge rotors and hydraulic pumps majorly for Tata Motors limited and Kirloskar Oil Engines Limited. AE possesses ISO 9000 certificate since 2000 which has helped to increase clientele.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AE to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoter and established track record**

The promoter, Mr. A. B. Patil, has been in same line of business since inception and possesses more than three decades of experience in automobile and automobile ancillaries industry. The promoter's extensive experience has helped the firm to establish longstanding relationship with its reputed clients and suppliers.

- **Reputed clientele**

The firm has established relations with reputed clientele which includes Kirloskar Oil Engines Ltd., Swaraj Engines Ltd., Tata Motors Ltd and Arrow Engines Company (USA). The longstanding relationship with reputed clients reduce the counter party risk and provides revenue visibility over the medium term.

Weaknesses

- **Small scale of operations**

AE is in business since 1983 and has established its market position. However, the operations remain small which is marked by operating income of Rs.2.86 crore in FY2018 and Rs.2.62 crore in FY2017. AE is currently undertaking expansion of its manufacturing facilities which will be funded through debt of Rs.7.50 crore in the form of term loan and Rs.1.60 crore of additional working facilities. Acuité believes timely completion of project and capacity to generating adequate net cash accruals from the project undertaken for servicing debt will remain key rating sensitivity factor.

- **Moderate working capital cycle**

The operations of the firm are working capital intensive in nature marked by moderate Gross Current Assets (GCA) of 240 days in FY2018 as compared to 310 days in FY2017. The GCA days

stood moderate due to high debtor days of 103 in FY2018 as compared to 92 days in FY2017.

Outlook: Stable

Acuité believes that AE will maintain 'Stable' outlook and continue to benefit from the experience of the promoter. The outlook may be revised to 'Positive' in case of higher-than-expected revenues from new expansion while sustaining its existing financial risk profile. The outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its business and financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2.86	2.62	2.30
EBITDA	Rs. Cr.	0.64	0.61	0.56
PAT	Rs. Cr.	0.53	0.50	0.45
EBITDA Margin	(%)	22.52	23.24	24.54
PAT Margin	(%)	18.61	19.02	19.47
ROCE	(%)	20.13	22.59	44.56
Total Debt/Tangible Net Worth	Times	0.17	0.14	0.34
PBDIT/Interest	Times	46.58	46.92	47.06
Total Debt/PBDIT	Times	0.65	0.51	0.93
Gross Current Assets (Days)	Days	240	310	254

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B+ / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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