

Rating Advisory

May 21, 2021 | Mumbai

Affordable Robotic and Automation Limited

Advisory as on May 21, 2021

This rating advisory is provided in relation to the rating of Affordable Robotic and Automation Limited

The key rating sensitivity factors for the rating include:

Upward scenario

- Sustained topline of over Rs 900 million along with stable operating margin leading to higher cash accrual
- Efficient working capital management

Downward factors

- Significant drop in revenue with operating margin falling below 8%
- Further stretch in the working capital cycle, adversely impacting liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Affordable Robotic and Automation Limited (ARAL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If ARAL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the company

Incorporated in 2009 and based in Pune, ARAL is promoted by Mr Milind Padole. It primarily provides automation solutions for welding lines using robotics and related designing services. It also provides material handling automation services and has ventured into automated car parking systems

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Rating Rationale

July 20, 2020 | Mumbai

Affordable Robotic and Automation Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB/Stable/CRISIL A4+' ratings on the bank facilities of Affordable Robotic and Automation Limited (ARAL).

The ratings continue to reflect the company's moderate financial risk profile and the extensive industry experience of its promoter in the industrial automation industry. These strengths are partially offset by large working capital requirement and susceptibility to cyclicalities in the automotive industry.

ARAL has informed CRISIL that there was a procedural delay in payment of equated monthly instalment (EMI) of Rs 2.26 lakh on a business loan. The company was in discussion with the financial institution to avail the second phase of moratorium (June to August 2020) under the Reserve Bank of India's Covid-19 Regulatory Package, and hence the EMI which was due on June 2, 2020, was delayed. Nonetheless, the company immediately paid the EMI post communication from the financial institution. Furthermore, the company has paid its July EMI on the scheduled due date. CRISIL understands that the delay was a one-off event on account of moratorium discussions. CRISIL believes the delay arose due to temporary operational challenges amid the lockdown to contain the Covid-19 pandemic and was procedural. This is in line with the Securities and Exchange Board of India's circular (SEBI/HO/MIRSD/CRADT/CIR/P/2020/53) issued on March 30, 2020.

Key Rating Drivers & Detailed Description

Strengths:

* **Extensive experience of the promoter:** The promoter's experience of over a decade in the industrial automation business and established relationships with key customers should continue to support the business.

* **Moderate financial risk profile:** Networth was moderate at Rs 52.35 crore and gearing low at 0.46 time as on

March 31, 2020. Interest coverage and net cash accrual to total debt ratio were adequate at 5.12 times and 0.27 time, respectively, for fiscal 2020. The networth had increased in fiscal 2019 post listing on the BSE-SME platform.

Weaknesses

* **Large working capital requirement:** The working capital-intensive operations are reflected in gross current assets (GCAs) of 346 days as on March 31, 2020. Marginal stretch in receivables and moderate inventory led to higher GCAs than the historical level. Controlled working capital management remains critical.

* **Susceptibility to cyclicalities in the automotive industry:** The company primarily supplies robotics/automated welding lines and precision components to the automotive industry. The slowdown in the automotive industry in

fiscal 2021, driven by the Covid-19 pandemic, may adversely impact ARAL's operating performance. CRISIL believes the company's business risk profile will remain vulnerable to cyclicalities in the automotive industry.

Liquidity Stretched

Bank limit was utilised extensively at 94% on average over the 12 months through April 2020. Cash accrual is expected over Rs 5 crore per annum, which will be sufficient to meet annual debt obligation of Rs 1.2 crore over the medium term. Current ratio was adequate at 1.71 times as on March 31, 2020. Effective working capital management, mainly efficiency in receivables collection, remains critical to cushion the liquidity.

Outlook: Stable

CRISIL believes ARAL will continue to benefit from its promoter's extensive industry experience.

Rating Sensitivity factors

Upward Factors

- * Sustained topline of over Rs 90 crore along with stable operating margin leading to higher cash accrual
- * Efficient working capital management

Downward Factors

- * Significant drop in revenue with operating margin falling below 8%
- * Further stretch in the working capital cycle, adversely impacting liquidity.

About the Company

Incorporated in 2009 and based in Pune, ARAL is promoted by Mr Milind Padole. It primarily provides automation solutions for welding lines using robotics and related designing services. It also provides material handling automation services and has ventured into automated car parking systems.

Key Financial Indicators

As on/for the period ended March 31	Unit	2020*	2019
Operating income	Rs crore	86.35	82.37
Reported profit after tax (PAT)	Rs crore	4.87	2.15
PAT margin	%	5.6	2.6
Adjusted debt/adjusted networth	Times	0.46	0.51
Interest coverage	Times	5.12	3.76

*Provisional

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating

Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Levels	Rating assigned with outlook
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NA	Bank Guarantee	NA	NA	NA	5	NA	CRISIL A4+
NA	Cash Credit	NA	NA	NA	12	NA	CRISIL BB/Stable
NA	Proposed Bank Guarantee	NA	NA	NA	1	NA	CRISIL BB/Stable
NA	Proposed Cash Credit Limit	NA	NA	NA	7	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

	Current			2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	19.00	CRISIL BB/Stable			04-12-19	CRISIL BB/Stable	14-06-18	CRISIL BB+/Stable			CRISIL BB-/Stable
						08-01-19	CRISIL BB+/Stable					
Non Fund-based Bank Facilities	LT/ST	6.00	CRISIL BB/Stable/ CRISIL A4+			04-12-19	CRISIL BB/Stable/ CRISIL A4+	14-06-18	CRISIL A4+			CRISIL A4+
						08-01-19	CRISIL BB+/Stable/ CRISIL A4+					

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	5	CRISIL A4+	Bank Guarantee	5	CRISIL A4+
Cash Credit	12	CRISIL BB/Stable	Cash Credit	12	CRISIL BB/Stable
Proposed Bank Guarantee	1	CRISIL BB/Stable	Proposed Bank Guarantee	1	CRISIL BB/Stable
Proposed Cash Credit Limit	7	CRISIL BB/Stable	Proposed Cash Credit Limit	7	CRISIL BB/Stable
Total	25	--	Total	25	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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