

ADOR WELDING LIMITED



REGD. & CORPORATE OFFICE
Ador House, 6, K. Dubash Marg, Fort,
Mumbai - 400 001-16 India. G.P.O. Box No. 1546
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Website : www.adorwelding.com
Corporate Identity No: L70100MH1951PLC008647

AWL/SEC/SE/2018-19

27th March, 2019

BSE LTD.

Phiroze Jeejeebhoy Towers,
01st Floor, Dalal Street,
Fort,
Mumbai - 400 023.

NATIONAL STOCK EXCHANGE OF INDIA LTD.

Exchange Plaza, C - 1, Block G,
Bandra-Kurla Complex,
Bandra (East),
Mumbai - 400 051.

Company Scrip Code: 517041

Company Scrip Code: ADORWELD

Dear Sirs,

Sub: Revision in Credit Rating

Pursuant to Regulation 30 read with Schedule III Part A Para A of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith letters dated 22nd March, 2019 & 27th March, 2019 received from "CARE", Credit Rating Agency, indicating revision in the credit rating with respect to bank facilities, as availed by our Company.

The revision is with respect to the long term bank facilities. The revised rating is CARE AA- whereas the original rating was CARE AA; however the outlook, under both the ratings, denotes stability. Further, please note that the rating of short term bank facilities is reaffirmed at CARE A+.

We hereby request you to take a note of the above revision and acknowledge its receipt.

Yours Sincerely,
For **ADOR WELDING LIMITED**

A handwritten signature in blue ink, appearing to read "G. Patkar", written over a circular stamp.

GIRISH A. PATKAR
CHIEF FINANCIAL OFFICER



Encl: as above

Mr. Girish Patkar
Chief Financial Officer
Ador Welding Limited
4th Floor, Ador House,
6, K. Dubash Marg,
Fort, Mumbai – 400 001

March 22, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On a review of recent developments including operational and financial performance of your company for 9MFY19 (UA), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating*	Rating Action
Long-term bank facilities	87.50	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Revised from CARE AA; Stable (Double A; Outlook: Stable)
Short-term bank facilities	79.00	CARE A1+ (A One Plus)	Reaffirmed
Total	166.50 (Rupees One hundred sixty six crore and fifty lakhs only)		

- 2 Refer **Annexure 1** for details of rated facilities.
- 3 The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by March 25, 2019 we will proceed on the basis that you have no any comments to offer.
- 4 CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

* Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

- 5 CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
- 6 CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
- 7 Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
- 8 CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,



[Anubhav Sharma]

Manager

anubhav.sharma@careratings.com



[Hitesh M Avachat]

Senior Manager

hitesh.avachat@careratings.com

Yours faithfully,

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1

Details of Rated Facilities

1. Long-term bank facilities

1. A. Fund based limits

(Rs. crore)

S. No.	Name of Lender	CC/WCDL*
1.	HDFC Bank	62.50
2.	IDFC Bank	25.00
	Total	87.50

*-CC=Cash Credit WCDL=Working Capital Demand Loan

Total long term facilities (1.A) = Rs. 87.50 crore

2. Short-term instruments

2.A. Fund based limits

(Rs. crore)

S.No.	Name of Lender	SIFF*
1.	Kotak Mahindra Bank	15.00
	Total	15.00

* SIFF=Sales Invoice Financing Facility

2.B. Non Fund based limits

(Rs. crore)

S.No.	Name of Lender	LC/BG *
1.	HDFC Bank	43.00
2.	IDFC Bank	20.00
3.	Bank of Baroda	1.00
	Total	64.00

*-LC=Letter of Credit BG= Bank Guarantee

Total short term instruments (2.A.+2.B.) = Rs. 79.00 crore

Annexure 2

Press Release

Ador Welding Limited

March, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating*	Rating Action
Long-term bank facilities	87.50	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Revised from CARE AA; Stable (Double A; Outlook: Stable)
Short-term bank facilities	79.00	CARE A1+ (A One Plus)	Reaffirmed
Total	166.50 (Rs. One hundred sixty six crore and fifty lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in long-term rating of bank facilities of Ador Welding Limited (AWL) is on account of delay in reduction on dependence level on working capital borrowings within the stipulated time period, as envisaged by CARE.

The ratings continue to derive strength from well established & experienced promoter group, diversified product portfolio supported by comprehensive sales and distribution network, established market position in the welding industry catering to reputed client base, favourable financial risk profile and debt coverage indicators.

The rating strengths, however, continue to be offset by volatility associated with raw material prices and prevalent competition in welding industry.

Ability of the company to efficiently manage its working capital requirements and any large debt funded capital expenditure/acquisition impacting overall financial risk profile of the company would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Well established and experienced promoter group

**Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

AWL promoted by J B Advani & Co. has over six decades of experience in welding consumables business. J B Advani Group was established in the year 1908 as a small trading company and had set up AWL in the year 1951. Currently, the group consists of companies having operations in engineering products and services, cosmetic products and green energy solutions. The day-to-day operations of the company are overlooked by a team of qualified and experienced professional headed by Mr.S.M.Bhat.

Well established brand offering diversified product portfolio supported by comprehensive sales & distribution network

AWL is engaged in the manufacturing of welding consumables & equipment and also has a project engineering division. It offers a wide variety (over 200 types) of electrodes, fluxes, flux-cored wires and specially customized electrodes. The company has further augmented its distribution network to ~300 distributors, spread across India. Further, the company has a marketing office in Sharjah through which it caters to countries in the Gulf region.

Established market position in welding industry catering to reputed client base

AWL caters to various industries including oil & gas, steel, ship-building, defense, power, automobile, chemicals & fertilizers, general fabrication and engineering industries. The company has also diversified into project engineering whereby it provides customized solutions for multi-disciplinary projects and contracts to various industries such as petrochemicals, oil & gas, fertilizers, pharmaceuticals, metals, etc.

Favourable financial risk profile and debt protection metrics

The company's overall financial risk profile and debt protection metrics continues to be favourable. In FY18 the company reported moderation in its Project Engineering Business (PEB) segment performance. Due to delay in realisations from international order, the company continues to report loss at PBIT levels in 9MFY19.

Total Debt of the company increased significantly to Rs. 81.20 crore as on March 31, 2018 from Rs. 35.47 crore as on March 31, 2017 on account of working capital requirement towards execution orders in the PEB segment. As a result the interest and finance expenses increased to Rs. 6.20 crore in FY18 from Rs. 2.06 crore in FY17. Interest coverage ratio of the company moderated to 7.11 times in FY18 from 18.84 times in FY17. Total debt to GCA of the company increased to 2.77 times as on March 31, 2018 from 1.20 times as on March 31, 2017.

Key Rating Weaknesses

Delay in reduction of debt at consolidated level within stipulated time period

CARE at time of last review envisaged that as on December 31, 2018, AWL was to reduce its dependence level on working capital borrowings. However, due to delay in realisation of receivables from an international order, the company continued to exhibit dependence on working bank borrowings. As a result, the company relinquished its debt free profile and reported higher level of fund based bank limit utilisations.

Exposure of operational performance to volatility associated with raw material prices

AWL major raw material component is steel. The company procures it domestically. The inventory levels of the raw material are budgeted as per production requirement. Any increase in raw material is pass-on to

end users. However, any time lag in pass-on of cost escalation would impact the operational performance of the company.

Prevalent competition in welding industry from domestic and international players

The welding industry comprises welding equipment, consumables and welding services. Demand for welding consumables is likely to rise during the forecast period due to increasing investments in the oil & gas industry. The Indian welding industry comprises various large, medium, and small-scale companies. Some international players in the Indian welding consumables industry include ESAB, Lincoln Electric and Voestalpine A G (Bohler Welding Group India Pvt Ltd.) and domestic players include AWL, D&H Sécheron, Honavar Electrodes, and D & H Welding Electrodes Ltd. Along with these players, the Indian welding consumables industry comprises a large number of small, unorganized players. The key market players have developed their own distribution networks, as distribution is a critical success factor in this industry. Entry of Chinese manufacturers, with their low cost and sophisticated technology, has also resulted in increasing competitive pressures.

Analytical approach: Standalone

Applicable Criteria

CARE's criteria on assigning Outlook to Credit Ratings

CARE's policy on Default Recognition

CARE's methodology for Short-term Instruments

Financial ratios – Non-Financial Sector

CARE's methodology for manufacturing companies

About the Company

AWL (formerly known as Advani Oerlikon Limited), incorporated on October 22, 1951 by J. B. Advani & Company Private Limited (JBPL) and the Oerlikon-Buhrle Group, Switzerland. During FY03, JBPL acquired shareholding of Oerlikon Group in AWL and became majority shareholder in the company.

The company is engaged in the manufacturing of welding consumables & equipments and also has a project engineering division. AWL offers a complete welding package which includes a wide variety (over 200 types) of electrodes, fluxes, flux-cored wires and specially customized electrodes. Project engineering division of AWL is currently engaged in providing customized solutions for multi-disciplinary projects and contracts related to refineries, oil & gas, petrochemicals, fertilizers, steel plants, pharmaceuticals, water and other chemical complexes and process industries.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	446.34	471.23
PBILDT	38.82	44.07
PAT	18.12	18.56
Overall gearing (times)	0.15	0.33
Interest coverage (times)	18.84	7.11

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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(Formerly known as Credit Analysis & Research Limited)

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Hitesh M Avachat

Tel: 022-67543510

Email: hitesh.avachat@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	87.50	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	79.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash	LT	87.50	CARE	1)CARE AA;	-	1)CARE AA;	1)CARE AA

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CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
	Credit			AA-; Stable	Stable (05-Oct-18) 2)CARE AA; Stable (31-Aug-18) 3)CARE AA; Stable (06-Apr-18)		Stable (26-Dec-16)	(10-Aug-15)
2.	Non-fund-based - ST-BG/LC	ST	79.00	CARE A1+	1)CARE A1+ (05-Oct-18) 2)CARE A1+; Stable (31-Aug-18) 3)CARE A1+ (06-Apr-18)	-	1)CARE A1+ (26-Dec-16)	1)CARE A1+ (10-Aug-15)

March 27, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

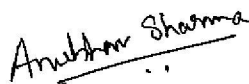
Please refer to our rating letter no. CARE/HO/RL/2018-19/516 dated March 22, 2019, press release dated March 22, 2019 and your representation e-mail dated March 27, 2019 on the above subject.

2. Our Rating Committee has carefully reconsidered the representation made by you regarding the revision in rating assigned to the above mentioned bank facilities. It has, however, not been found possible to upgrade the rating for the facilities and the rating stands at '**CARE AA-; Stable/CARE A1+**' (**Double A Minus; Outlook: Stable/A One Plus**) for long-term facilities. In this connection, we assure you that the facts mentioned in your letter under reference were considered while deciding the rating.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



[Anubhav Sharma]

Manager

anubhav.sharma@careratings.com

[Hitesh M Avachat]

Senior Manager

hitesh.avachat@careratings.com**Disclaimer**

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