



Press Release

AFG Combustion Private Limited formerly known as Airoil Flaragas Private Limited **February 25, 2025**

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	45.00 (Enhanced from Rs.25 crore)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	IVR BB-/Negative; ISSUER NOT COOPERATING* (IVR Double B Minus with Negative Outlook; ISSUER NOT COOPERATING*)	Upgraded, outlook revised and removed from Issuer Not Cooperating*	Simple
Long Term Bank Facilities – GECL	0.00 (Reduced from 2.50 crore)	Withdrawn	IVR BB-/Negative; ISSUER NOT COOPERATING* (IVR Double B Minus with Negative Outlook; ISSUER NOT COOPERATING*)	Withdrawn	Simple
Short Term Bank Facilities – Letter of Credit	20.00 Enhanced from Rs.11.00 crore)	IVR A3 (IVR A Three)	IVR A4+; ISSUER NOT COOPERATING* (IVR A Four Plus; ISSUER NOT COOPERATING*)	Upgraded, and removed from Issuer Not Cooperating*	Simple
Short Term Bank Facilities – Bank Guarantee	110.00 (Enhanced from Rs.64.50 crore)	IVR A3 (IVR A Three)	IVR A4+; ISSUER NOT COOPERATING* (IVR A Four Plus; ISSUER NOT COOPERATING*)	Upgraded, and removed from Issuer Not Cooperating*	Simple
Total	175.00 (Enhanced from Rs. 103.00 crore) (Rupees One Hundred and Seventy-Five Crore Only)				

*Issuer did not cooperate; based on best available information

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.



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Detailed Rationale

Infomerics Ratings has upgraded its rating assigned to the Bank facilities of AFG Combustion Private Limited (AFGCPL) which factors in experienced promoters with established track record of operations, healthy order book position providing revenue visibility, comfortable capital structure with satisfactory debt protection metrics. The rating is however constrained by susceptibility to cyclical demand from core end-user industries, working capital intensive nature of operations, exposure to group companies.

The outlook is stable in view of experienced promoters, established track record of operations and healthy order book position.

Infomerics has also withdrawn the outstanding ratings of 'IVR BB-/Negative; Issuer Not Cooperating (IVR Double B Minus with Negative outlook; Issuer Not Cooperating)' assigned to one of the GECL loan of AFG Combustion Private Limited. The above action has been taken at the request of AFGCPL and 'No Due Certificate' received from its bank confirming that the loan was fully paid. The rating is withdrawn in accordance with Infomerics' policy on withdrawal.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the revenue thereby leading to improvement in profitability metrics.
- Sustenance of the capital structure with improvement in debt protection metrics.
- Improvement in working capital cycle leading to improvement in liquidity.

Downward Factors

- More than expected moderation in scale of operations thereby leading to deterioration in profitability and cash accruals.
- Further elongation of the operating cycle leading to weakening of liquidity.
- Moderation in the capital structure with deterioration of overall gearing to over 1.5x and/or deterioration in interest coverage to below 1.00x



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with established track record of operations**

The company's promoters have over four-decade-long experience in the flare systems industry. Long standing presence in the industry has helped the promoters to establish healthy relationship with customers and suppliers and strengthen its business risk profile and maintain revenue diversification.

- **Healthy order book position providing revenue visibility**

The company has order book of ~Rs. 269 crore as on January 01, 2025. The order book is executable over the period of 6 to 24 months based on nature and size of orders which provides revenue visibility over the near to medium term.

- **Comfortable capital structure with satisfactory debt protection metrics**

The capital structure of the company remained comfortable, the long-term debt to equity ratio and overall gearing ratio remained comfortable at 0.07x and 1.12x as on March 31, 2024, (refers to period from April 01, 2023, to March 31, 2024), as against 0.15x and 1.03x respectively as on March 31, 2023. Tangible net worth of the company stood satisfactory at ~Rs.64 crore as on March 31, 2024. The interest coverage ratio stood satisfactory at 1.80x as on March 31, 2024.

Key Rating Weaknesses

- **Working capital intensive nature of operations**

The operations of the company remained working capital intensive due to its nature of work marked by its elongated operating cycle and high gross current asset days.

The operating cycle remains at 177 days and Gross Asset Days remains at 351 days for FY24 because of high inventory days. The project completion time depends on the scope of its works/milestones and usually take longer period, hence the inventory period remained high over the years.



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- **Susceptibility to cyclicality in demand from core end-user industries**

The Company operates in the capital good industry which is highly dependent on capital expansion plans of various industries like petrochemicals, refineries, chemicals etc. which cyclical in nature and depends on the industry prospects and growth scenarios.

Analytical Approach: Standalone.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Withdrawal of Rating](#)

Liquidity –Adequate

The GCA for FY24 remains at Rs. 9.72 crore which is sufficient for repayment of debt payment ranging from Rs.1.00 crore to Rs.1.50 crore. The average utilisation for the last 12 months ended December 2024 remains at 74.66%. The GCA for the projected period remains in range of Rs.10 crore to Rs.15 crore with no repayment obligations.

About the Company

AFPL is engaged in manufacturing, designing and site installation of combustion equipment like flare system and flare components, industrial burner and burner components and spares and accessories. It also supplies spares and accessories for these systems and undertakes flare system installation on turnkey basis. The company manufactures flare system which is used to burn the unwanted gases and prevent those gases from entering in the environment. The flare system is a mandatory requirement as a pollution control measure. It is used in refineries, fertilisers industries, power plant, steel companies, petro-chemical units etc. The company's manufacturing facility is at Indrad, Gujarat. The product is tailor made and is made as per the customer's requirement.



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AFPL has one wholly owned subsidiary Airoil Flaregas International Pte Ltd engaged in trading and acting as market consultant in Singapore and one first level step down subsidiary Green Combustion Ltd in UK engaged in manufacturing of industrial burners, burners spares and burner management system.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	130.27	178.08
EBITDA	9.36	17.22
PAT	4.45	8.00
Total Debt	55.50	68.89
Adjusted Tangible Net Worth	53.90	61.44
EBITDA Margin (%)	7.19	9.67
PAT Margin (%)	3.29	4.38
Overall Gearing Ratio (x)	1.03	1.12
Interest Coverage (x)	1.55	1.80

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					Date (December 30, 2024)	Date (December 01, 2023)	Date (December 29, 2022)
1.	Cash Credit	Long Term	45.00 (Enhanced from Rs.25.00 crore)	IVR BBB-/Stable	IVR BB-/Negative; ISSUER NOT COOPERATING*	IVR BB-/Negative; ISSUER NOT COOPERATING*	IVR BB+/Negative; ISSUER NOT COOPERATING*



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					Date (December 30, 2024)	Date (December 01, 2023)	Date (December 29, 2022)
2.	GECL	Long Term	0.00 (Reduced from Rs. 2.50 crore)	Withdrawn	IVR BB-/Negative; ISSUER NOT COOPERATING*	IVR BB/Negative; ISSUER NOT COOPERATING*	IVR BB+/Negative; ISSUER NOT COOPERATING
5.	Bank Guarantee	Short Term	110.00 (Enhanced from Rs. 64.50)	IVR A3	IVR A4+; ISSUER NOT COOPERATING*	IVR A4; ISSUER NOT COOPERATING*	IVR A4+; ISSUER NOT COOPERATING*
6.	Letter of Credit	Short Term	20.00 (Enhanced from Rs. 11 crore)	IVR A3	IVR A4+; ISSUER NOT COOPERATING*	IVR A4; ISSUER NOT COOPERATING*	IVR A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) formerly known as Infomerics Valuation and Rating Pvt Ltd was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	45.00 (Enhanced from Rs.25.00 crore)	IVR BBB-/Stable
GECL	-	-	-	On demand	0.00 (Reduced from Rs.2.50 crore)	Withdrawn
Bank Guarantee	-	-	-	-	110.00 (Enhanced from Rs. 64.50 crore)	IVR A3
Letter of Credit	-	-	-	-	20.00 (Enhanced from Rs.11.00 crore)	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-AFG-Combustion-25feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com