



Press Release

Ayoki Fabricon Private Limited

February 22, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities*	29.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities#	81.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	110.00	Rupees One Hundred Ten Crore Only			

*Cash Credit Facility includes proposed facility of Rs.5.00 crore.

#Bank Guarantee Facility includes proposed facility of Rs.20.00 crore.

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has reaffirmed long-term rating IVR BBB with a Stable Outlook and short term rating of IVR A3+ for the bank loan facilities of Ayoki Fabricon Private Limited (AFPL).

The rating continues to draw comfort from experienced management, long track record of operations with sound FEC contracting acumen with proven project execution capability, reputed clientele, strong orderbook reflecting satisfactory medium term revenue visibility, growing scale of operations, healthy profitability and comfortable capital structure with healthy debt protection metrics. These rating strengths partially offset by susceptibility of operating margin to volatile input prices and highly fragmented and competitive nature of construction sector.



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IVR has principally relied on the consolidated audited financial results of AFPL upto 31 March 2022, 8MFY23 provisional results and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability and debt protection metrics on a sustained basis along.
- Sustenance/ Improvement in the capital structure.
- Management of working capital requirements efficiently with improvement in liquidity position.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis.
- Moderation in Capital Structure.
- Elongation in the operating cycle impacting the liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management

Both Mr. Ganesh Kumar and Mr. K Krishnan Kutty are associated with AFPL since inception of AFPL in 1984 and hence have accumulated an experience of almost four decades in infrastructure industry. By qualification, Mr. Ganesh Kumar is a Postgraduate and holds the title of Managing Director in the company; also, Mr. K Krishnan Kutty holds a Diploma in Engineering and is Technical Director with the Company. Mr. Sanooj K with an experience of a decade is the Executive Director with AFPL and is a Postgraduate by qualification.



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Long record of accomplishment of operations with sound Fabrication, Erection, Installation and Commissioning (FEC) acumen with proven project execution capability

Being in operation since 1984, the company has a vast record of accomplishment of almost four decades. Over the years, the company has acquired strong fabrication, erection, installation and commissioning (FEC) acumen through its successful operations and has completed number of large, medium and small-sized projects such as: Bulk Material Handling, Oil & Gas Plants, Distilleries, Foundries, Pollution Control Equipment's, Steel Plants, Sugar Plants, Cement Plants, Boilers and Co-generation Plants, etc. across India and Abroad, ensuring timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

Reputed clientele

AFPL bids for tenders floated by various government departments/entities and caters to private players. Moreover, the company also works as a sub-contractor for other contractors. Over the years of its operations, the company has established a strong business relationship with various government departments as well as private clients. AFPL has undertaken fabrication, erection and commissioning services of plants for clients, which include Jaypee Group, Ambuja Cements, Aditya Birla Group, Lafarge, Dangote Group, JK cement Group, etc.

Strong order book position reflecting satisfactory medium-term revenue visibility

AFPL has a strong unexecuted order book of Rs.1,366.49 crore as on October 31, 2022, which is about 2.22x of the total operating income reported in FY22. This indicates a satisfactory near to medium term revenue visibility.

Growing Scale of Operations and Healthy profitability

Total operating income (TOI) of AFPL has improved from Rs. 573.02 crore in FY21 to Rs.614.10 crore in FY22 due to increase in orders booked by the company, specifically in the erection and fabrication segment in FY22. In addition, the company has maintained a healthy profitability marked by satisfactory EBITDA margin and healthy PAT margin. AFPL witnessed



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marginal improvement in its EBIDTA margin from 7.60% in FY21 to 7.89% in FY22. The PAT margin improved from 0.87% in FY21 to 2.98% in FY22.

Comfortable capital structure with healthy debt protection metrics

The Overall Gearing Ratio of the company improved marginally from 0.56x as on 31-Mar-2021 to 0.31x as on 31-Mar-2022 due to increase in tangible net worth of the company on account of accretion of profits to reserves. The debt protection metrics stood comfortable marked by interest service coverage ratio (ISCR) of 6.26x in FY22 (FY21: 5.66x). Total Debt to GCA stood satisfactory at 1.09 years in FY22 as against 2.03 years in FY21; improved due to increase in GCA.

Key Rating Weaknesses

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement, which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost.

Highly fragmented & competitive nature of the construction sector

The infrastructure/ construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.



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Analytical Approach: Consolidated Approach

For arriving at the rating, Infomerics has taken the consolidated approach by combining business and financial risk profiles of Ayoki Fabricon Private Limited, Ayoki Fabricon Nepal (P) Ltd., Ayoki Fabtech (P) Ltd., Buildmet (P) Ltd., Ayoki Infra Indonesia and Buildmet Constructions Nigeria Limited herein after referred to as Group. The Consolidated Financial Statements comprise the financial statements of Ayoki Fabricon Private Limited ('The Company') and its subsidiaries, which together constitute 'the Group'. The consolidation is in the view of similar line of business, holding- subsidiary relationship, common management and in between strong operational linkages.

List of the entities considered for consolidation is furnished in Annexure II.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

AFPL has generated a cash accrual of Rs.39.78 crore in FY22 against the debt repayment obligations of Rs.9.90 crore. Further, AFPL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23-FY25. Average utilization of bank limits for last 12 months ended November 2022 stood at ~58.10% indicating sufficient buffer to meet incremental requirements. Further, company has reported cash and bank balance of Rs.33.65 crore as on March 31, 2022. All these factors reflect adequate liquidity position of the company.



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About the Company

Based in Pune (Maharashtra), Ayoki Fabricon Private Limited (AFPL) was incorporated in 1984. AFPL is engaged in fabrication, erection, installation, commissioning (FEC) and testing of projects such as Bulk Material Handling, Oil & Gas Plants, Distilleries, Foundries, Pollution Control Equipment's, Steel Plants, Sugar Plants, Cement Plants, Boilers and Cogeneration Plants and has successfully completed various projects in India and abroad.

The company largely operates in African continent. AFPL acquired a Bengaluru based company in FY16 'Buildmet Private Limited', engaged in civil construction activities. AFPL has also set up its branch offices in Indonesia, Kenya, Senegal, Zambia, Tanzania and Ethiopia. Further, AFPL owns over 200 cranes of different sizes of its own which are kept and used at its project sites all over the world.

Financials (Consolidated):

	(Rs. Crore)	
For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	573.02	614.10
EBITDA	43.56	48.47
PAT	5.06	18.46
Total Debt	31.83	26.83
Tangible Net worth	118.53	138.05
EBITDA Margin (%)	7.60	7.89
PAT Margin (%)	0.87	2.98
Overall Gearing Ratio (x)	0.56	0.31

* Classification as per Infomerics' standards



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Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	416.04	480.33
EBITDA	35.53	37.44
PAT	8.89	17.78
Total Debt	40.37	28.32
Tangible Net worth	90.95	108.73
EBITDA Margin (%)	8.54	7.79
PAT Margin (%)	2.11	3.66
Overall Gearing Ratio (x)	0.93	0.44

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Type	Current Ratings (Year 2022-23)		Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Nov 29, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Aug 29, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facilities*	Long Term	29.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-
2.	Non Fund Based Facilities#	Short Term	81.00	IVR A3+	IVR A3+	IVR A3+	-

*Cash Credit Facility includes proposed facility of Rs.5.00 crore.

#Bank Guarantee Facility includes proposed facility of Rs.20.00 crore.



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Name and Contact Details of the Rating Analyst:

Name: Ms. Shilpa Yadav	Name: Mr. Om Prakash Jain
Tel: (011) 24601142	Tel: (011) 24601142
Email: shilpa.yadav@infomerics.com	Email: opjain@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Cash Credit	-	-	-	24.00	IVR BBB/ Stable
Long Term Fund Based Facilities – Cash Credit (Proposed)	-	-	-	5.00	IVR BBB/ Stable
Short Term Fund Based Facilities – Bank Guarantee	-	-	-	61.00	IVR A3+
Short Term Fund Based Facilities – Bank Guarantee (Proposed)	-	-	-	20.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extend of Consolidation
Ayoki Fabricon Nepal (P) Ltd.	100.00%
Ayoki Fabtech (P) Ltd.	99.996%
Buildmet (P) Ltd.	99.779%
Ayoki Infra Indonesia	67.00%
Builmet Constructions Nigeria Ltd.	100.00%

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-AyokiFabricon-feb23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 [Complexity Level of Rated Instruments/Facilities](#).