



## Press Release

**Ayoki Fabricon Private Limited**

**November 29, 2021**

### **Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>
1.	Long Term Bank Facilities- Cash Credit*	29.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
2.	Short Term Bank Facilities- Bank Guarantee#	81.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed
	<b>Total</b>	<b>110.00</b>			

\*Cash Credit Facility includes proposed facility of Rs.5.00 Crores.

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

### **Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank facilities of Ayoki Fabricon Private Limited continues to benefit from the 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, highly fragmented and competitive nature of construction sector.



## Press Release

### 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 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.

##### **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



## Press Release

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.1,121 Crores as on June 30, 2021, which is about 1.84x of the total operating income reported in FY21(Prov). This indicates a satisfactory near to medium term revenue visibility.

### **Growing Scale of Operations and Healthy profitability**

Over the past four financial years, (FY18-FY21) total operating income of AFPL has increased by a CAGR of ~23% and witnessed a growth of ~4.00% in FY21(Prov). Gross Cash Accruals of the company also consistently growing and stood at Rs.37.92 Crores in FY21(Prov) as against Rs.37.06 Crores in FY20. In addition, the company has maintained a healthy profitability marked by satisfactory EBITDA margin and healthy PAT margin. AFPL witnessed marginal improvement in its EBITDA margin from 8.03% in FY20 to 8.10% in FY21(Prov). The PAT margin remained at same level in FY21(Prov) as of FY20 at 2.70%.

### **Comfortable capital structure with healthy debt protection metrics**

The overall gearing of the company stood comfortable at 0.64x as on March 31, 2021(Prov) as against 0.45x on March 31, 2020. The debt protection indicators of the company like interest coverage stood comfortable at 7.35x in FY21(Prov) as against 5.92x in FY20. DSCR stands above average at 3.31x in FY21(Prov) as against 3.06x in FY20. Total Debt/ GCA also stood comfortable at 2.23 years in FY21(Prov) as against 1.40 years in FY20.



## Press Release

### **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.

#### **Analytical Approach:** Consolidated

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)



## Press Release

### **Liquidity – Adequate**

AFPL has generated a cash accrual of Rs.37.92 Crores in FY21(Prov) against the debt repayment obligations of Rs.6.77 Crores. Further, AFPL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY22. Average Utilization of bank limits for last 12 months ended July 2021 stood at ~75.00% indicating sufficient buffer to meet incremental requirements. Further, company has reported cash and bank balance of Rs.38.18 Crores as on March 31, 2021(Prov). All these factors reflect adequate liquidity position of the company.

### **About the Company**

Based in Pune (Maharashtra), Ayoki Fabiricon 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):**

For the year ended*/As on	(Rs. Crore)	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	583.36	608.03
EBITDA	46.84	49.23
PAT	16.07	16.53
Total Debt	51.99	84.54
Tangible Net worth	114.40	132.70
EBITDA Margin (%)	8.03	8.10
PAT Margin (%)	2.71	2.70
Overall Gearing Ratio (x) on Book TNW	0.45	0.64

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None



## Press Release

**Any other information:** Nil

**Rating History for last three years:**

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating (November 29, 2021)	Date(s) & Rating(s) assigned in 2020-21 (August 29, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities-Cash Credit (Sanctioned)	Long Term	24.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	-	-
2.	Fund Based Bank Facilities-Cash Credit (Proposed)	Long Term	5.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	-	-
3.	Non Fund Based Bank Facilities-Bank Guarantee (Sanctioned)	Short Term	61.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	-	-
4	Non Fund Based Bank Facilities-Bank Guarantee (Proposed)	Short Term	20.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)		

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## Press Release

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Bank Facilities- Cash Credit (Sanctioned)	-	-	-	24.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Long Term Fund Based Bank Facilities- Cash Credit (Proposed)	-	-	-	5.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Short Term Non Fund Based Bank Facilities- Bank	-	-	-	61.00	IVR A3+ (IVR A Three Plus)



## Press Release

Guarantee (Sanctioned)					
Short Term Non Fund Based Bank Facilities- Bank Guarantee (Proposed)	-	-	-	20.00	IVR A3+ (IVR A Three Plus)

### Annexure 2: List of entities considered for consolidated analysis

Group Companies	Extent 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/Ayoki-fabricon-lenders-nov21.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Working capital (CC)	Simple
3.	Bank Guarantee	Simple

**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](http://www.infomerics.com).