Ajax Fiori Engineering (India) Private Limited

Instruments	Amounts (In Rs Crore)	Rating Action September 2016
Fund based limits	16.14	[ICRA]AA- (stable); upgraded from [ICRA]A+ (stable)
Non fund based limits	5.32	[ICRA]A1+ reaffirmed

ICRA has upgraded the long-term rating assigned to the Rs 16.14 crore[1] fund based bank facilities of Ajax Fiori Engineering (India) Private Limited (AFEPL)[2] from [ICRA]A+ (pronounced ICRA A plus) to [ICRA]AA- (pronounced ICRA double A minus). ICRA has also reaffirmed the short term rating of [ICRA]A1+ (Pronounced ICRA A one plus) assigned to the Rs 5.32 crore non-fund based facilities of AFEPL. The outlook on the long term rating is *stable*.

The ratings upgrade takes into account the healthy demand witnessed for AFEPL's flagship product, the self loading mobile concrete mixers (SLCM); the SLCM segment has performed better within the overall construction equipment industry even during the period from FY2014 to H1FY2016 when the industry remained subdued. With improved demand scenario witnessed in the construction equipment industry from H2FY2016 onwards, AFEPL's revenues have grown strongly by 46% in H2FY2016 (on a year on year basis) and 61% in Q1FY2017 (on year on year basis). AFEPL's has also been able to further improve on its profit margins despite the increased marketing and sales network due to the reduction in international commodity prices.

With strong accretion to reserves built over the last few years and low indebtedness, AFEPL's credit risk profile remains healthy characterized by strong capital structure (gearing of 0.04x as on March 31, 2016) and robust coverage indicators (Total Debt/OPBDITA of 0.09x and interest coverage of 77.52x during FY16). Given AFEPL's comfortable cash flows and liquidity profile supported by substantial liquid investments and cash reserves of Rs 103.89 crore as on 31st March 2016, the company is capable of funding its planned growth and related capital expenditure without significantly leveraging its balance sheet. These apart, the ratings continue to draw comfort from the AFEPL's strong in-house capabilities including design, procurement and distribution network. The demand prospects for the concreting equipment industry are likely to remain favourable in the medium term given the central and various state governments' focus on infrastructure which has resulted in pick-up in road construction and irrigation projects since October 2015.

The ratings, however, continue to be constrained by AFEPL's dependence on a few product lines. Moreover, maintaining growth trajectory while sustaining the profitability in the competitive and fragmented Indian construction equipment could be an added challenge for AFEPL. Besides, the strengths are tempered by the vulnerability of the company's revenues to cyclical downturns in the economy given its dependence on the construction and real estate industry and the susceptibility of its margins to raw material and foreign exchange fluctuation risk with a large portion of the raw material being imported. However, the company has been focusing on reducing the import dependence with identification of domestic supplier for key imported components.

The company's ability to sustain its growth trajectory and profitability, apart from the extent of capex and acquisitions undertaken would be the key rating sensitivities.

Company Profile

Ajax Fiori Engineering (India) Private Limited, located in Bangalore, manufactures a wide range of equipment for the construction industry. The company manufactures a line of products in the construction equipment domain including self loading mobile concrete mixers, pan mixers, radius lift arm batching plants, site dumpers, bin type concrete batching plants and transit mixers. Ajax Fiori machinery is used for concreting operations, at building construction, canal lining, dam, road and other infrastructure construction projects, to name a few. Over the years, AEFPL has developed strong in-house manufacturing capabilities supported by tie-ups with several foreign construction equipment companies such as Eurostar Italy, ORU and Fiori S.P.A. and Junjin S.

[1]100 lakh = 1 crore = 10 million

[2]For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Korea. The company has a long standing joint venture with Fiori group of Italy, which also holds 40% stake in the company.

Recent Results

In the financial year 2015-16, the company reported a profit after tax of Rs 59.64 crore an operating income of Rs 438.97 crore (based on unaudited financials) compared to a profit after tax of Rs 42.64 crore on an operating income of Rs 336.90 crore in the financial year 2014-15.

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