

Ayushajay Construction Private Limited

March 17, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.00	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed; Outlook revised from Negative
Long Term / Short Term Bank Facilities	81.00	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable/ A Two)	Reaffirmed; Outlook revised from Negative
Total Bank Facilities	85.00 (Rs. Eighty-Five Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

The ratings assigned to the bank facilities of Ayushajay Construction Pvt Ltd (ACPL) continues to derive strength from extensive experience of the promoters in the toll collection business with established track record of over two decades, diversified investment portfolio, comfortable capital structure and strong liquidity position. The ratings also factor in additional toll collection contract received by the company in January 2022 which provides revenue visibility in near term. The company continues to have adequate liquidity by way of investments in liquid mutual funds and absence of derivative transaction has resulted in improved profit level in FY21. Taking cognizance of all this, the outlook on the long term rating has been revised to Stable from Negative.

The ratings strengths are, however, tempered by the fluctuating scale of operations in an intensely competitive and fragmented toll collection business, moderate profitability which is highly susceptible to traffic on the project stretch. The ratings are further constrained on account of susceptibility of returns on its investment portfolio to volatile capital, along and exposure to group by way of loans and advances extended by ACPL.

Rating Sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improved revenue visibility over the medium term backed by receipt of medium to long-term toll collection contracts from NHAI with moderate concession fees.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Non-receipt / delay in receipt of new toll collection contracts impacting its revenue visibility.
- Undertaking of derivative based transactions in the capital markets on a sustained basis.
- Deterioration in capital structure resulting in overall gearing above 0.50x for external debt on a sustained basis.
- Deterioration in its liquidity position marked by free cash and bank balance (including liquid investments) dropping below Rs.30 crore.

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience of the promoters

Mr. Ajay Agrawal, promoter of ACPL has been actively involved in toll collection business since 1972 and has been associated as a consultant in many Build Operate Transfer (BOT) projects in the roads and bridges segment. He is assisted by his son, Mr. Ayush Agrawal along with team of professionals to manage its day-to-day operations. Furthermore, ACPL has an established operational track record of over two decades in executing toll collection contracts on national highways across India.

Healthy toll collection from its three OMT projects operational under SPVs

ACPL has a minority shareholding in two debt free operational OMT project SPVs viz., one in Bihar under SMS-AABS India Tollways Pvt Ltd (SAABS; rated CARE A+; Stable/CARE A1+, 26% share), one in Uttar Pradesh under Gorakhpur Kasia Tollways Pvt Ltd (GKTPL; rated CARE A+; Stable/CARE A1+, 26% share) and one in its subsidiary in Kerala under Kochi Aroor Tollways Pvt Ltd (KATPL; 51% share). All the three OMT projects have an operational track record of over six years, with healthy growth in its toll collection y-o-y, stable O&M cost and nil long-term debt, resulting in healthy surplus. During FY21 and H1FY22, the SPVs infused Rs.33.45 crore and Rs.15.12 crore respectively in ACPL (its share of profit) by subscribing to preference shares.

Receipt of toll collection contract

The company has been witnessing fluctuation in toll collection contracts. During Jan 2022, ACPL was awarded new contract for toll collection at Badauri in Uttar Pradesh which is valid till December 2022 thereby providing visibility for the one year time period.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Diversified investment portfolio albeit exposed to market risk

ACPL has a diversified investment portfolio spread across capital markets (including mutual funds), real estate assets, corporates and individuals. ACPL invests surplus funds from its toll collection projects in either of the above asset classes on which it earns dividend/ interest, apart from capital appreciation on the said assets. ACPL is also involved in trading of listed securities. As a significant portion of its liquidity is invested in the capital markets, ACPL remains exposed to any sharp price movements in the market.

Comfortable capital structure and debt coverage indicators

ACPL did not have any external debt as on March 31, 2021, and total debt comprised of preference shares issued to SPVs and unsecured loans extended by promoters. Capital structure of ACPL continued to remain comfortable marked by an overall gearing of 0.61x as on March 31, 2021 (0.37x as on March 31, 2020). Marginal deterioration was on account of fresh issue of preference shares. Further with low finance cost given absence of any material debt as against the healthy cash accruals, the debt coverage metrics marked by interest coverage ratio stood highly comfortable at 15.53x in FY21

Liquidity: Strong

Liquidity position of ACPL is strong marked by healthy cash surplus against no debt service obligations. The company has sizeable liquid funds in form of mutual fund investment and other free cash balance which together stood at Rs.117.2 crore as on September 30, 2021 (as against Rs.94.13 crore as on Mar 31, 2021). The company has been consistently maintaining liquid funds in the business. It has an OD limit of Rs.4.00 crore which remains utilized to an extent of 20% (on average) for trailing 12 months ending December 2021.

Key Rating Weaknesses

Fluctuating scale of operation with moderation in current fiscal

The total operating income and profitability (TOI) of ACPL has exhibited a fluctuating trend in the past as it is contingent upon receipt of toll collection contracts and revenue generated through trading of capital market instruments which are fluctuating in nature. During FY21, ACPL reported toll collection revenue of Rs. 80.87 crore as against Rs. 88.28 crore during FY20. This along with stock trading and dividend/interest income translates to TOI of Rs. 106.78 crore during FY21 as compared to TOI of Rs. 121.95 crore during FY20.

The profitability has also been fluctuating given the volatility in toll collection as well as capital market.

During current fiscal, the revenue has reduced significantly to Rs.17.5 crore during H1FY22 due to absence of any toll collection contract for six month time period from July 2021 onwards. However, the financial profile has remained satisfactory with absence of debt and liquid funds maintained.

High group exposure

The company has investment of Rs.61.93 crore as on Mar 31, 2021 (Rs.67.16 crore as on Mar 31, 2020) in group/associate entities, largely in the form of loans and advances. Such exposure forms 54% of networth as on same date. Increased exposure towards group entities thereby impacting the credit profile would be important.

High competition in the toll-collection business along with associated traffic risk:

Toll collection contracts have low entry barriers and require low initial investment & capital expenditure as compared to BOT projects, making it more lucrative for small-mid size entities resulting in increased competition and aggressive bidding. Furthermore, GOI has undertaken various measures such as relaxation in submission of performance security amongst others, which has further increased competition in the segment. Nevertheless, the profitability and debt coverage indicators remain exposed to variable toll collection income considering payment of concession fees to the authority is fixed in nature.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Non Financial Sector](#)

[Criteria for Short term facilities](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

About the Company

Indore-based ACPL was incorporated in 1995 by Mr Ajay Agrawal, the Chairman and Managing Director of the company. ACPL primarily undertakes OMT projects and toll collections contracts for NHAI and state road development agencies.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	121.95	106.78	17.51
PBILDIT	0.51	22.33	2.40
PAT	5.59	6.33	-
Overall gearing (times)	0.37	0.61	-
Interest coverage (times)	0.65	15.53	16.00

A: Audited; UA: Unaudited;

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	-	4.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	81.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based-Long Term	LT	4.00	CARE BBB+; Stable	1)CARE BBB+; Negative (07-Apr-21)	-	1)CARE BBB+; Stable (06-Mar-20) 2)CARE BBB+; Stable (01-Apr-19)	1)CARE BBB+; Stable (02-Apr-18)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	81.00	CARE BBB+; Stable / CARE A2	1)CARE BBB+; Negative / CARE A2 (07-Apr-21)	-	1)CARE BBB+; Stable / CARE A2 (06-Mar-20) 2)CARE BBB+; Stable / CARE A2 (01-Apr-19)	1)CARE BBB+; Stable / CARE A2 (02-Apr-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity Level of various facilities rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based-Long Term	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Puja Jalan
Contact no.: 9160001511
Email ID: puja.jalan@careedge.in

Relationship Contact

Name: Deepak Purshottambhai Prajapati
Contact no.: +91-79-4026 5656
Email ID: deepak.prajapati@careedge.in

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