Ammann India Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	75.00	CARE A+; Stable / CARE A1	Assigned
Long-term / Short-term bank facilities	90.00 (Enhanced from 20.00)	CARE A+; Stable / CARE A1	Reaffirmed

Details of facilities in Annexure -1

Rationale and key rating drivers

The ratings assigned to bank facilities of Ammann India Private Limited (AIPL) continue to derive strength from its strong parentage, the Ammann group of Switzerland, having a leading global presence in construction equipment and asphalt and concrete mixing plant manufacturing, experienced management, established presence in the domestic and export markets along with its diversified product portfolio as well as customer base. The ratings also take cognisance of the company's strong capital structure as well as debt coverage indicators with a healthy net worth base and its strong liquidity.
These rating strengths are, however, tempered by AIPL's moderate scale of operations as well as profitability which witnessed a decline in H1FY25 (FY refer to April 01 to March 31), susceptibility of profit margins to raw material price volatility and foreign exchange rates, and its presence in a cyclical and competitive construction equipment industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial volume-driven growth in scale of operations, with the total operating income (TOI) exceeding ₹1,500 crore supported by diversification in the product profile.
- Improvement in profitability, with the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 12% and return on capital employed (RoCE) above 15% on a sustained basis.

Negative factors

- Decline in the TOI below ₹600 crore or PBILDT margin below 6% on a sustained basis.
- Moderation in the capital structure, with the total outside liabilities to tangible net worth (TOL/TNW) exceeding 0.80x on a sustained basis.
- Elongation in the operating cycle to more than 100 days or any significant reduction in available cash and liquid investments, leading to tightening of the liquidity.
- Any change in parentage adversely impacting the company's operations.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the entity will continue to benefit from its strong parentage as well as established presence in the construction equipment industry, which will enable the company to sustain its comfortable financial risk profile over the medium term.

Detailed description of key rating drivers

Key strengths

Strong parentage and qualified management in construction equipment

AIPL is part of the Switzerland-based Amman group founded by Jakob Ammann in 1869. The group is a sixth generation, family-owned business engaged in manufacturing asphalt and concrete mixing plants, compactors, and asphalt pavers at its nine production sites in India, Europe, China, and Brazil. Its core expertise lies in manufacturing equipment for road building and transportation infrastructure, and is among the leading players in this segment globally.
Dheeraj Kumar Panda is AIPL's managing director and overseas the company's overall operations. He holds around three decades of experience in leadership roles in the construction equipment industry. He is assisted by a well-qualified and experienced second-tier management with a well-defined organisational structure and strong management information systems.

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

Established presence with diversified product portfolio and customer base

Ammann group has an established presence in the construction equipment and concrete mixing and asphalt plant manufacturing, marked by its over one and a half century of track record of operations with the globally recognised 'Ammann' brand name. The group over the years also acquired other brands and has evolved into a comprehensive product line for the construction industry. The group has an established distribution network with over 200 offices in more than 100 countries and nine manufacturing facilities around the world through more than 20 entities.

AIPL has a state-of-the-art manufacturing facility at Mehsana, Gujarat, where it manufactures a wide range of construction equipment such as asphalt plant, concrete mixing plant, soil and asphalt compactors, and asphalt pavers, among others. The company also provides retrofit solutions, automation software solutions as well as plant and machine services. Apart from having a good presence in the domestic market, AIPL also exports its products predominantly to the US, Europe, the Middle East, Latin America, and Africa, which is facilitated through the group's marketing arms. In FY24, AIPL generated 22% (similar to previous year) of its total sales from exports.

Furthermore, AIPL has a diversified clientele base comprising of domestic and international players and has long-standing relationships with these customers. Its customer base remains highly diversified with the top five customers accounting for less than 1% of its TOI in the last three years ended FY24.

In Q1FY25, Ammann group has taken over Volvo group's global ABG track pavers business. At India level, AIPL has paid ₹70 crore towards Volvo's Indian vertical acquisition and this domestic acquisition cost was funded through internal accruals and available liquidity. AIPL is expected to generate additional revenue to the tune of ₹80-90 crore per year from ABG pavers from FY26 onwards, though its contribution is expected to remain marginal in FY25. ABG pavers will be sold through a dealer network. While this product is expected to fetch better profit margin, working capital requirement shall increase going forward.

Comfortable capital structure and debt coverage indicators

AIPL's capital structure remained comfortable owing to its low reliance on debt for working capital and capex purpose as marked by overall gearing of 0.03x as on March 31, 2024, and 0.06x as on September 30, 2024. AIPL had a healthy net worth base of ₹433 crore as on March 31, 2024. The company's TOL/TNW also remained comfortable at 0.47x as on March 31, 2024 (0.53x as on March 31, 2023). Going forward, debt level is envisaged to remain low in the absence of any major debt-funded capex, and hence, CARE Ratings expects the overall gearing to remain comfortable below 0.10x. This is also in-line with Amman group's policy to keep the debt level minimal which is prudently followed by AIPL as articulated by the management.

With low reliance on debt, AIPL had comfortable debt coverage indicators with PBILDT interest coverage of 46x (PY: 27x) and total debt to gross cash accruals (TD/GCA) of ₹0.20x (PY: 0.36x) in FY24. In H1FY25, debt coverage indicators deteriorated in tandem with profitability, though continued to remain strong with PBILDT interest coverage ratio of 15x (H1FY24: 142x) and TD/GCA of 0.85x (PY: 0.23x).

Key weaknesses

Moderate scale of operations and profitability albeit moderation in profitability in H1FY25

AIPL's TOI registered volume backed growth of 20% year-over-year (y-o-y) from ₹784 crore in FY23 to ₹937 crore in FY24. The company achieved 24% volume growth (in nos.) in plant sales (asphalt plant, and concrete plant among others) and 33% volume growth in machine sales (pavers and compactors among others) in FY24, though sales realisation from plants moderated by 6% y-o-y (with softening of steel prices) while it was relatively stable for machines (due to increased sales proportion of pavers).

In H1FY25, AIPL's TOI remained relatively stable at ₹466 crore (H1FY24: 458 crore) as volume growth remained muted due to general elections and heavy monsoon in many parts of the country impacting the construction activity. However, as per management articulation, demand has started gaining traction in Q3FY25, and subsequently, AIPL is expected to achieve a TOI of ~₹1100 crore in FY25.

AIPL's PBILDT margin improved by 110 bps y-o-y from 6.04% in FY23 to 7.14% in FY24 due to better appropriation of fixed cost on increased TOI. Consequently, profit after tax (PAT) margin also improved by 160 bps y-o-y from 2.80% in FY23 to 4.40% in FY24 on the back of increase in operating profit coupled with lower interest cost and one-time non-operating income of ₹6 crore. Adjusted PAT margin (adjusted for the said one-time income) remained at 3.77% in FY24.

In H1FY25, the company's PBILDT margin moderated to 3.65% on account of higher research and development (R&D) expense (towards transition from BS-IV complaint machines to BS-V) incurred, incremental expense towards new product launch i.e. concrete pump and Volvo's business acquisition related expense. Also, employee expense increased as the company expanded its sales and marketing team and hired personnel for new product division.

CARE Ratings expects operating margin to improve to more than 6% for FY25 supported by growth in TOI in H2FY25.

Profit margins susceptible to volatility in raw material prices and foreign exchange rates
The primary raw materials for AIPL include steel sheets with other consumables (including engines, automation kits, glass, and tyres among others), prices of which have remained volatile. Steel prices are determined by global demand-supply dynamics and fluctuations in the prices of steel ultimately impacting the the company's profitability. However, AIPL has established arrangement for sourcing of raw material with diversified local steel supplier base.
Furthermore, export sales formed 22% of AIPL's TOI in FY24 (similar to previous year). The company benefits from natural hedge as it imports hydraulic shafts, gearboxes, and motors among others from overseas suppliers. The balance exposure is largely hedged through forward contracts. AIPL reported forex gain of ₹2 crore in FY24 as against gain of ₹1 crore in FY23.

Presence in a cyclic and competitive industry
The construction equipment industry is closely linked to the macro-economic cycle, with the infrastructure and construction segments being its end-use industries. Apart from the domestic market, the demand-supply situations in global markets, especially in technologically advanced regions such as the US, Europe, and China, have a significant bearing on global industry players. Furthermore, the market is fragmented and competitive, with various domestic and international companies operating across India. Some of the major players include Caterpillar, Komatsu, Volvo Construction Equipment, JCB, Tata Hitachi Construction Machinery, XCMG, and Hyundai Construction Equipment, apart from regional and local players. These players compete based on various parameters such as price, diversified product portfolio, financing options, maintenance and repair support, and geographical coverage across India, among others; hence, AIPL faces stiff competition.

Liquidity: Strong
AIPL's liquidity position was strong marked by healthy cash accruals against low lease obligation, sizable liquid funds and low utilisation of working capital limits.
AIPL registered cash accrual of ₹59 crore in FY24 and is expected to generate cash accruals to the tune of ~₹55-75 crore in FY25-FY27 as against lease payment obligation of ~₹2-3 crore per annum over the same period. The average fund based working capital limit utilisation remained low at ~16% in the last 12-months ended October 2024 which provides liquidity cushion in the form of available unutilised bank limits. Cash flow from operations (CFO) turned negative to ₹7 crore in FY24 mainly on account of significant increase in inventory level as on March 31, 2024. Consequently, in line with inventory level increase, current ratio increased from 2.00x as on March 31, 2023, to 2.26x as on March 31, 2024. AIPL had liquid investments of ₹41 crore as on March 31, 2024, which declined to ₹7 crore as on September 30, 2024, as the same was utilised towards the said acquisition. However, with accretion of profit, investments are expected to cross more than ₹29 crore as on FY25 end.
Furthermore, AIPL had a moderate operating cycle of 86 days in FY24 (PY: 87 days), despite operating in a working capital intensive industry, due to the limited credit period offered to customers and a large part of the working capital requirements being in terms of maintaining inventory. CARE Ratings expects AIPL's operating cycle to elongate to some extent going forward with scaling of operations of ABG pavers as the same is expected to be sold through dealer network, wherein AIPL shall have to extend more credit period.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry
Industry classification

Macroeconomic Indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

AIPL (CIN: U29248GJ1997PTC033432) was incorporated in December 1997 as Apollo Construction Equipment Limited and was subsequently acquired by the Switzerland-based Ammann group. AIPL is engaged in manufacturing construction equipment such as asphalt and concrete mixing plants and related products as well as soil and asphalt compactors and asphalt pavers among others. The company also provides retrofit solutions and automation software solutions as well as plant and machine services. Its manufacturing facility is located at Mehsana, Gujarat.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	783.92	936.91	465.59
PBILDT	47.34	66.85	17.01
PAT	21.91	41.21	4.27
Overall gearing (times)	0.04	0.03	0.06
Interest coverage (times)	27.47	45.67	14.66

A: Audited; UA: Unaudited; NA: Not available. Note: these are latest available financial results.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Bank Overdraft	-	-	-	-	60.00	CARE A+; Stable / CARE A1
Fund-based - LT/ ST-Cash Credit	-	-	-	-	90.00	CARE A+; Stable / CARE A1
Non-fund-based - LT/ ST-Letter of credit	-	-	-	-	15.00	CARE A+; Stable / CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	90.00	CARE A+; Stable / CARE A1	-	1)CARE A+; Stable / CARE A1 (26-Dec-23)	-	-
2	Fund-based - LT/ ST-Bank Overdraft	LT/ST	60.00	CARE A+; Stable / CARE A1				
3	Non-fund-based - LT/ ST-Letter of credit	LT/ST	15.00	CARE A+; Stable / CARE A1				

LT/ST: Long term/Short term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Bank Overdraft	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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