

CARE/DRO/RR/2022-23/1537

Shri Adit Gupta
Managing Director
AMD Industries Limited
18th Pusa Road, 1st Floor,
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Delhi 110005

November 03, 2022

Dear Sir,

Credit rating of Bank Facilities

Please refer to our letter dated October 19, 2022, on the above subject.

2. The rationale for the ratings is attached as an **Annexure - I**.
3. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 04, 2022; we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,
Yours faithfully,

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Encl.: As above

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Rating Rationale AMD Industries Limited

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	89.61 (Enhanced from 33.23)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	50.00 (Enhanced from 23.00)	CARE A3+ (A Three Plus)	Reaffirmed
Total Bank Facilities	139.61 (₹ One Hundred Thirty-Nine Crore and Sixty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of AMD Industries Limited (AMD) continues to derive strength from its experienced promoters with long track record in the packaging industry and growing scale of operations with improvement in profitability margins during FY22 (refers to period April 01 to March 31) and Q1FY23 (refers to period April 01 to June 30). The ratings also continue to take comfort from the comfortable capital structure and debt coverage indicators of AMD along with favourable prospects of the industry and the long-term relationship with the reputed customers. These rating strengths are, however, partially offset by highly fragmented and competitive nature of the industry, raw material price volatility, working capital intensive nature of operations and customer concentration risk.

Rating Sensitivities

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

- Increase in scale of operations above Rs.350 crore along with sustenance of PBILDT margins.
- Diversification in customer base reducing the concentration risk.
- Significant improvement in the operating cycle of the company to below 100 days on a sustained basis.

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

- Decline in operating income below Rs.150 crore and/or moderation in PBILDT margins below 8%.
- Significant elongation in operating cycle impacting the company's liquidity profile.
- Any higher than envisaged debt funded capex resulting in increase in overall gearing above 1.50x.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters with long track record in the industry

AMD Industries Limited is promoted by Mr. Ashok Gupta, Chairman who has an experience of more than 4 decades in the industry. He looks after the day-to-day operations of the business. He is supported by his son Mr Adit Gupta, who is the Managing Director of the company. He is a B.Sc. in Chemical Engineering stream from Virginia, USA and MBA (Finance) from Boston, USA. He brings with him an experience of more than 20 years.

Comfortable capital structure and debt coverage indicators

The overall financial risk profile of the company is comfortable as characterized by the overall gearing of 0.91x as on March 31, 2022 (PY: 0.68x) owing to increase in total debt taken by the company to fund the capex requirements. The interest coverage ratio stood comfortable at 3.54x during FY22 as against 2.12x during FY21.

Growing scale of operations with improvement in profitability margins

The company reported growth in its total operating income (TOI) with a CAGR of ~7% over past 5 financial years. The TOI of the company stood at Rs. 209.69 crore during FY22 as against Rs 118.66 crore in FY21 which has grown significantly

¹Complete definition of the ratings assigned are available at HYPERLINK "http://www.careedge.in" www.careedge.in and other CARE Ratings Ltd.'s publications CARE Ratings Limited

owing to increase in quantity sold for PET Preforms and Closures which was because of recovery in the demand post covid. PBILDT margins of the company improved to 13.55% in FY22 from 10.70% in FY21 majorly owing to efficient inventory procurement system. The margins also improved due to better sales realisations. During Q1FY23 the company achieved a topline of Rs 128.57 crores and PBILDT margin of 15.35%.

Favourable prospects of the industry

Polyethylene terephthalate (PET) refers to a thermoplastic polymer resin of the polyester family which is widely used for manufacturing plastic bottles. In comparison with PP, HDPE and PVC bottles, PET bottles are more durable, transparent, lightweight, non-reactive, cost-effective, and thermally stable. Moreover, they are environment-friendly and can be recycled repeatedly which further reduces their manufacturing cost. Primarily used in the packaging of drinking water and beverages, PET bottles are also gaining prominence as a packaging solution for FMCG and Pharmaceutical industry.

Key rating weaknesses

Working capital intensive nature of operations leading to elongated working capital cycle

The nature of the business being highly competitive and seasonal leads to the average collection period being high at around 101 days during FY22. The company has to offer reasonable credit period to its customers as majority of them are large size players which possess high bargaining power. Further, the company is required to maintain adequate inventory of raw material for smooth running of its production processes. This leads to operations of the company being working capital intensive marked by an average operating cycle of 142 days during FY22.

Customer concentration risk albeit reputed clientele

The company's clientele includes reputed brands such as Moon Beverages Limited, Varun Beverages Ltd, Bisleri International Pvt Ltd, United Breweries Ltd., Hindustan Coca Cola Beverages Pvt Ltd, Vishal Mega Mart Pvt. Ltd. Among others. Further, AMD has a long-established association its clients that ensures repeat orders. However, the revenue profile is concentrated with top ten customers constituting ~65% of total revenue in FY22 while ~35% being contributed by two customers.

Volatility in raw material prices

The major raw materials used in the manufacturing are PET resin and polypropylene which are crude derivatives. Hence AMD is exposed to price fluctuation of crude in the global market. Further raw materials constitute 60-65% of the total income and hence any volatility in their prices has a direct impact on the profitability margins of the company. However, the company mitigates this risk to some extent by setting the prices quarterly.

Highly fragmented and competitive nature of industry

PET Bottle industry operates in a highly fragmented industry marked by the presence of a large number of players in the unorganized sector. The industry is characterized by low entry barriers due to low technological inputs and easy availability of standardized machinery for the production. This further leads to high competition among the various players and low bargaining power with suppliers. Further, the low lead time for setting up a new plant and the lack of product differentiation reduce the entry barriers for new entrants resulting in overcapacity in the industry.

Liquidity: Adequate

Company has adequate liquidity marked with expected gross cash accruals of close to Rs. 24 crore in FY23 against scheduled debt repayment of ~Rs. 9 crore and residual can be used to meet incremental working capital requirement. Further, the liquidity buffer available in the form of unutilized WC limits to the tune of ~60% amounting to Rs. 29 crores (approx.) as on August 31, 2022. The company has free cash and cash equivalents of Rs. 4.55 crore as on March 31, 2022. The current ratio stands comfortable at 1.32x as on March 31, 2022 (PY: 1.17x).

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

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About the company

AMD was founded in 1958 as a trading and manufacturing company of glass bottles. They started manufacturing crown caps in 1971 and manufacturing of PET preforms and plastic bottles in 1998. Currently the company is engaged into manufacturing of crown caps, Carbonated Soft drinks (CSD) closures, Polyethylene terephthalate (PET) Preforms, PET bottle and PET 20L Jars at Neemrana (Rajasthan). AMD is currently being managed by founding promoter and chairman, Mr Ashok Gupta and his son Mr Adit Gupta as managing director. The company supplies finished packaging goods to soft drinks, beverages, water, and liquor industries.

Financial Performance:

(Rs. crore)

For the period ended / as at March 31,	2020 (12m, A)	2021 (12m, A)	2022 (12m, A)
Working Results			
Net Sales	170.92	170.92	170.92
Total Operating income	174.61	174.61	174.61
PBILDT	17.88	17.88	17.88
Interest	6.89	5.99	8.02
Depreciation	10.22	9.44	10.71
PBT	5.93	4.10	10.62
PAT (after deferred tax)	5.18	3.11	8.20
Gross Cash Accruals	5.18	3.11	8.20
Financial Position			
Equity Capital	19.17	19.17	19.17
Networth	128.67	131.86	139.79
Total capital employed	179.60	188.38	229.84
Key Ratios			
Growth			
Growth in Total income (%)	11.92	-32.04	76.71
Growth in PAT (after deferred tax) (%)	2146.03	-40.07	164.00
Profitability			
PBILDT/Total Op. income (%)	10.24	10.70	13.55
PAT (after deferred tax)/ Total income (%)	2.97	2.62	3.91
ROCE (%)	6.87	5.32	8.75
Solvency			
Debt Equity ratio (times)	0.18	0.17	0.25
Overall gearing ratio(times)	0.61	0.68	0.91
Interest coverage(times)	2.60	2.12	3.54
Term debt/Gross cash accruals (years)	1.60	1.79	1.86
Total debt/Gross cash accruals (years)	5.25	7.01	6.80
Liquidity			
Current ratio (times)	1.21	1.17	1.32
Quick ratio (times)	0.61	0.56	0.65
Turnover			
Average collection period (days)	99	146	101
Average inventory (days)	128	191	143
Average creditors (days)	97	151	102
Operating cycle (days)	130	185	142

A: Audited

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Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Details of rated facilities: Please refer Annexure-3

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	56.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	February 2029	33.61	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	50.00	CARE A3+

Annexure-2: Rating History of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	33.61	CARE BBB; Stable	1)CARE BBB; Stable (04-Oct-22)	-	-	-
2	Fund-based - LT-Cash Credit	LT	56.00	CARE BBB; Stable	1)CARE BBB; Stable (04-Oct-22)	-	-	-
3	Non-fund-based - ST-BG/LC	ST	50.00	CARE A3+	1)CARE A3+ (04-Oct-22)	-	-	-

Annexure-3: Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Axis Bank Ltd.	14.92
2.	Kotak Mahindra Bank Ltd.	9.46
3.	Yes Bank Ltd.	6.70
4.	HDFC Bank Ltd.	2.53

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Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
	Total	33.61

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	HDFC Bank Ltd.	15.00
2.	Kotak Mahindra Bank Ltd.	15.00
3.	Yes Bank Ltd.	14.50
4.	Axis Bank Ltd.	11.50
	Total	56.00

Total Long Term Facilities : Rs.89.61 crore

2. Short Term Facilities

2.A. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	HDFC Bank Ltd.	15.00
2.	Yes Bank Ltd.	13.00
3.	Axis Bank Ltd.	12.00
4.	Kotak Mahindra Bank Ltd.	10.00
	Total	50.00

Total Short Term Facilities : Rs.50.00 crore

Total Facilities (1.A+1.B+2.A) : Rs.139.61 crore

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

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

Annexure-5: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

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(This follows our brief rationale for the entity published on October 21, 2022)

About CARE Ratings Limited:

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