

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

October 19, 2022

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY22 (Audited) and Q1FY23 (Audited), and the possible impact of the same on the credit profile of your company our Rating Committee has reviewed the following ratings:

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

2. Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document 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 October 20, 2022, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

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6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
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9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.
- If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

*Ruchi Kejriwal*

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Encl.: As above

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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## Annexure 1

### 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
	<b>Total</b>	<b>33.61</b>

##### 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
	<b>Total</b>	<b>56.00</b>

**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
	<b>Total</b>	<b>50.00</b>

**Total Short Term Facilities : Rs.50.00 crore**

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

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**Annexure – 2**  
**AMD Industries Limited**  
**Press Release**

**Ratings**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>2</sup>	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
<b>Total Bank Facilities</b>	<b>139.61</b> <b>(₹ One Hundred Thirty-Nine Crore and Sixty-One Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

**Detailed rationale and 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 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%.

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### **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](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

#### **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  
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industries.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(Prov.)
Total operating income	118.66	209.69	128.57
PBILDT	12.69	28.41	35.97
PAT	3.11	8.20	10.34
Overall gearing (times)	0.68	0.91	NA
Interest coverage (times)	2.12	3.54	9.82

A: Audited, Prov.: Provisional, NA: Not Applicable

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** 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 (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 for the 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)	-	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

#### 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

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## 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 instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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