

AMD Industries Limited

June 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	138.37 (Enhanced from 89.61)	CARE BBB+; Stable	Revised from CARE BBB; Stable
Short Term Bank Facilities	85.00 (Enhanced from 50.00)	CARE A2	Revised from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of AMD Industries Limited (AMD) factors in the improvement in operational and financial performance of the company characterized by sustained growth in total operating income (TOI), improvement in profitability margins and debt coverage indicators during FY23 (refers to the period from April 01 to March 31). The ratings continue to derive strength from its experienced promoters with long track record in the packaging industry. The ratings also continue to take comfort from the comfortable capital structure of AMD along with favourable prospects of the industry and the long-term relationship with the reputed customers. These rating strengths, however, continue to remain constrained on account of highly fragmented and competitive nature of the industry, raw material price volatility, working capital intensive nature of operations and customer concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above Rs.500 crore along with sustenance in PBILDT margins above 12%.
- Diversification in customer base thereby reducing the concentration risk.
- Improvement in financial risk profile with overall gearing below 0.75x and total debt/PBILDT below 3.00x on a sustained basis.

Negative factors

- Decline in operating income below Rs.200 crore and/or moderation in PBILDT margins below 10%.
- 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 1.30x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that AMD will sustain growth in its operational performance and continue to derive benefit from its reputed customer base.

Detailed description of the key rating drivers:

Key strengths

Improvement in operational and financial performance of the company during FY23

The company has reported improvement in overall financial risk profile during FY23 characterised by growth of ~67% in TOI during FY23 to Rs 350.51 crores as against Rs 210.13 crores in FY22. The significant growth in TOI was largely on account of growth in the volumes along with better sales realisations for all the products. PBILDT margins of the company improved to 14.41% in FY23 from 13.73% in FY22 majorly owing to efficient inventory procurement system and inventory gains from the sale of crown caps. Going forward, the company is expecting the profits to be sustained in the range of 12-13%, as FY23 was an exceptional year in terms of crude prices.

Comfortable capital structure and improved debt coverage indicators: The capital structure of the company continues to remain comfortable as characterized by the overall gearing of 0.98x as on March 31, 2023 (PY: 0.91x). The slight moderation was owing to the increase in the fund-based utilisation limits in line with the increase in the growth in topline. The debt coverage indicators, however, improved with interest coverage ratio and Total Debt/PBILDT of 5.31x and 3.05x respectively during FY23 from 3.60x and 4.39x respectively during FY22 owing to improvement in PBILDT margins.

Experienced promoters with long track record in the industry: AMD 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.

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

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 Polypropylene (PP), High Density Polyethylene (HDPE) and Poly Vinyl Chloride (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 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 73 days during FY23 (PY: 101 days). 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 110 days during FY23 (PY: 142 days).

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 and also the company has added new customers this year including Goodyear, Castrol among others. However, the revenue profile is concentrated with top ten customers constituting ~64% of total revenue in FY23 while ~31% 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. 29 crore in FY24 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 ~50% amounting to Rs. 45 crores (approx.) as on April 30, 2023. The company has free cash and cash equivalents of Rs. 7.12 crore as on March 31, 2023. The current ratio stands comfortable at 1.30x as on March 31, 2023 (PY: 1.31x).

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 and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

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.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	118.66	210.13	350.51
PBILD	12.69	28.86	50.52
PAT	3.11	8.20	19.21
Overall gearing (times)	0.68	0.91	0.98
Interest coverage (times)	2.12	3.60	5.31

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

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: 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	90.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	February 2029	48.37	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	85.00	CARE A2

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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	48.37	CARE BBB+; Stable	-	1)CARE BBB; Stable (21-Oct-22) 2)CARE BBB; Stable (04-Oct-22)	-	-

2	Fund-based - LT-Cash Credit	LT	90.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (21-Oct-22) 2)CARE BBB; Stable (04-Oct-22)	-	-
3	Non-fund-based - ST-BG/LC	ST	85.00	CARE A2	-	1)CARE A3+ (21-Oct-22) 2)CARE A3+ (04-Oct-22)	-	-

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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

Annexure-5: Lender details

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

Note on the 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 for any clarifications.

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About us:

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