

AMD Industries Limited

May 31,2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	129.08 (Reduced from 138.37)	CARE BBB; Stable	Revised from CARE BBB+; Stable
Short Term Bank Facilities	85.00	CARE A3+	Revised from CARE A2

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 subdued operational and financial performance of the company during FY24 (refers to the period from April 01 to March 31) characterised by de-growth in total income, decline in profitability margins and deterioration in the debt coverage indicators. The moderation was largely on account of subdued demand in the main business season of the company from its customers in beverage industry due to unseasonal rainfall and delayed summer season which further accentuated by inventory losses during the year. The ratings continue to remain constrained by highly fragmented and competitive nature of the industry, raw material price volatility, working capital intensive nature of operations and customer concentration risk.

The ratings, however, continue to derive strength from experienced promoters with long track record of operations in the packaging industry with favourable prospects of the industry and the long-term relationships with the reputed customers.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Growth in scale of operations with Total Operating Income (TOI) above Rs.350 crore along with sustenance in Profit Before Interest, Lease Rentals, Depreciation and Taxation (PBILDT) margins above 12%.
- Improvement in financial risk profile with overall gearing below 0.75x and total debt/PBILDT below 4.00x on a sustained basis.

Negative factors

- Decline in operating income below Rs.200 crore and/or moderation in PBILTD 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

Stable outlook reflects CARE's opinion that AMD will continue to derive benefits from its experienced promoters and reputed customer base.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with long track record in the industry:

Incorporated in 1983, AMD is promoted by Mr. Ashok Gupta, Chairman who has an experience of more than 4 decades in the industry. He is involved in the overall business operations and looks after the day-to-day operations of the company. 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.

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

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

(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.

Reputed customer base albeit customer concentration risk:

The company's supplies the products to several reputed manufacturer in beverage industry like Moon Beverages Limited, 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 ~62% of total revenue in FY24 while ~40% being contributed by two customers. Any change in the procurement policy of the customer may adversely impact the business profile of the company.

Key weaknesses**Subdued operational and financial performance during FY24.**

The company reported subdued operational and financial performance during FY24 characterised by de-growth in total operating income and decline in profitability margins and debt coverage indicators. The company reported significantly lower than envisaged total operating income and profitability during FY24. TOI of the company moderated to Rs. 278.89 crores as against Rs. 350.00 crores in FY23 reporting year over year de-growth of 20.32%. The moderation was largely on account of subdued demand from its customers in beverage industry due to unseasonal rainfall and delayed summer season during the main business season of the company. PBILDT margin also moderated to 8.16% during FY24 compared to 14.29% during FY23 largely on account of inventory losses suffered during the period. The company carried large quantity of raw material inventory at high prices in the beginning of the fiscal year anticipating high demand, however, the demand subdued and subsequently the prices of raw material reduced leading to inventory loss. Subdued profitability resulted in moderation in debt coverage indicators with total debt to PBILDT ratio declining from 3.08x during FY23, to 6.74x during FY24. The interest coverage ratio also moderated and stood at 2.09x during FY24 compared to 5.25x during FY23 on an account of lower profitability margins.

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 103 days during FY24 (PY: 73 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 144 days during FY24 which elongated from 110 days.

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 65-70% of the total income and hence any volatility in their prices has a direct impact on the profitability margins of the company. The same is also evident from decline in margins during FY24 which declined from 14.29% during FY23 to 8.16% during FY24. 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. Moreover, the beverage manufacturer is also setting up their own plant in order to cater their demand.

Liquidity: Adequate

The liquidity of the company is adequate marked with expected gross cash accruals of close to Rs. 19.20 crore in FY25 against scheduled debt repayment of ~Rs. 10.39 crore and residual can be used to meet incremental working capital requirement. The company's average month end utilization of fund-based facility for the past 12 months ending April 2024 stood at 59.27%. The company has free cash and cash equivalents of Rs. 3.05 crore as on March 31, 2024. The current ratio stands comfortable at 1.40x as on March 31, 2024.

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

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, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (ABR)
Total operating income	209.69	350.00	278.89
PBILDT	28.41	50.01	22.76
PAT	8.20	19.21	-1.67
Overall gearing (times)	0.91	0.98	0.98
Interest coverage (times)	3.60	5.25	2.09

A: Audited; ABR: Abridged; 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	39.08	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	85.00	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 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-Term Loan	LT	39.08	CARE BBB; Stable	-	1)CARE BBB+; Stable (28-Jun-23)	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 (28-Jun-23)	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 A3+	-	1)CARE A2 (28-Jun-23)	1)CARE A3+ (21-Oct-22) 2)CARE A3+ (04-Oct-22)	-
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LT: Long term; ST: 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.

Contact us.

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About us:

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