

Amarpali Cylinders Private Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	38.68	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	12.56	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	6.90	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. (CARE Ratings) has been seeking information from Amarpali Cylinders Private Limited to monitor the rating(s) vide e-mail communications dated December 06, 2024; December 09, 2024, and December 12, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Amarpali Cylinders Private Limited bank facilities will now be denoted as CARE BB-; Stable/ CARE A4; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s)

The ratings remain constrained by modest and fluctuating scale of operations and moderate profitability margins, elongated operating cycle and leverage capital structure and weak coverage indicators. The rating is further constrained by business risk associated with tender based orders, regulated nature of industry. The rating, however, derives strength from experienced partners, presence of price escalation clause and satisfactory order book position.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers: At the time of last rating on January 18, 2024, the following were the ratings weaknesses and strengths. [Updated for audited financials for FY24 (refers to the period April 01st to March 31st) received from Ministry of Corporate Affairs].

Key weaknesses

Modest and fluctuating scale of operation

The scale of operations has been moderate and fluctuating over the last fiscal years (FY20 to FY23). The scale of operations stood modest and decline as marked by Total Operating Income (TOI) of Rs. 138.37 crores in FY24 as against Rs. 181.97 crores in FY23. The decline in TOI is on account of orders shifted by oil marketing companies (OMC) to next year. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Moderate profitability margins

The profitability margins of the company have been fluctuating significantly in the range of 4.50-12.50% for the past five fiscals (FY20 to FY24). The profitability margins as marked by PBILDT margins improve to 6.85% during FY24 as against 6.28% during FY23 on account of decline in overhead expenses. The PAT margins have stayed constant to 1.57% in FY24 as compared to 1.38% in FY23.

Elongated Operating cycle

The operations of the company are elongated as marked by an average operating cycle of ~137 days as on March 31, 2024, primarily on account of the high inventory holding period. The LPG cylinders are manufactured either in two piece or three piece

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

construction. In two piece construction, cylinders are fabricated by welding two domed ends directly together. A three piece cylinder is fabricated by joining two domed ends to a cylindrical body. The domed ends can be tori-Spherical; Semi ellipsoidal. The raw material is either in coil or sheet form may be used for producing LPG cylinders. For a two piece cylinder, circular blanks are cut from sheet to produce top and bottom domes. Top dome further undergoes piercing operation to accommodate bung. Valve protection ring and foot rings are produced by blanking, rolling, joining and forming operations. There are different stages involved in manufacturing of LPG cylinder which requires a high inventory holding as major inventory is in the form of work in progress. The average inventory days stood at 174 days in FY24. The collection period from ACPLs ranges from 30-60 days. The company procures raw material from Steel Authority of India (SAIL) at 30-75 days credit period.

Leverage though improving capital structure and weak coverage indicators

The capital structure of the company stood leveraged though improving as marked by overall gearing ratio which stood at 1.89x in FY24 as against 1.96x in FY23 owing to high dependence on external borrowings to meet working capital requirements. Further, the debt coverage indicators as characterized by interest coverage and total debt to gross cash accruals (TDGCA) stood at 1.97x and 11.70x respectively in FY24 as compared to 2.05x and 10.22x respectively for FY23 mainly on account of higher debt levels consequently resulting to higher interest cost.

Business risk associated with tender based orders

The company majorly undertakes projects from oil and gas OEMs like Hindustan Petroleum Corporation Ltd (HPCL), Bharat Petroleum Corporation Limited (BPCL) and Indian Oil Corporation Ltd. (IOCL), which are awarded through the tender-based system. The company is exposed to the risk associated with the tender based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. Further, any changes in the government policy or government spending on projects are likely to affect the revenues of the company.

Regulated nature of Industry

Liquefied Petroleum Gas (LPG) Cylinders are manufactured and tested under stringent norms before they get certified by Bureau of Indian Standards (BIS) for market use. These LPG cylinders are designed and manufactured as per Indian standard. Normally, cylinders are produced in batches from raw material specified in Indian standards and tested before dispatching to market. As a part of design, cylinder thickness is calculated, that is based on the shape of the cylinder dome and cylindrical portion of the dome. The cylinders are then produced through various stages and tested before BIS Certifies. The essential tests to be conducted on cylinders before they get certified by Bureau of Indian standards such tests are Acceptance test, Burst and volumetric expansion test, Hydrostatic stretch test and burst test, Hydrostatic test, Pneumatic leak test, Radiographic examination and Fatigue test/Cycle test. Further, in an attempt to replace Chulhas that use traditional fuels and biomass for cooking, Government of India launched Pradhan Mantri Ujjwala Yojana (PMUY) which provides clean Liquefied Petroleum Gas (LPG) cooking gas to women below poverty line (BPL). This policy impulse a healthy growth for LPG cylinder manufacturers. However, sustained demand from PMUY beneficiaries depends highly on the refill price of LPG. Further, the availability of subsidies on LPG will also derive the future demand. Therefore, LPG cylinders manufacturers like ACPL are exposed to inherent risk of changes in the government policy.

Key strengths

Experienced promoters:

Amrapali Cylinders Private Limited is part of Silica group. Mr. Amrendra Kumar along with his wife, Mrs. Alka Singh started their entrepreneurial journey in 2001 with Silica Group. The Silica group started off as an IT company but now is primarily involved in business of LPG Gas bottling, Cylinder manufacturing and related accessories. Silica Infotech Pvt Ltd (an entity of Silica Group) presently operates 9 LPG Bottling Plants. Mr Amrendra Kumar's who has an intensive experience in LPG Bottling enabled him to incorporate ACPL in 2016 along with Mr Prakash Singh. The company started its operations in 2017. The promoters are assisted by a team of professional who have good experience in the industry.

Presence of Price escalation clause:

In the absence of any backward integration, the company procures its primary raw materials which includes steel, coil, sheets, valve etc. from approved vendors as specified by the respective clients at market rates and hence, it is susceptible to volatility in the input prices and which may have adverse impact on the profitability of the company. Nonetheless, the company has inbuilt price escalation clauses in all its contracts to insulate the company from any adverse fluctuation in raw material prices. This enables the company to pass on the increase in raw material prices to its customers. The ability of the company to pass on increased price burden to the customers in a timely manner and maintain profitability margins is critical from the credit perspective.

Satisfactory order book position:

The company has order from OMCs like Indian oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) to manufacture 8.11 lacs cylinders as on December 31st, 2023. Apart from this, the company is expecting another 2 lacs cylinders on contract through pruning.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

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[Short Term Instruments](#)

About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Amarpali cylinders Pvt Ltd. (ACPL) was incorporated in September 2016 and its head office is based in Delhi. The manufacturing facilities are based at Bihar. The company is engaged in the business of manufacturing of LPG cylinders of size ranging from 5 kg to 21 kg. The company currently has installed capacity of 24 lakh cylinders per annum. The company majorly supplies cylinders to HPCL, BPCL and IOCL. The company is managed by Mr Amrendra Kumar and Mr. Prakash Singh. Mr. Amrendra Kumar along with his wife Mrs. Alka Singh are the promoters of Silica Group.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	181.97	138.37	-
PBILDT	11.43	9.48	-
PAT	2.52	2.17	-
Overall gearing (times)	1.96	1.89	-
Interest coverage (times)	2.05	1.97	-

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Crisil Ratings and Infomerics have kept the ratings to the bank facilities of Amarpali Cylinders Private Limited in the 'issuer not-cooperating' category vide their press release dated December 18, 2024, and August 23, 2024, respectively, on account of their inability to carryout review in the absence of requisite information from the company.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	35.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31/03/2027	3.68	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	12.56	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	6.90	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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-Term Loan	LT	3.68	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (05-Feb-24) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE BB; Stable (02-Nov-22) 2)CARE BB; Stable (02-Jun-22)	-
2	Fund-based - LT-Cash Credit	LT	35.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (05-Feb-24) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE BB; Stable (02-Nov-22) 2)CARE BB; Stable (02-Jun-22)	-
3	Non-fund-based - ST-Bank Guarantee	ST	6.90	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (05-Feb-24) 2)CARE A4; ISSUER NOT COOPERATING* (06-Sep-23)	1)CARE A4+ (02-Nov-22) 2)CARE A4+ (02-Jun-22)	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	12.56	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (05-Feb-24)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the 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.

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About us:

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