Axtel Industries Limited

February 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	12.00	CARE A-; Stable / CARE A2+	Upgraded from CARE BBB+; Stable / CARE A2
Short-term bank facilities	38.00 (Enhanced from 19.00)	CARE A2+	Upgraded from CARE A2

Details of facilities in Annexure -1

Rationale and key rating drivers

The revision in the ratings assigned to bank facilities of Axtel Industries Limited (AIL) consider consistent growth in its scale of operations over the past three years ended FY24 (refers to April 01 to March 31) coupled with healthy profitability resulting in comfortable capital structure as well as debt coverage indicators and building up of healthy liquidity.

The ratings continue to derive strength from its established operational track record of more than three decades in manufacturing food processing machinery and equipment, reputed clientele, experienced promoters, state-of-the-art manufacturing facility and adequate liquidity.

The ratings, however, continue to remain constrained on account of linkage of AIL's prospects to capex cycle in end-user industries and inherent risk of fluctuation in profit margin due to customised nature of sales with largely fixed price contracts. The ratings also take cognisance of moderation in scale of operations and profitability in 9MFY25, which however is expected to improve from FY26 onwards.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Significant increase in scale of operations marked by total operating income (TOI) of over ₹350 crore supported by new customer addition while sustaining healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 16% on sustained basis.
- Sustained comfortable capital structure with augmentation of net worth base to over ₹200 crore.
- Sustenance of liquidity with improvement in operating cycle below 90 days.

Negative factors:

- Decline in scale of operations with TOI less than ₹200 crore.
- Deterioration in capital structure as marked by overall gearing above 0.50x on sustained basis.
- Elongation in operating cycle to over 150 days impacting the company's liquidity.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectations that AIL shall be able to sustain its credit risk profile on account of its experienced promoters, established position in food processing equipment manufacturing and comfortable financial risk profile.

Detailed description of key rating drivers

Key strengths

Consistent growth in scale of operations

AIL's scale of operations has exhibited consistent growth over the past three years with its TOI growing at a compound annual growth rate (CAGR) of more than 24%. In FY24, AIL's TOI increased from ₹181 crore in FY23 to ₹224 crore in FY24 on the back of higher order execution in the period. In 9MFY25, the company reported TOI of ₹144 crore (₹178 crore in 9MFY24; ₹114 crore in 9MFY23). CARE Ratings expects AIL's TOI to register some moderation in FY25 in tandem with slow capex progress in food processing industry; however, TOI is expected to register reasonable growth from FY26 onwards.

Comfortable capital structure and debt coverage indicators with augmentation of net worth base

AIL's capital structure marked by its overall gearing remained comfortable with Nil outstanding debt as on March 31, 2024, as well as on September 30, 2024. Total outside liabilities to tangible net worth (TOL/TNW) also remained comfortable at 0.85x as

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

on March 31, 2024 (PY: 0.92x). The company's TNW base gradually augmented on the back of accretion of profits into reserves over the years and remained at ₹123 crore as on September 30, 2024. (₹113 crore as on March 31, 2024).
Owing to the company's low reliance on external debt coupled with its healthy profitability, debt coverage indicators remained strong as marked by PBILDT interest coverage ratio of 27.86x [PY: 21.80x; 9MFY25: 56.50x] and nil total debt to gross cash accruals (TD/GCA; PY: nil, H1FY25: nil) in FY24.

Healthy albeit volatile profit margin
The company's operating profitability marked by its PBILDT margin remained healthy in the range of 13% to 20% due to its positioning in niche industry segment, though it varies based on nature of order executed i.e. high margin orders (i.e. highly technical in nature / highly customisable) vs regular orders.
In FY24, PBILDT margin increased significantly by 693 bps Y-o-Y to 20.07% due to execution of high value added/ technical in nature products in the year along with benefit from growth in scale of operations. Consequently, PAT margin also increased by 477 bps y-o-y to 14.33% in FY24. As a result, AIL's GCA grew by 68% Y-o-Y from ₹20 crore in FY23 to ₹33 crore in FY24, though net cash accruals (NCA) remained relatively stable at ₹19 crore in FY24 (PY: ₹17 crore) due to dividend pay-out to the tune of ₹15 crore in FY24 (PY: ₹3 crore).
In 9MFY25, PBILDT margin moderated marginally on y-o-y basis, dependent on nature of order executed in the period, though it continued to remain healthy at 15.67% (PY: 16.77%). Going forward, PBILDT margin is expected to remain healthy supported by presence in a niche food processing machinery segment.

Established operational track with state of art manufacturing facility and experienced promoters
Over the last three decades, AIL has demonstrated strong design and manufacturing capability in providing customised process solutions in the food processing value chain to reputed Multinational Corporations (MNCs) in the Fast-Moving Consumer Goods (FMCG) segment, both in domestic and export markets. AIL, as an Original Equipment Manufacturer (OEM) manufactures customized process engineering equipment and machineries from its state-of-the-art manufacturing facility at Halol, Gujarat with strategic partnership for other specialised operations. Promoters hold more than three decades of experience in the industry and are assisted by qualified Board of Directors and professionals.

Reputed clientele base
AIL's customer portfolio includes established players mainly from the food processing industry. As articulated by the management, the company derives its revenue from diversified customer base consisting of more than 150 reputed industry players, however, in a specific year, the company derives its majority revenue from small set of customers, whose large sized orders are being executed by the company in that specific year. Except for couple of marquee customers, top customers change y-o-y in tandem with availability of orders from various customers.

Key weaknesses
Inherent risk of fluctuation in profit margin due to customized nature of product
AIL's profitability is dependent on nature of product manufactured, technicality associated with it and customization of projects executed in the year. Moreover, AIL's clientele consists of very large and organised players in food processing value chain, hence, it has a limited bargaining power in terms of ability to revise prices in case of steep variation in raw material prices, however as articulated by the management, the company procures majority of its required raw materials at time of receipt of orders which limits its vulnerability to raw material price fluctuation to a certain extent. Procurement of raw materials is also project-specific and hence, AIL does not have long-term supply contracts with suppliers. Consequently, AIL's profitability remains susceptible to raw material price volatility, especially in contracts with a long execution period.

Vulnerability to inherent cyclicality in demand from end-user industry
AIL's customers are mainly from the food processing industry and the addition of new facilities or expansion of the existing facilities by these players is dependent on consumer demand and the country's economic condition. AIL's fortunes are thus tied to capital expenditure cycle in the food processing industry.

Liquidity: Adequate
AIL's liquidity position was adequate marked by healthy liquid investments, cash flow from operations (CFO) and cash accruals against nil long term debt repayment obligation and negligible fund based working capital limit utilisation.
AIL reported healthy net cash accruals of ₹19 crore in FY24 against nil debt repayment obligation in FY25. CFO of the company increased significantly from ₹29 crore in FY23 to ₹38 crore in FY24 in tandem with increase in operating profit. As a result, liquid funds with the company increased from ₹46 crore as on March 31, 2023 to ₹60 crore as on March 31, 2024 and ₹52 crore as on September 30, 2024 backed by healthy profitability along with high customer advances of ₹37 crore as on March 31,

2024 (PY: ₹32 crore). The said liquid funds include unencumbered cash and bank balance of ₹25 crore and mutual fund investments of ₹35 crore as on March 31, 2024. The company's current ratio remained comfortable at 1.91x as on March 31, 2024 (PY: 1.89x).
Owing to working capital intensive nature of operations, the company's operating cycle remained elongated, though improved marginally from 129 days in FY23 to 121 days in FY24 owing to decrease in collection period.

Assumptions/Covenants: Not applicable

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

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

Incorporated in 1991 as Advanced Extrafoil Technology and Exports Limited, AIL is engaged in manufacturing processing equipment, machineries, and systems for food processing industry. AIL offers complete process plants as well as individual equipment in the food processing value chain from raw material reception to final stages of processing in confectionery, malted drinks, aqua feed, ready to eat foods, bakery & biscuits, dairy products, beverages, instant mixes, snack foods, spices, condiments & seasoning segment. AIL is headed by an experienced board of directors comprising promoter directors Ajay Parikh and Ajay Desai. AIL operates from its sole manufacturing facility at Halol (Gujarat).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	181.17	224.31	144.24
PBILDT	23.81	45.02	22.60
PAT	17.30	32.13	13.27
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	21.80	27.86	56.50

A: Audited; UA: Unaudited; NA: Not available. Note: these are latest available financial results.

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	-	12.00	CARE A-; Stable / CARE A2+
Non-fund-based - ST-BG/LC	-	-	-	-	37.65	CARE A2+
Non-fund-based-Short Term	-	-	-	-	0.35	CARE A2+

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/ ST-CC/Packing Credit	LT/ST	12.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Stable / CARE A2 (05-Jan-24)	1)CARE BBB+; Stable / CARE A2 (23-Feb-23)	1)CARE BBB+; Stable / CARE A2 (04-Feb-22)
2	Non-fund-based - ST-BG/LC	ST	37.65	CARE A2+	-	1)CARE A2 (05-Jan-24)	1)CARE A2 (23-Feb-23)	1)CARE A2 (04-Feb-22)
3	Non-fund-based-Short Term	ST	0.35	CARE A2+	-	1)CARE A2 (05-Jan-24)	1)CARE A2 (23-Feb-23)	-

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/ ST-CC/Packing Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view 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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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