



Rating Rationale

AMD Industries Ltd.

27 Oct 2020

Brickwork Ratings reaffirms the ratings for the bank loan facilities of Rs 84.81 Crs of AMD Industries Ltd (AMDIL or “the company”)

Particulars

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (22 Aug 2019)	Present
Fund based	42.17	63.81	Long Term	BWR BBB- Stable	BWR BBB- Stable (Reaffirmation)
Non Fund Based	30.00	21.00	Short Term	BWR A3	BWR A3 (Reaffirmation)
Total	72.17	84.81	Rs Eighty Four Crores and Eighty One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of the facilities are given in Annexure-1

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has reaffirmed the rating at BWR BBB- (Stable)/A3

The rating continues to draw comfort from long track record , extensive industry experience of the promoters , established relationships with its clients , comfortable net worth and gearing , increase in capacity over the years and diversified product portfolio . The ratings are, however, constrained by moderate debt protection metrics , moderate and stagnant scale of operations ,volatility in raw material prices and stiff competition in the industry .



BWR believes the **AMD Industries Ltd.**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term on account of sustained scale of operations in the past and above Rs 150 Crs and enhanced capacity which can increase scale of operations in medium term due to stable demand

For arriving at the rating, BWR has relied upon the audited financials upto FY20 and projections for FY21 and FY22 and the information provided by the company and also available in the public domain.

Description of Key Rating Drivers

Credit Strengths:

Long track record of the company and experience of the promoters: The company has a long track record since 1983 and promoters have extensive experience of more than three decades in running the company .

Established relationship with its clients: AMDIL is associated with well reputed corporate clients indicating sound technical and design capabilities of the company. The company is now India's top Beverage packaging company supplying finished products to MNC's like Coca Cola, Pepsi, South African Breweries (SAB), United Breweries(UB) Dabur, HLL, Hamdard etc. as well as numerous large indigenous beverage Pharma and healthcare companies.

Increase in capacity over the years and diversified product portfolio - Company has expanded its capacity of closure , COD was achieved in July 2020 funded by bank loan of Rs 14 Crs and rest from internal accruals , full effect of increase is expected to be realised in FY 22 as FY 21 is affected by Cov-19 pandemic coupled with phase wise expected increase in capacity of blowing bottle division which will be funded from internal accruals . Capacity Utilization is 54 % in FY 20 and expected to be in the same range after the expected increase in blowing bottles and closures . Also the company's product portfolio is well diversified with 34 % contributions from crown cases and rest from closures , pre forms and blowing bottles .

Comfortable Net Worth Position: The company has a moderate adjusted tangible net worth indicated by equity and reserves of Rs 107.17 crores in FY20 as against Rs 99.95 crores as in FY19 .



Comfortable Gearing: Company's adjusted Gearing ratio is comfortable, as indicated by Total Debt/TNW ratio of 0.44 x in FY20 and 0.63 x in FY19.

Minimal Foreign currency Risk: The company is not exposed to currency risk as exports are very minimal and forward cover is available. Imports are covered by the natural hedge of exports .

Credit Weaknesses

Moderate Debt protection metrics and Stagnant sales : The company's debt protection metrics were at moderate as indicated by ISCR and DSCR of 2.59 and 1.21 respectively in FY 20 .

Small scale and stagnate Scale of operations Total Operating Income of the company has remained small , stagnant and range bound between Rs 155 crores to Rs 175 crores for the last three fiscal years . Further, the company has achieved a turnover of Rs.24.36 crore during Q1 of FY 20-21 as against the turnover of Rs.69.23 Crore during the corresponding period of FY 19-20 i.e.decrease in turnover by around Rs.44.87 Crore. The Company is expected to generate operating income of Rs 167.2 Crs in current financial year on account of commencement of new closure line , installation of new juice line and expectation of enhanced capacity in container division , but any shortfall in revenue in Q4 FY21 can starin the debt protection metrics in FY 21 and would be key monitorable .

Raw material price fluctuation risk: The company is exposed to raw material fluctuation risks which is likely to affect the profitability margins further as raw material prices are linked to crude oil prices .

Stretched conversion cycle : The company's Operating cycle is stretched as indicated by receivable and inventory days of 238 days in FY 20 against 237 days in FY 19 .

Intense competition- Stiff competition from the well established players in the market limits the pricing power.

Exposure to risks related to product substitution- Company manufactures closures, such as crown caps and plastic caps for bottles and containers for beverages, liquor, food products. Company's scale of operations may witness a decline, if there is a significant shift towards newer



packaging products, such as tetra packs, sachets, strips, and other flexible packaging, by end-user industries in the medium term

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA: BWR has assessed historical financials of the company on a standalone basis. However forecasts have been considered on a consolidated basis given its newly formed subsidiary. Please refer to the applicable criteria at the end.

RATING SENSITIVITIES

Positive: BWR may revise the ratings upward if there is a sustained improvement in company's credit profile coupled with ability to achieve optimal capacity utilisations in its newly added capacities resulting in the improved scale of operations

Negative: BWR may revise the ratings downwards if there is a sustained deterioration in the company's EBITDA, debt protection metrics and liquidity and an increase in the leverage and gearing beyond envisaged levels, compared with current expectations.

LIQUIDITY POSITION - Adequate

The current ratio improved from 1.2 x in FY 19 to 1.25 x in FY 20, showcasing an improvement in the liquidity position. The working capital utilisation for the past one year ending Aug 2020 is 36%; thus, sufficient headroom is available for working capital needs. The company registered cash accruals of Rs 15.4 Crs in FY 20, against a repayment obligation of Rs 11.59 Crs in FY 20.

About the Company

AMD Industries Limited, founded in 1983, is one of the leading business houses in the field of packing solutions. They provide packing solutions to most of the successful and well established companies engaged in beverages, liquor and processed foods ranging from small ventures to industry majors. The company has three product lines which include crown caps (metallic closures for glass bottles), PET Preforms and plastic closures. The company has manufacturing facilities based at Neemrana (Rajasthan). Mr. Ashok Gupta and Mr. Adit Gupta are directors of the company. The Company is listed on BSE and NSE



Key Financial Indicators

Key Parameters	Units	FY2019	FY2020
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Cr	155.72	174.55
EBITDA	₹ Cr	17.70	17.81
PAT	₹ Cr	0.23	5.18
Tangible Net worth(Adjusted)	₹ Cr	99.95	107.17
Total Debt/Tangible Net worth (Adjusted)	Times	0,63	0.44
Current Ratio	Times	1.20	1.25

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED -There are no Key covenants

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - Not applicable

RATING HISTORY for last three years including withdrawal and suspended

Instrument / Facilities	Current Rating (2020)*				Rating amount in Rs Crs								
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating		22 Aug 2019			14 June 2018			21 April 2017		
Bank Loan	FB	Long Term	63.81	BWR BBB- (Stable) (Reaffirmation)	FB	42.17	BWR BBB- (Stable) (Reaffirmation)	FB	58.20	BWR BBB- (Stable) (Downgrade)	FB	84.31	BWR BBB (Stable) (Reaffirmation)
	NFB	Short Term	21.00	BWR A3 (Reaffirmation)	NFB	30.00	BWR A3 (Reaffirmation)	NFB	35.00	BWR A3 (Downgrade)	NFB	40.00	BWR A3 (Reaffirmation)
Total	84.81			Rs Eighty Four Crores and Eighty One Lakhs Only									

***Rating was moved to Rating Not Reviewed category on 24 Aug 2020**

Any other information- Not applicable



Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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AMD Industries Limited
ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	State Bank Of India	Cash Credit	16.50		16.50
		Letter of Credit /BG		15.00	15.00
		Term Loans	5.69		5.69
2	Kotak Mahindra Bank	Cash Credit	12.00		12.00
		Letter of Credit /BG		6.00	6.00
		Term Loans	5.60		5.60
3	Axis Bank	Cash Credit	6.00		6.00
		Term Loans	17.76		17.76
4	Tata Capital	Term Loans	0.26		0.26
TOTAL					84.81

Rs Eighty Four Crores and Eighty One Lakhs Only

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