



Rating Rationale

AMD Industries Ltd.

14 Jun 2018

Brickwork Ratings downgrades the ratings for the bank loan facilities of AMD Industries Ltd.(AMDIL or “the company”)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based	84.31	58.20	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BBB - (Pronounced as BWR Triple B minus) Outlook: Stable (Downgrade)
Non Fund Based	40.00	35.00	Short Term	BWR A3+ (Pronounced as BWR a three plus)	BWR A3 (Pronounced as BWR a three) (Downgrade)
Total	124.31	93.20	INR Ninety Three Crores Twenty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Long Term Rating downgraded to BWR BBB- (Outlook: Stable) and Short Term rating downgraded to BWR A3

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results from FY 15 to FY18, publicly available information and clarifications provided by company’s management.

The ratings continue to draw comfort from extensive industry experience of promoters, comfortable financial risk profile marked by low gearing, established relationships with its clients , modest network in FY18 and moderate capital expenditure. The ratings are, however,

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constrained by below average debt protection metrics, decline in net profits, working capital intensive nature of operations and stiff competition in the industry.

.Going forward, the ability of the company to scale up its operations and profitability margins on a sustained basis, improve equity base and service debt timely would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Experience of the promoters: Promoters have extensive experience in running the company .

Comfortable Gearing: Company's Gearing ratio is comfortable, as indicated by Total Debt/TNW ratio of 0.71 x in FY17 and 0.47 x in FY18.

Moderate Net Worth Position: The company has a moderate tangible net worth indicated by equity and reserves of Rs 123.41 crores in FY18 as against Rs 123.17 crores as in FY17 .

Established relationship with its clients: AMDIL is associated with well reputed corporate clients indicating sound technical and design capabilities of the company.

Minimal Foreign currency Risk: The company is not exposed to currency risk as exports are very minimal and forward cover is available.

Credit Weaknesses

Below Average Debt protection metrics : The company's debt protection metrics were below average as indicated by DSCR of 0.95x, which was partially offset by comfortable interest service coverage ratio (ISCR) of 2.11x in FY 17. Both these parameters have declined in FY18 with DSCR at 0.75x and ISCR at 1.50 x.

Decline in Net profit margins : Net profit margins have witnessed declining trend over the years. Net profit declined to Rs 0.23 crores in FY17 vis-a-vis Rs 2.69 crores in FY16 and further declined to Rs (-)0.74 crores in FY18.

Raw material 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.



Working capital Intensive nature of operations and stretched conversion cycle : The company's nature of operations remains working capital intensive and conversion cycle is stretched as indicated by conversion cycle of 149 days and 100 days respectively in FY17 and FY18 respectively

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

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. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

AMD Industries Limited, founded in 1983, is one of the leading business houses in the field of packaging solutions. They provide packaging solutions to 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 Ghaziabad (Uttar Pradesh) and Neemrana (Rajasthan).

Key Financial Indicators

Key Parameters	Units	FY2017	FY2018
Result Type			
Operating Revenue	₹ Cr	152.47	154.63
EBITDA	₹ Cr	19.20	13.44



PAT	₹ Cr	0.23	0.23
Net worth	₹ Cr	122.94	123.17
Total Debt/Tangible Net worth	Times	0.71	0.71
Current Ratio	Times	1.62	1.45

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	58.20	BWR BBB- (Outlook: Stable)	BWR BBB+ (Outlook: Stable)	BWR BBB+ (Outlook: Stable)	BWR BBB+ (Outlook: Stable)
	Non Fund Based	Short Term	35.00	BWR A3	BWRA3+	BWRA3+	BWRA3+
	Total		93.20	₹ Ninety Three Crores Twenty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- Not applicable



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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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has



rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.