



## Rating Rationale

AMD Industries Ltd.

22 Aug 2019

Brickwork Ratings reaffirms the ratings for the bank loan facilities of ₹ 72.17 Crs of AMD Industries Ltd.( AMDIL or “the company”)

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based	58.20	42.17	Long Term	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: Stable	BWR BBB - (Pronounced as BWR Triple B minus) Outlook: Stable (reaffirmation)
Non Fund Based	35.00	30.00	Short Term	BWR A3 (Pronounced as BWR single A three )	BWR A3 (Pronounced as BWR Single A three) (reaffirmation)
<b>Total</b>	<b>93.20</b>	<b>72.17</b>	<b>INR Seventy Two Crores Seventeen Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings



### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon audited financial results of FY 17 to FY19 and projected financials for FY 20 and FY 21, publicly available information and clarifications provided by the company's management.

The rating continues to draw comfort from extensive industry experience of the promoters, low gearing, established relationships with its clients, modest net worth in FY 19. The ratings are, however, constrained by below average debt protection metrics, thin profit margins, working capital intensive nature of operations, stiff competition in the industry and stagnant sales.

.Going forward, ability of the company to scale up its operations and profitability margins on a sustained basis, 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 of almost three decades in running the company.

**Comfortable Gearing:** Company's Gearing ratio is comfortable, as indicated by Total Debt/TNW ratio of 0.51 x in FY19 and 0.59 x in FY18.

**Moderate Net Worth Position:** The company's has a moderate tangible net worth indicated by equity and reserves of Rs 123.56 crores in FY19 as against Rs 123.34 crores as in FY18.

**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.

**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 and Stagnant sales** : The company's debt protection metrics were below average as indicated by DSCR of 0.80x in FY 19 . Total Operating Income of the company has remained stagnant and range bound between Rs 153 crores to Rs 155 crores during FY 17 and FY 19 . Further, the company has achieved a turnover of Rs.69 crore during Q1 of FY 19-20 as against the turnover of Rs.54 Crore during the corresponding of FY 18-19 i.e. increase in turnover by around Rs.15 Crore.

**Thin Net profit margins** : Net profit margin are thin as company reported a net profit margin of 0.15 % in FY 19 against -0.48 % in FY 18 . Profit margins are thin as the company is dealing with OEM's due to which bargaining power is limited

**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.

**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 115days and 78 days respectively in FY19 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 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 Ghaziabad (Uttar Pradesh) and Neemrana (Rajasthan). Mr. Harswarup Gupta, 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	FY2018 (Audited)	FY2019 (Audited)
Operating Revenue	₹ Cr	154.49	155.72
EBITDA	₹ Cr	13.49	17.70
PAT	₹ Cr	-0.74	0.23
Net worth	₹ Cr	123.34	123.56
Total Debt/Tangible Net worth	Times	0.59	0.51
Current Ratio	Times	1.26	1.2

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	42.17	BWR BBB- (Pronounced as BWR Triple B Minus)  (Outlook: Stable)  (reaffirmation)	BWR BBB- (Pronounced as BWR Triple B Minus)  (Outlook: Stable)	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)
2	Non Fund Based	Short Term	30.00	BWR A3(Pronounced as BWR Single A Three )  (reaffirmation)	BWR A3  Pronounced as BWR Single A Three )	BWR A3+  Pronounced as BWR Single A Three Plus )	BWRA3+  Pronounced as BWR Single A Three Plus )
Total			72.17	₹ Seventy Two Crores and Seventeen 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

Analytical Contacts	Investor Contacts
<p><b>RK Sharma</b> Senior Director - Ratings B :+91 11 2341 2232 <a href="mailto:rksharma@brickworkratings.com">rksharma@brickworkratings.com</a></p> <p><b>Karan Ahluwalia</b> Ratings Analyst B :+91 11 2341 2232 <a href="mailto:karan.a@brickworkratings.com">karan.a@brickworkratings.com</a></p>	<p><b>Satish Nair</b> Director - Global Market Development &amp; Investor Relations M : +91 7738875550 B : +91 22 6745 6666 <a href="mailto:satish.n@brickworkratings.com">satish.n@brickworkratings.com</a></p>
1-860-425-2742	

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

### **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.