

Rating Rationale

Brickwork Ratings assigns Rating of ‘BWR BBB-’ for the Fund based Bank credit facilities and ‘BWR A3’ for Non-Fund based credit facilities of AMD Industries Ltd (AMDI)

Facility	Tenure	Rating	Amount (₹ Crs)
Fund Based Facility	Long Term	<p>BWR BBB- (BWR Triple B Minus) (Outlook – Stable)</p> <p>Credit Facilities with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such Facilities carry moderate credit risk.</p>	58.68
Non-Fund Based Facility	Short Term	<p>BWR A3 (BWR A Three)</p> <p>Credit Facilities with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such Facilities carry higher credit risk as compared to Facilities rated in the two higher categories.</p>	40.00
Total			98.68

The rating has, inter alia, factored the experience and capabilities of the Company in the carbonated soft drink business, established relationship with large global customers and ability to compete with global suppliers. The rating is constrained by capital intensive business, seasonality involved in the operations, entry into real estate segment and large exposure to the subsidiary company engaged in the real estate business.

BWR has essentially relied upon the audited financial results of AMD Industries Ltd up to FY12, provisional results for HY 2013 and clarifications provided by the Company.

Background:

AMD Industries Ltd was incorporated in the year 1983. The Company has been engaged in the business of packaging for carbonated soft drinks since its inception. The promoters include Shri. Harswaroop Gupta, Shri. Ashok Gupta and Shri. Adit Gupta. The Company has three product lines which include Crown Caps (Metallic closures for glass bottles), PET Preforms and Plastic Closures. The Company has two manufacturing facilities based in Gaziabad (Uttar Pradesh) and Neemrana (Rajasthan). The Company has the total capacity to produce 3.66 Lakhs cases of Crown Caps per annum, 18000 MTs of PET Preforms per annum and 97.20 Crore CSD Closures per annum. The major raw materials include TFS (Tin Free Steel) for Crown Caps, Polyvinyl Chloride, Polypropylene and Resin. Approximately 40% of the Crown Cap segment is exported. The Company has established relationship with global customers such as Coca Cola, United Breweries, SAB Miller and other beverage companies in the CSD segment.

Working Capital Facilities

AMD Industries Ltd has availed fund and non-fund based working capital facilities from four banks which include Union Bank of India, Punjab National Bank, State Bank of India and Kotak Mahindra Bank. The overall limit provided by the Bank amounts to ₹ 98.68 Crores, comprising of Fund Based Limits amounting to ₹ 58.68 Crores and Non Fund Bases Limits amounting to ₹ 40.00 Crore. The borrowings are secured by a charge on inventory & book-debts of the Company, by a charge on specific fixed assets of the Company and guarantees by its directors.

Financial Performance:

The Company's revenue has witnessed an average growth rate of ~23% during the last three Financial Years. The Crown Cap segment contributed to ~42% of the revenue followed by the PET Preform and CSD closure segments contributing to ~36% and ~21% respectively for FY 2012. The market for the Crown Cap Segment has plateaued in the domestic market and therefore efforts are being made by the Company to export Crown Caps. The Pet Preform segment has witnessed a growth of ~15% for FY 2012 primarily due to growth in the manufacture of Pet Preform sub-segment. The CSD closure segment has witnessed a growth of ~44% for FY2012.

On standalone basis, income from operation of the Company has increased from ₹ 115.05 Crores in FY11 to ₹ 152.66 Crores in FY12 showing growth of ~ 33%. Consequently, operating profits increased to ₹ 28.14 Crores in FY12 from ₹ 21.29 Crores in FY11. Net profit has increased from ₹ 1.69 Crores to ₹ 5.91 Crores during FY12. Owing to this, ROCE has improved from 9.29% to 10.40%. Long term borrowings from bank have reduced from ₹ 41.33 Crores to ₹ 28.22 Crores in FY12 because of repayments during the year.

The Company has exposure to its real estate subsidiary AMD Estate and Developers Pvt Ltd (AEDL) in terms of loans and advances and equity investments amounting to ₹ 37.25 Crores and ₹ 5.20 Crores respectively. The Company has also extended a corporate guarantee for the loan sanctioned to AEDL for Rs 23 Crores.

On consolidated basis, the Company has profit after tax of ₹ 1.53 Crores in FY11 and ₹ 5.68 Crores in FY12. Total debt levels stands at ₹ 54.97 Crores for FY12. As a result, its debt equity ratio on consolidated basis (0.92 times) is higher than as standalone entity (0.67 times).

Abridged Balance sheet, P&L and Key financial ratios for the period FY10 – FY12 have been given in Annexure I, II and III.

Rating Outlook:

The Company has established customer base from which it is able to generate regular orders. The Company has attained a turnover of Rs 83.11 Crores for HY13 and the performance for the next one year is expected to be stable. However, the Company's ability to expand the current capacity and add more customers to the portfolio will be the key rating sensitivities.

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Key Financials – AMD Industries Ltd.

Annexure I: Balance Sheet

₹ Crs

S. No	Particulars	Mar-10 Audited	Mar-11 Audited	Mar-12 Audited
A	SOURCES OF FUNDS			
	SHARE HOLDERS' FUNDS	108.08	111.61	115.89
1	Share Capital	19.17	19.17	19.17
2	Reserves and Surplus	88.91	92.44	96.72
	LOAN FUNDS	70.79	84.67	77.18
3	Secured Loans	70.79	84.63	77.09
4	Unsecured Loans	0.00	0.04	0.09
	LONG TERM PROVISION	0.00	1.29	1.46
	DEFERRED TAX LIABILITY	8.03	8.23	8.47
	TOTAL	186.90	205.80	203.00
B	APPLICATION OF FUNDS			
5	Gross Block	120.44	127.27	128.07
6	Less: Accumulated Depreciation	28.38	35.48	42.70
	Net Block	92.06	91.79	85.36
7	LONG TERM ADVANCES	0.00	54.80	52.54
8	NET INTANGIBLE ASSETS	0.00	0.07	0.12
9	INVESTMENTS	5.55	5.55	5.60
	CURRENT ASSETS, LOANS & ADVANCES	137.47	110.06	99.37
10	Sundry Debtors	19.67	24.40	34.69
11	Cash and Bank Balances	0.43	0.42	0.84
12	Inventory	30.61	48.66	36.95
13	Deposit & Advances	81.26	29.97	23.51
14	Investments	5.48	6.61	3.38
15	Others	0.02	0.00	0.00
	LESS: CURRENT LIABILITIES AND PROVISIONS	48.89	58.07	41.90
16	Current Liabilities	32.74	38.33	26.76
17	Provisions	16.15	19.74	15.14
	OTHER NON CURRENT ASSETS	0.71	1.59	1.89
	TOTAL	186.90	205.80	203.00

Annexure II: Abridged Profit and Loss

Crs

S. No	Particulars	Mar-10 Audited	Mar-11 Audited	Mar-12 Audited
1	Operating Income	101.68	115.05	152.66
2	Other Operating Income	10.27	23.06	29.35
	Total Income	111.96	138.11	182.01
	EXPENDITURE			
3	Cost of Operations	81.28	100.74	136.68
4	Administrative and other expenses	10.47	16.08	17.20
	Total Expenditure	91.75	116.82	153.87
	PBITDA	20.21	21.29	28.14
5	Interest and Finance Charges	8.22	10.48	10.73
6	Depreciation, obsolescence, amortization and impairment	5.50	7.20	7.63
	Profit / (Loss) before taxation	6.49	3.61	9.78
7	Provision for Tax	4.86	1.92	3.87
	Profit / (Loss) After taxation	1.63	1.69	5.91
8	Non-Operating Income /(Loss)	4.90	4.09	0.59
	Adj. Profit / (Loss) for the year	6.53	5.78	6.50

Annexure III: Ratio Analysis*

S. No	Particulars	Mar-10 Audited	Mar-11 Audited	Mar-12 Audited
1	Debt - Equity Ratio (Times)	0.66	0.76	0.67
2	Interest Coverage Ratio (Times)	2.46	2.03	2.62
3	Net Worth (₹ Crore)	108.06	111.53	115.76
4	Operating Margins (%)	18.05	15.42	15.46
5	Profitability Margin (%)	6.44	5.02	4.26
6	Current Ratio (Times)	1.47	1.09	1.09

*Calculation has been done based on BWR ratio definition