

Rating Report

Brickwork Ratings reaffirms “BWR BBB/A3+” for the Bank Loan Facilities of Rs. 120.36 Cr of AMD Industries Limited.

On a review, Brickwork Ratings (BWR) has reaffirmed the following **Ratings¹** for the Bank Loan Facilities of Rs. 120.36 Cr (One Hundred Twenty Crores & Thirty Six Lakhs Only) to AMD Industries Limited (AMDIL or the ‘Company’) as under:

Facility	Previous Amount (Rs. Cr)	Rating Amount (Rs Cr)	Tenure	Rating History	Ratings after review ¹
Fund Based					
Cash Credit	25.00	25.00	Long Term	BWR BBB (BWR Triple B) Outlook: Stable January 2015	BWR BBB (BWR Triple B) Outlook: Stable (Reaffirmed)
Term Loans	55.04	55.36			
Non Fund Based					
SLC	5.00	5.00	Short Term	BWR A3 + (BWR A Three Plus) January 2015	BWR A3 + (BWR A Three Plus) (Reaffirmed)
Bank Guarantee/LC	35.00	35.00			
Total	120.04	120.36	Rs. 120.36 Cr (INR One Hundred Twenty Crores & Thirty Six Lakhs Only)		

* Bank wise details sanctions mentioned in Annexure I

BWR has principally relied upon the audited financial statements upto FY15, projected financials for FY16 & FY17, publicly available information and information/clarifications provided by the company's management.

The ratings continue to draw comfort from the extensive industry experience of the promoters, comfortable financial risk profile marked by low gearing ratio, established relationship with its clients, frequent addition to its current installed capacity and adequate cash accruals supported by modest networth in FY15. The ratings are, however, constrained by below average debt protection metrics, lower turnover and profitability than its projected levels in FY15, working capital intensive nature of operations and stiff competition in the industry leading to limited pricing power of the Company.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

AMD Industries Ltd was incorporated in 1983. The Company is engaged in the business of packaging for carbonated soft drinks, and caters to the domestic and overseas beverages industry. Clients include Coco Cola, PepsiCo, Hindustan Lever Limited, Foster India Limited, United Breweries, SAB Miller PLC amongst others. 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 at Ghaziabad (Uttar Pradesh) and Neemrana (Rajasthan). The current annual capacity of crown caps, PET preforms & plastic closures is 3,66,000 cases, 23000 tons & 9720 lakhs pieces, respectively.

AMDIL has acquired 80% share in AMD Estates & Developers Private Limited (AMDEPL) for developing a commercial complex at Sector 114, Gurgaon, Haryana. This project is being executed in collaboration with VSR Infratech Pvt. Ltd., New Delhi. The total saleable area in the project is 3 lacs sq.ft, out of which AMD Estates has share of approx. 1 lacs sq.ft.

Management Profile:

The promoters of the company are Mr. Harswaroop Gupta, M. Ashok Gupta and Mr. Adit Gupta. The overall responsibility of the management of the Company is vested with the Board of Directors who is supported by technical and administrative staff at the operational level.

Key Updates:

Comments on Financial Risk Profile:

- Slight decline in Revenues during FY15: AMDIL has reported a turnover of Rs. 171.29 Crs as compared to previous year's turnover of Rs. 179.15 Crs, a de-growth of 4.38% over the previous year. The decline was mainly due to decline in the prices of crude oil and slight decline in the sales volume of PET Preforms. However, this was marginally set off by increase in volume in job work (quantity wise revenue mentioned at Slide 9). The net profit is at Rs. 5.36 Crs as compared to Rs. 6.14 Crs in the previous year, a decrease of 12.70% from previous year. The decrease in profit was mainly due to increase in depreciation costs (change in method to Schedule II). However, Cash profit of the Company has improved from Rs. 14.88 Crs in FY14 to Rs. 16.71 Crs in FY15.
- Above average Operating and Net Profit Margins: Despite slight decline in operating & net margins from the past year, it remains above 13% and 3% level, respectively in FY15. There is a decline in financial costs on account of repayment of term loans availed from Union Bank in FY15. Cash Profits of the Company has increased from Rs. 14.88 Crs in FY14 to Rs. 16.71 Crs in FY15.
- Above average financial risk profile: The total debt of the company stood at 78.99 Cr against the Tangible Networth of Rs. 121.29 Cr in FY15. AMDIL has above average financial risk profile marked by gearing ratio of 0.65 times in FY15. AMDIL's TNW increased from Rs. 119.55 Cr in FY14 to Rs. 121.29 Cr in FY15, due to accretion to its reserves & surplus. Total TNW of the Company stood at Rs. 124.51 Crs as on 31.12.2015.

- **Improvement in debt protection metrics:** ISCR & DSCR improved from 1.88 times & 0.85 times in FY14 to 2.71 times & 1.12 times, respectively in FY15. DSCR is expected to improve in subsequent years as the Company has repaid its entire term loan availed from Union Bank of India.
- **Moderate Liquidity position of the Company:** The Company has a moderate liquidity position, as the bank limit utilization is less than 75% throughout the year. Moreover, against the Maximum Permissible Bank Finance (MPBF) of Rs. 49.90 Crs, the Company is availing only Cash Credit of Rs. 25.00 Crs only, therefore the Company has sufficient margin of Rs. 24 Crs approx. for raising working capital limit.

• **Installing additional machines for its PET Bottles/Jars Segment:** The Company has planned to install 4 nos. Blowing machines (PET Resin to Preform and Preform to Bottle/Jar in single process) with the total cost of Rs.8.50 Crore. The Tata capital has already sanctioned the term loan of Rs.6.68 Crs for this purpose. The machines has already arrived at Neemrana Plant and expected to start commercial production in the month of March 2016. The company has already entered into contract with Hamdard to supply them bottles for Roohafza immediately after installations of these machines. The company expect to generate turnover of Rs.12.00 Crs with cash profit of Rs.2.00 Crs from these new activities during the next FY 2016-17.

Proposal for Capex in the next financial year: AMDIL has planned to purchase New Laquar machines for its Crown Caps division and new equipment's for its Plastic closures division in the next financial year. The total cost of the CAPEX is Rs. 14.60 Crs. Against the said CAPEX the PNB has already sanctioned term loan of RS.4.40 Crore for plant and machinery and SBI is also considering the loan of RS.6.00 Crore for the construction portion of the CAPEX. (The said loan has been considered in the total rating amount.)

AMD Estates is no more subsidiary of AMD Industries Ltd – AMDIL has sold Shares in AMD Estates and Developers (P) Limited i.e. Investment of Rs.5.20 Crs during the FY 2014-15. Therefore AMD Estates is no more subsidiary of AMD Industries Limited and No consolidated balance sheet is applicable w.e.f. 31.03.2015. The other subsidiary Company i.e. Prime Techno Build Private Limited was 100% subsidiary of AMD Estates, Since AMD Estates is no more subsidiary of AMDIL therefore Prime Techno Build Pvt. Ltd is also no more subsidiary of AMDIL.

However, the Company has paid Rs. 32.50 Crs (o/s bal Rs. 26.49 Crs as on 31.03.2015, Note no. 13) for acquiring 80% share from AMD Estates in the Gurgaon project. The total saleable area in the project is 3 lacs sq.ft, out of which AMD Estates has share of approx. 1 lacs sq.ft. and remaining area is with developer/collaborator – VSR Infratech. Out of 1 lacs sq.ft. area of AMD Estates, AMDIL has a share of 80% against which it is expected to receive around Rs. 50 Crs conservatively in future depending upon the market conditions.

Thus, EBITDA of FY15 is significantly lower than projected figures because of no income were received against the said Gurgaon project.

Rating Outlook

AMDIL's top line declined in FY15, mainly due to decline in the prices of crude oil and the sales of PET preforms. However, this was marginally set off by increase in volume in job work.

The outlook is expected to be stable over the current year. Going forward the ability of the company to improve its topline and profitability as projected, improve its debt protection metrics amidst increasing debt levels, achieve significant sale from its Gurgaon project and manage its working capital efficiently would be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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.

AMD Industries Limited
Annexure I – Profit & Loss Account

Particulars (in Rs. Crs)	FY12	FY13	FY14	FY15
Result Type	Audited	Audited	Audited	Audited
Gross Sales	174.65	150.04	166.79	157.62
Traded Goods Sales	0.03	0.01	1.10	0.00
Excise Duty/Sales Tax	22.03	28.27	33.54	34.35
Net Sales	152.66	121.78	134.35	123.28
Other Operating Income	29.52	35.37	44.81	48.02
Total Operating Income	182.18	157.15	179.15	171.29
Operating Expenses	153.87	138.14	154.11	147.49
OPBDIT	28.30	19.00	25.04	23.81
Depreciation	7.63	8.28	8.73	11.35
OPBIT	20.68	10.73	16.31	12.46
Interest and Finance Charges	10.73	10.10	10.65	9.60
OPBT	9.94	0.62	5.66	2.86
Non Operating Income(Expenses)	-1.99	1.64	3.65	2.34
PBT	7.95	2.26	9.31	5.20
Extraordinary/Prior Period - Income(Expense)	2.41	0.00	-0.01	1.67
Provision for Taxes	3.87	0.67	3.15	1.50
PAT	6.50	1.59	6.15	5.37

AMD Industries Limited
Annexure II – Balance Sheet

Particulars (in Crs)	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	115.47	119.61	121.41
Share capital	19.17	19.17	19.17
Reserves and Surplus	96.30	100.44	102.24
Non-current liabilities	61.25	54.23	46.78
Long-Term Borrowings	51.38	43.98	36.66
Deferred tax Liabilities (Net)	8.15	8.78	8.01
Other Long Term liabilities	0.08	0.08	0.61
Long-Term Provisions	1.63	1.39	1.51
Current liabilities	81.10	85.69	85.22
Short-Term Borrowings	31.60	29.85	26.37
Current Portion Of Long Term Debt	12.23	15.07	15.97
Trade Payables	31.76	27.95	34.11
Other Current Liabilities	2.59	4.22	3.72
Short-Term Provisions	2.92	8.60	5.05
Total Liabilities	257.81	259.53	253.41
ASSETS			
Non-current assets	140.49	143.64	136.07
Net Fixed assets	86.84	92.78	91.85
Capital Work-In-Progress	0.78	2.32	0.00
Net Intangible assets	0.09	0.06	0.11
Non-Current Investments	5.28	32.36	26.58
Long Term Loans and Advances	47.50	16.12	17.53
Other Non-Current Assets	0.00	0.00	0.00
Current assets	117.32	115.89	117.34
Current Investments	0.00	0.00	0.00
Inventories	57.78	46.85	56.41
Trade Receivables > Six Months	1.74	2.86	3.10
Trade Receivables < Six Months	29.18	34.57	36.12
Cash and Cash Equivalents	4.14	3.73	4.34
Short-Term Loans and Advances	23.50	14.34	11.13
Other Current Assets	0.99	13.53	6.23
Total Assets	257.81	259.53	253.41

AMD Industries Limited
Annexure III – Ratio Analysis

Particulars (in Crs)	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Total Debt	95.20	88.90	78.99
Total Debt (Analyzed)	90.81	84.28	75.88
Tangible Net Worth	115.38	119.55	121.29
Capital Employed	218.74	217.23	208.30
Total Debt/TNW	0.83	0.74	0.65
Long Term Debt/TNW	0.45	0.37	0.30
TOL/TNW	1.15	1.09	1.03
ISCR	1.88	2.35	2.48
DSCR	0.85	1.12	1.07
DSCR(Analyzed)	0.74	1.11	1.07
Net Cash Accruals/Total Debt	0.09	0.18	0.16
Net Cash Accruals/Long Term Debt	0.17	0.37	0.35
Net Profit Margin	1.01	3.43	3.13
Operating Profit Margin	12.09	13.98	13.90
ROCE	5.11	7.48	5.86
Current Ratio	1.45	1.35	1.38
Days Receivables	101	93	113
Days Inventory	143	136	146
Days Payable	86	108	104
Conversion Cycle	157	122	155