

# Ratings



## Rating Rationale

September 16, 2019 | Mumbai

### Amber Enterprises India Limited

#### Rating Action

Total Bank Loan Facilities Rated	Rs.650 Crore
Long Term Rating	CRISIL A+/Stable
Short Term Rating	CRISIL A1

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL ratings on the bank facilities of Amber Enterprises India Ltd (Amber; part of the Amber group) continue to reflect the Amber group's established market position as a vendor for leading air conditioner (AC) manufacturers, the group's diversified customer base, high operating efficiency, and above-average financial risk profile. These strengths are partially offset by exposure to risks related to seasonal business and the group's large working capital requirement.

On August 27, 2019, CRISIL had removed its ratings on the bank facilities of Amber from 'Rating Watch with Developing', and reaffirmed the 'CRISIL A+/CRISIL A1' ratings, while assigning a 'Stable' outlook. The ratings had been placed on watch on April 2, 2019, following Amber's announcement on March 22, 2019, about entering into definitive agreements for acquiring 80% upfront stake in the equity share capital of Sidwal Refrigeration Industries Pvt Ltd, which would include the business of Sidwal Technologies. The ratings were removed from watch as the acquisition was completed in May 2019 and CRISIL has assessed its impact on Amber's business and financial risk profiles.

#### Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of Amber, PICL (India) Pvt Ltd (PICL), IL Jin Electronics India Pvt Ltd (IL Jin), Ever Electronics Pvt Ltd (Ever), and Sidwal, collectively referred to as the Amber group. Amber acquired 70% stake in IL Jin in December 2017, 19% stake in Ever in March 2018, and 80% stake in SRIPL in May 2019. Amber plans to acquire a majority stake in Ever by October 2019. All the companies have business and operational synergies.

Please refer Annexure - Details of Consolidation, which captures the list of entities considered and their analytical treatment of consolidation.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### \* Established market position and diversified clientele

The Amber group has a strong market position in the AC segment, which contributes over 60% to revenue. The group supplies to leading brands, such as Voltas, Panasonic, LG, Daikin, Hitachi, Whirlpool, Godrej, and Blue Star, which account for nearly 75% of the domestic refrigeration and air conditioning (RAC) market. Amber's clientele is fairly diversified, with the top five customers accounting for 68% of revenue in fiscal 2019.

##### \* High operating efficiency

Integrated operations, with in-house manufacturing of components (heat exchangers, multi flow condensers, sheet metal components and plastic mouldings, system tubing, printed circuit boards, and electric motors), enhances operating efficiency. Thus, the group's operating margin has been adequate at 8% and should remain stable over the medium term.

##### \* Healthy financial risk profile

Though group level debt increased to Rs 251 crore as on March 31, 2019, from Rs 120 crore a year earlier on account of debt contracted for the acquisition of Sidwal, gearing was comfortable at 0.3 time as on March 31, 2019, and should remain at a similar level over the medium term. Total outside liabilities to tangible networth ratio was moderate at 1.35 times as on March 31, 2019, and is expected at 1.4-1.6 times over the medium term. Debt protection metrics are healthy, reflected in interest coverage and net cash accrual to total debt ratio of 8 times and 0.6 time, respectively, in fiscal 2019.

##### Weaknesses

##### \* Exposure to risks related to seasonal business

Over 60% of the group's revenue comes from ACs, demand for which is seasonal (from January to May). The seasonal business leads to uneven cash flow during the year and affects liquidity and working capital management.

##### \* Large working capital requirement

Operations will continue to be working capital intensive, and hence, working capital management remains a key monitorable. Inventory and receivables were at 81 and 107 days, respectively, as on March 31, 2019, and increased on account of higher sales in the fourth quarter of fiscal 2019.

##### Liquidity: Strong

Liquidity should remain comfortable: cash accrual, expected at Rs 180 crore in fiscal 2020, should sufficiently cover debt obligation of Rs 20 crore. The group plans capital expenditure of Rs 80-90 crore in fiscal 2020 to increase manufacturing capacity and for maintenance work. Amber's utilisation of fund-based and non-fund-based limits averaged 43% over the 12 months through May 2019. The group had unencumbered cash and bank balance of Rs 42.7 crore as on March 31, 2019, cushioning liquidity.

**Outlook: Stable**

CRISIL believes the Amber group will continue to benefit from its established position in the white goods industry and healthy customer relationships

**Rating sensitivity factors****Upward factors**

- \* Revenue growth exceeding 30% and profitability increasing by 200 basis points
- \* Improvement in working capital management, leading to a drop in receivables and debtors

**Downward factors**

- \* Any major capital expenditure/acquisition weakening financial risk profile
- \* Further stretch in working capital cycle, particularly debtors
- \* Lower-than-expected cash accrual and decline in profitability (by 150 basis points) weakening financial risk profile

**About the Group**

Incorporated in 1990, Rajpura-based Amber started operations in 1992. It manufactures and assembles majorly RACs and key functional and reliable components, such as heat exchangers (coils), multi flow condensers, sheet metal components, injection-moulding components, system tubing, inner case liners, washing machine tub assembly, and other consumer durables. The manufacturing facilities are in Dehradun (Uttarakhand), Rajpura (Punjab), Jhajjar (Haryana), Kala Amb (Himachal Pradesh), Greater Noida (Uttar Pradesh), and Pune (Maharashtra). In January 2018, Amber came out with an initial public offering (IPO). Its shares are listed on the Bombay Stock Exchange and National Stock Exchange. Mr Jasbir Singh and Mr Daljit Singh are the promoters.

PICL, incorporated in 1994, manufactures AC motors at its unit in Faridabad, Haryana. Amber acquired PICL in 2013.

In December 2017, Amber acquired a 70% stake in Greater Noida-based IL Jin.

In March 2018, Amber acquired a 19% stake in Ever, and will increase stake to 70% by October, 2019. Both Ever and IL Jin are engaged in manufacturing, assembling, dealing, importing, and exporting electronic assembled printed circuit boards for RACs and other consumer durables.

Amber acquired Sidwal in May 2019. Sidwal manufactures heating, ventilation, air conditioning, and refrigeration equipment for mobile applications such as railway coaches, metro coaches, buses, as well as commercial refrigeration and related components.

**Key Financial Indicators**

Particulars	Unit	2019	2018
Revenue	Rs crore	2755	2131
Profit after tax (PAT)	Rs crore	94.5	62.0
PAT margin	%	3.4	2.9
Adjusted debt/adjusted networkth	Times	0.25	0.13
Interest coverage	Times	8.2	3.5

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit and Working Capital Demand Loan	NA	NA	NA	178.0	CRISIL A+/Stable
NA	Term Loan	NA	NA	March 2026	50.0	CRISIL A+/Stable
NA	Letter of credit and Bank Guarantee	NA	NA	NA	412.0	CRISIL A1
NA	Proposed Non-Fund-based limit	NA	NA	NA	10.0	CRISIL A1

**Annexure - List of entities consolidated**

Entities consolidated
Amber Enterprises India Ltd
PICL (India) Pvt Ltd
IL Jin Electronics India Pvt Ltd
Ever Electronics Pvt Ltd
Sidwal Refrigeration Industries Pvt Ltd

**Annexure - Rating History for last 3 Years**

Current				2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

<b>Fund-based Bank Facilities</b>	LT/ST	228.00	CRISIL A+/Stable	27-08-19	CRISIL A+/Stable	05-11-18	CRISIL A+/Stable	21-12-17	CRISIL A-/Positive/CRISIL A2+	30-09-16	CRISIL A-/Negative/CRISIL A2+	CRISIL A-/Stable/CRISIL A2+
				24-06-19	CRISIL A+/Watch Developing	20-03-18	CRISIL A+/Stable/CRISIL A1	23-03-17	CRISIL A-/Stable/CRISIL A2+			
				02-04-19	CRISIL A+/Watch Developing	22-01-18	CRISIL A-/Positive/CRISIL A2+					
						04-01-18	CRISIL A-/Positive/CRISIL A2+					
<b>Non Fund-based Bank Facilities</b>	LT/ST	422.00	CRISIL A1	27-08-19	CRISIL A1	05-11-18	CRISIL A1	21-12-17	CRISIL A2+	30-09-16	CRISIL A2+	CRISIL A2+
				24-06-19	CRISIL A1/Watch Developing	20-03-18	CRISIL A1	23-03-17	CRISIL A2+			
				02-04-19	CRISIL A1/Watch Developing	22-01-18	CRISIL A2+					
						04-01-18	CRISIL A2+					

All amounts are in Rs.Cr.

**Annexure - Details of various bank facilities**

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit & Working Capital demand loan	178	CRISIL A+/Stable	Cash Credit & Working Capital demand loan	235	CRISIL A+/Stable
Letter of credit & Bank Guarantee	412	CRISIL A1	Letter of credit & Bank Guarantee	355	CRISIL A1
Proposed Non Fund based limits	10	CRISIL A1	Proposed Non Fund based limits	60	CRISIL A1
Term Loan	50	CRISIL A+/Stable	--	0	--
<b>Total</b>	<b>650</b>	<b>--</b>	<b>Total</b>	<b>650</b>	<b>--</b>

**Links to related criteria**[CRISILs Approach to Financial Ratios](#)[CRISILs Bank Loan Ratings - process, scale and default recognition](#)[Rating criteria for manufacturing and service sector companies](#)[Rating Criteria for Consumer Durable Industry](#)[CRISILs Approach to Recognising Default](#)[CRISILs Bank Loan Ratings](#)[CRISILs Criteria for Consolidation](#)[The Rating Process](#)**For further information contact:**

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