August 19, 2022

AmberPR Technoplast India Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	37.0	[ICRA]A (stable); assigned
Fund-based/ Non-fund Based Working Capital	55.0	[ICRA]A (stable)/[ICRA]A1; assigned
Unallocated Limits	33.0	[ICRA]A (stable)/[ICRA]A1; assigned
Total	**125.0**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings assigned for AmberPR Technoplast Private Limited (AmberPR) factor in the strong operational and financial support enjoyed by the company from its parent, Amber Enterprises India Limited (AEIL), and the company's established presence in the domestic market as a manufacturer of cross-flow fans. AmberPR is a leading manufacturer of cross-flow fans and has maintained steady relationships with major players in the consumer durables industry, such as AEIL, Voltas Limited, Godrej and Havells India Limited, etc.

The company's scale of operations remains limited (revenues of ~Rs 87 crore in FY2022); it generated ~45% of its business from cross-flow fans, with an additional ~45% flowing in from the sale of ODU (outdoor unit) and WAC (window air conditioner) fans and refrigeration parts. AmberPR remains exposed to seasonality challenges that quite often impact the consumer durables industry. As of March 31, 2022, AEIL owned about 73% of AmberPR, with an option and intent to eventually purchase 100% of the business. ICRA expects AmberPR to record a healthy growth in its scale of operations over the medium term, benefitting from AEIL's support and established position in the consumer durables industry. With the increase in scale of operations, the dependance on AEIL for revenues is likely to moderate (~44% in FY2022) from current levels.

The ratings assigned remained constrained by the company's limited scale of operations and moderate debt coverage indicators (Interest coverage[1] ratio of 3.1). The company has capex plans of ~Rs. 18-20 crore in FY2023 to set up new plants and expand capacity. However, incremental revenues from the expansion of capacity and synergies from the acquisition by AEIL are likely to help improve coverage ratios, going forward.

The Stable outlook on the rating reflects ICRA's expectation that AmberPR will maintain a comfortable credit profile, aided by stable cash flow from operations and continued support from its parent entity.

Key rating drivers and their description

Credit strengths

Established position as leading cross-flow fan manufacturer in India and healthy relationships with major industry players – AmberPR is a leading supplier of cross-flows fans in the country, with key players in the consumer durables industry as its clients, including Voltas Limited, Havells India Limited, Blue Star, and Carrier Midea India Private Limited. It supplies a range of products that include ODU fans, cross-flow fans, refrigerator components, etc.

[1] Interest coverage ratio= Interest and finance costs/ Operating profit before depreciation, interest, taxes and amortzation

Access to operational and financial support from parent entity, AEIL – AmberPR benefits from a high likelihood of parent support from AEIL, which enjoys a prominent position in the AC manufacturing industry. The subsidiary is expected to record a healthy growth in scale of operations, aided by strong relationships enjoyed by the Amber Group in the consumer durables industry. This was evident in its Q1 FY2023 revenues of Rs 33 crore, a YoY growth of 176% (Rs. 12 crore in Q1 FY2022; curtailed base on account of Covid related lockdowns). Further, around 43% of AmberPR's revenues in FY2022 emanated from AEIL, and such a growth in the parent's operations would have a positive impact on the scale of operations of AmberPR.

Credit challenges

Limited scale of operations – AmberPR's scale of operations remains limited, having recorded revenues of ~Rs. 87 crore in FY2022, all of which were from the domestic market. Given the small scale of operations, the company's financial metrics remain stretched with a net debt[2] to OPBDITA and interest coverage of 3.3 times and 3.1 times, respectively, for FY2022. Nevertheless, the company has healthy cash and cash equivalents of Rs 24 crores. Further, the scale of operations is expected to report a healthy growth in FY2023, aided by growth in RAC demand and synergies from the acquisition by AEIL. The company is expected to report improved return and debt coverage indicators, aided by the improved scale of operations.

Dependency on consumer durables industry results in seasonality of business – Most of the customers and products of AmberPR cater to the consumer durables industry. This exposes the company to risks of seasonality in the business. During the past two years, disruption in demand to the RAC industry from Covid-19 related lockdowns impacted the prospects of the company to an extent. However, with fears of further waves of the pandemic reducing and the change in parentage post acquisition by AEIL, the growth prospects of the company remain healthy.

Liquidity position: Adequate

AmberPR's liquidity remains adequate, supported by expectation of moderate cash flows from operations (Rs. 10 crore in FY2023) and sufficient working capital buffer. The company's capex is expected to remain high over the next year, given its elevated capex plans of about Rs. 18-20 crore. Post its acquisition by AEIL, the company increased its available working capital limits to Rs. 55 crore as May 31, 2022 (from Rs. 47 crore in March 2022). Further, ICRA expects liquidity support from its parent, as and when required.

Rating sensitivities

Positive factors – The ability of the entity to record a material and continued increase in scale of operations/earnings, while reducing customer concentration may lead to an improvement in the rating. Any improvement in the credit profile of the parent entity may also lead to a rating improvement.

Negative factors – Negative pressure on the ratings could emanate in case of a sustained increase in working capital intensity, or any large debt-funded capex or decline in profitability, resulting in material weakening of the company's liquidity and credit metrics. A weakening of the company's parent profile or a weakening in the linkages with the parent may also lead to a pressure on rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach - Implicit parent or group support

[2] Net Debt = Total Debt less cash and liquid investments

Parent/Group support	The rating assigned to AmberPR factors in the high likelihood of its parent company extending financial support to it, because of its strategic importance and close business linkages. ICRA also expects AEIL to be willing to extend financial support to AmberPR out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	The rating is based on the standalone financial statements of the entity.

About the company

Amber PR Technoplast Private Limited, formerly known as Pasio India Private Limited, is engaged in manufacturing (i) cross-flow fans and its plastic parts, (ii) fans and fan guards for outdoor RAC units, (iii) plastic parts for water dispenser and refrigeration applications (other than for automobiles), and (iv) plastic parts for seats of trucks, tractors, and buses. Established in 2013, it currently has three manufacturing units, with one each in Greater Noida (Uttar Pradesh), Rudrapur (Uttarakhand) and Shahjanpur (Uttar Pradesh). The company's majority shareholding (73%) was acquired by AEIL in December 2021; AEIL also has a put option to purchase the remaining stake.

Key financial indicators (audited)

AEIL Consolidated	FY2021	FY2022
Operating income	NA	87.0
PAT	NA	1.9
OPBDIT/OI	NA	8.3%
PAT/OI	NA	2.2%
Total outside liabilities/Tangible net worth (times)	NA	3.8
Total debt/OPBDIT (times)	NA	6.7
Interest coverage (times)	NA	3.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Aug 19, 2022	--	--	--
1	**Term Loan**	Long term	37.0	37.0	**[ICRA]A (Stable)**	**NA**	**NA**	**NA**
2	**Fund based/ Non Fund based Working Capital**	Long term and short term	55.0	NA	**[ICRA]A (Stable)/ [ICRA]A1**	**NA**	**NA**	**NA**
3	**Unallocated Limits**	Long term and short term	33.0	NA	**[ICRA]A (Stable) [ICRA]A1**	**NA**	**NA**	**NA**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple

Fund based/ Non Fund based Working Capital	Simple
Unallocated Limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2022	5.6%	March 2028	37.0	[ICRA]A (Stable)
NA	Fund/Non Fund-based Working Capital	NA	NA	NA	55.0	[ICRA]A (Stable)/[ICRA]A1
NA	Unallocated limits	NA	NA	NA	33.0	[ICRA]A (Stable)/[ICRA]A1

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44-45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545 808
rohan.kanwar@icraindia.com

Debadrita Mukherjee
+91 124 4545 394
debadrita.mukherjee@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

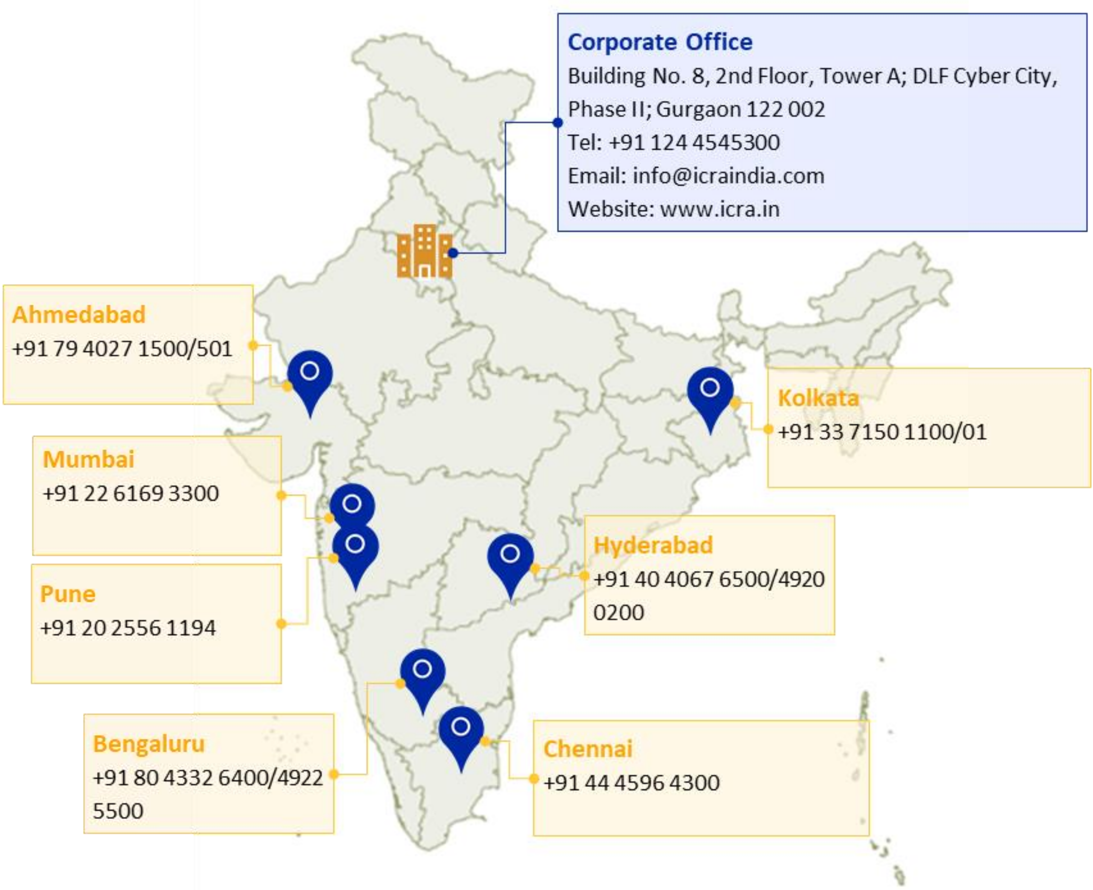
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.