November 30, 2023

AmberPR Technoplast India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Term Loan	37.00	37.00	[ICRA]A (Stable); reaffirmed
Long Term/Short-Term-Fund Based/Non-Fund Based-Working Capital	55.00	55.00	[ICRA]A (Stable)/[ICRA]A1; reaffirmed
Long-Term/Short Term-Unallocated Limits	33.00	33.00	[ICRA]A (Stable)/[ICRA]A1; reaffirmed
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation for AmberPR Technoplast India Private Limited (AmberPR) reflects ICRA's opinion that the company will continue to enjoy the strong operational and financial support 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 will continue to support its growth. 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 among others. The company's performance in H1 FY2024 remained muted largely on account of subdued demand witnessed across the room air conditioner (RAC) segment, which is the major industry that AmberPR caters to. However, the demand is expected to revive in the second half of the fiscal and may result in an improvement of its credit risk profile.

However, the company's ratings continue to be constrained by the limited scale of operations and the industry's exposure towards seasonality challenges that quite often impact the consumer durables industry. ICRA expects AmberPR to record healthy growth in its scale of operations over the medium term, benefitting from AEIL's support and established position in the consumer durables industry. The ratings further remain constrained by the company's moderate debt coverage indicators. However, ICRA expects AmberPR to record healthy growth in its scale of operations over the medium term, benefitting from AEIL's support and capacity expansion. The same is 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 a 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 and others.

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 healthy growth in the scale of operations, aided by strong relationships enjoyed by the Amber Group in the consumer durables industry. This was evident in its FY2023 revenues of Rs. 111 crore, a YoY growth of ~28% (Rs. 87 crore in FY2022). Further, around ~51% of AmberPR's revenue in FY2023 was from AEIL, and the growth in the parent's operations would have a positive impact on the scale of operations of AmberPR. The revenues in H1 FY2024 remained muted, although at ~Rs. 46.5 crore, on the back of a weak RAC season, but it is expected to improve in the second half of the fiscal.

Credit challenges

Limited scale of operations and modest debt coverage – Despite healthy growth in FY2023, AmberPR's scale of operations remains modest. Given the small scale of operations, the company's financial metrics remain stretched, although it improved on a YOY basis, with a debt to OPBDITA and interest coverage of 4.8 times and 2.9 times, respectively, for FY2023 compared to 6.8 times and 3.2 times, respectively in FY2022. The company's net debt to OPBDITA stood at 3.8 times in FY2023 in comparison to 3.4 times in FY2022. The scale of operations is expected to keep on improving owing to the recent capacity expansion and expected growth in RAC demand. The same is also expected to lead an improvement in returns and debt coverage indicators supported 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 the risks of seasonality in the business. During the current fiscal, subdued demand in the RAC industry on the back of unseasonal rains impacted the company. However, with an expected revival and the change in ownership following the acquisition by AEIL, the growth prospects of the company remain healthy.

Liquidity position: Adequate

AmberPR's liquidity remains adequate, supported by the expectation of moderate cash flows from operations and a sufficient working capital buffer. The company's capex is expected to remain moderate over the next few years as the company undertook significant capex in FY2022 and FY2023. Following its acquisition by AEIL, the company increased its available working capital limits to Rs. 55 crore. 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 ratings. Any improvement in the credit profile of the parent entity may also lead to a rating improvement.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The ratings assigned to AmberPR factors in the high likelihood of its parent company extending financial support to it due to its strategic importance and close business linkages. ICRA also expects AEIL to be willing to extend financial support to AmberPR 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, manufactures (i) cross-flow fans and corresponding 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). In Q2 FY2024, AEIL acquired the balance stake, taking its ownership in AmberPR to 100% from 73%, in line with its stated intent.

Key financial indicators (audited)

AmberPR Standalone	FY2022	FY2023
Operating income	87.1	111.2
PAT	1.9	2.3
OPBDIT/OI	8.2%	10.5%
PAT/OI	2.2%	2.1%
Total outside liabilities/Tangible net worth (times)	3.8	3.8
Total debt/OPBDIT (times)	6.8	4.8
Interest coverage (times)	3.2	2.9

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 (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Nov 30,2023	Aug 19, 2022	--	--
1	**Term Loan**	Long Term	37.00	43.88*	[ICRA]A (Stable)	[ICRA]A (Stable)	--	--
2	**Fund Based/Non-Fund Based-Working Capital**	Long-Term/Short Term	55.00	--	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	--	--
3	**Unallocated Limits**	Long-Term/Short Term	33.00	--	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	--	--

**Including lease liabilities*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Term Loan	Simple
Long Term/Short-Term-Fund Based/Non-Fund Based-Working Capital	Simple
Long-Term/Short Term-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: Click Here

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	37.00	[ICRA]A (Stable)
NA	Fund Based/Non-Fund Based-Working Capital	NA	NA	NA	55.00	[ICRA]A (Stable)/ [ICRA]A1
NA	Unallocated Limits	NA	NA	NA	33.00	[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

ICRA

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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.

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