

February 20, 2024

Amber Enterprises India Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term/short-term - Fund based/non-fund based - Working capital	475.00	475.00	[ICRA]AA- (Stable)/[ICRA]A1+
Long-term/short-term-Unallocated limits	25.00	25.00	[ICRA]AA- (Stable)/[ICRA]A1+
Total	500.00	500.00	

*Instrument details are provided in Annexure-I

Rationale

Material Event

Amber Enterprises India Limited (AEIL) disclosed its Q3 FY2024 & 9M FY2024 financial results to the stock exchanges on February 10, 2024. In Q3 FY2024, AEIL reported an operating income of Rs. 1,294.8 crore (YoY de-growth of ~4%) with an operating profit margin (OPM) of 6.1%, against 5.8% in Q3 FY2023. On a sequential basis, the revenue grew by ~40% compared to Rs. 927.1 crore in Q2 FY2024, while operating margins marginally declined. The company generated cash accruals of Rs. 175 crore in 9M FY2024 against Rs. 155 crore in 9M FY2023. AEIL's Q3 FY2024 performance remained subdued in comparison to ICRA's expectations. The demand slowdown witnessed in H1 FY2024 due to unseasonal rains had resulted in an inventory pile up in the industry, which was expected to normalise but demand recovery has been weak.

Apart from the above, the company has announced acquisition of a 60% stake in Ascent Circuits Private Limited (ACPL) through its subsidiary ILJIN Electronics India Private Limited for a cash consideration of Rs. 311 crore. Subsequently, it has entered into a Memorandum of Understanding (MoU) with South Korea-based Korea Circuit with ACPL. While ACPL manufactures bare board Printed Circuit Board (PCB), Korea Circuit manufactures HDI, flex, semiconductor substrate, etc., which is expected to benefit the electronics business of the Group. AEIL has also entered into a 50:50 joint investment through its subsidiary Sidwal Refrigeration Industries Private Limited (Sidwal) with Titagarh Rail Systems Limited (TRSL) named Shivaliks Mercantile Private Limited (SMPL), an existing company, which will become a joint venture (JV)/special purpose vehicle (SPV). The company has already invested Rs. 100 crore towards the JV, out of the total expected investment of Rs. 120 crore by each venture partner. With this investment, AEIL is targeting to add its addressable market share in the railways and mobility segments.

Impact of Material Event

While AEIL's performance remained subdued in Q3 FY2024, in ICRA's opinion Q4 FY2024 performance will remain critical for the company, given the seasonality of its key business segment of RAC. ICRA has further noted the depletion in the company's liquidity as AEIL, at a consolidated level, made payments of ~Rs. 411 crore combinedly towards the aforementioned transactions. This is also expected to increase the gross debt levels of the company. ICRA is engaging with the company to further understand the synergies and financial implications of the recently announced acquisition and investments and the company's strategy going forward. ICRA will continue to monitor the developments and assess the company's credit profile once additional clarity emerges. Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, and Rating sensitivities. [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of AEIL. As on March 31, 2023, the company had eight subsidiaries, which are all enlisted in Annexure-II.

About the company

Incorporated in 1990 and headquartered in Gurugram (Haryana), Amber Enterprises India Limited is India's largest contract manufacturer of air conditioners. It primarily manufactures and assembles RACs and key functional and reliable RAC components. At present, the company has 23 manufacturing plants across eight states and serves all the major RAC brands in India, such as Voltas, Blue Star, LG, and Daikin, among others. The plant network has expanded to 29 on a consolidated basis, as on December 31st 2023.

AEIL focused on backward integration and forayed into manufacturing of induction motor and printed circuit board assembly (PCBA) with the acquisition of PICL India Private Limited in 2013, Ever Electronics Private Limited and ILJIN Electronics Private Limited in FY2017. In FY2020, AEIL diversified into the roof-mounted package unit ACs for mobility applications by acquiring Sidwal Refrigeration Industries Limited, which caters to the HVAC requirements of the railways, metro rail, bus, and defence sectors. Further, in FY2022, it acquired a majority stake in Pravartaka Tooling Service Private Limited (manufacturer of injection moulding tools and components for other industries, viz., refrigeration and automobiles) and AmberPR Technoplast Private Limited (manufacturer of cross flow fans, a key component in manufacturing RACs).

Key financial indicators (audited/unaudited)

AEIL Consolidated	FY2022	FY2023	9MFY2024*
Operating income	4,208.0	6,936.1	3923.8
PAT	111.3	163.8	40.4
OPBDIT/OI	6.7%	6.6%	6.9%
PAT/OI	2.6%	2.4%	1.0%
Total outside liabilities/Tangible net worth (times)	1.8	2.2	-
Total debt/OPBDIT (times)	3.8	3.2	-
Interest coverage (times)	5.9	4.1	2.3

Source: Company, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore, *Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years				
			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
				Feb 20, 2024	Nov 30, 2023	Nov 14, 2022	Aug 19, 2022	June 22, 2021	--
1	Fund based/ Non fund based working capital	Long-term/short-term	475.00	--	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	--	--
2	Unallocated limits	Long-term/short-term	25.00	--	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	--	--
3	Issuer rating	Long-term	-	--	--	--	[ICRA]AA- (Stable); Reaffirmed and Withdrawn	[ICRA]AA- (Stable)	--

Complexity level of the rated instruments

Instrument	Complexity Indicator
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: [Click Here](https://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	Fund based/ Non Fund based Working Capital	NA	NA	NA	475.00	[ICRA]AA- (Stable)/ [ICRA]A1+
NA	Unallocated Limits	NA	NA	NA	25.00	[ICRA]AA- (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

Company Name	Ownership	Consolidation Approach
Amber Enterprises India Limited	Rated Entity	Full Consolidation
PICL (India) Private Limited	100.00%	Full Consolidation
IL JIN Electronics (India) Private Limited	70.00%	Full Consolidation
Ever Electronics Private Limited	70.00%	Full Consolidation
Appserve Appliance Private Limited	100.00%	Full Consolidation
Sidwal Refrigeration Industries Private Limited	100.00%	Full Consolidation
AmberPR Technoplast India Private Limited	100.00%	Full Consolidation
Pravartaka Tooling Services Private Limited	60.00%	Full Consolidation
Amber Enterprises USA Inc	100.00%	Full Consolidation

Source: Company; As on September 30, 2023.

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