

January 02, 2023

Ambience Interiors Private Limited: Ratings upgraded and removed from Issuer Not Cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, Cash Credit	14.00	14.00	[ICRA]BBB +(Stable); Rating upgraded from [ICRA]BB +(Stable) and removed from 'Issuer Not Cooperating' category.
Short-term, Non-fund Based	56.00	56.00	[ICRA]A2; Rating upgraded from [ICRA]A4+ and removed from 'Issuer Not Cooperating' category.
Short-term Unallocated	20.00	20.00	[ICRA]A2; Rating upgraded from [ICRA]A4+ and removed from 'Issuer Not Cooperating' category.
Total	90.00	90.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings of Ambience Interiors Private Limited (AIPL) take into consideration ICRA's expectation that AIPL will continue to maintain healthy capitalisation ratios and coverage metrics given its limited reliance on external borrowings. The ratings favourably factor in the extensive experience of the promoters in the interior decoration business, which has helped AIPL to establish a strong track record of project execution with consistent repeat orders from reputed clients such as Amazon (India), BNY Mellon, and American Express (India). AIPL has presence in most of the metropolitan cities of the country, thus providing geographical diversification. However, the ratings are constrained by concentration risk since AIPL derives almost all its revenues from the commercial real estate segment. Further, the moderate revenue visibility—owing to the shorter tenure of its orders—exposes AIPL to volatility in the commercial real estate market. The company is exposed to intense competition from numerous organised and unorganised players, limiting its pricing flexibility; although its client relationships and track record act as mitigants to an extent.

The Stable outlook on the long-term rating reflects ICRA's expectation that AIPL will continue to benefit from its established relationship with large conglomerates. While ICRA notes that the company will be executing moderate debt-funded capex towards backward integration, its leverage metrics are expected to be comfortable, supported by consistent accretion from the business.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – AIPL is managed by Mr. Amit Idnani and Mr. Sanjay Wadhwa, who have more than two decades of experience in the construction and interior decoration business. This extensive experience of the directors has helped AIPL to be one of the leading players in the organised, commercial interiors business.

Established relationships with reputed clients culminate in repeat orders – AIPL has a reputed and diversified customer base of corporates from the IT, financial and banking, and hospitality sectors, with a demonstrated track record of repeat orders. Its set of reputed clients—such as Amazon (India), BNY Mellon, American Express (India)—have been giving it repeat business

over the years. The company also receives interest free mobilisation advances from many of its clients, supporting its working capital cycle.

Healthy financial profile with strong coverage indicators – AIPL registered a revenue growth of 9.6% in FY2022 led by satisfactory order execution. Its operating profit margin remained moderate at 7.9%. In 8M FY2023 the company achieved revenues of Rs. 199 crore on a provisional basis, a growth of 50% on a YOY basis. AIPL's financial profile is healthy on account of its comfortable capital structure owing to its limited reliance on external funding. The company's working capital cycle is characterised by a long debtor period which is matched by similar credit period available from suppliers as well as advances from customers. As on March 31, 2022, the company had a strong net worth position at Rs. 97.02 crore and healthy total outside liabilities/ tangible net worth ratio at 0.65 time. Its debt protection metrics were robust with interest coverage ratio of 58.94 times in FY2022. The company has a capex plan of ~Rs. 20 crore towards backward integration over FY2023 and FY2024, which will be partly debt-funded. Nevertheless, ICRA expects coverage metrics to be comfortable in the near to medium term given consistent cash accrual generation and consequent reserve accretion.

Wide geographical reach due to presence in multiple states across India – AIPL undertakes interior decoration activities in almost all major cities in India. However, most of its revenues over the past three fiscals were primarily derived from Gurgaon, Bangalore and Chennai.

Credit challenges

High sector-concentration risk with presence primarily in corporate offices segment – Most of AIPL's interior designing projects are from the corporate sector and, hence, it faces high sector concentration risk. However, the company is in the process of active diversification in the hospitality as well as the healthcare sectors.

Moderate revenue visibility owing to nature of contracts – Since most of AIPL's contracts are customised with the project tenor varying between 2–24 months, at any point of time, AIPL has limited order visibility for the medium-term. Thus, it is exposed to the risk of slowdown in commercial space supply in key markets that may adversely impact its business prospects.

Intense competition due to fragmented nature of the industry – AIPL faces intense competition from numerous organised and unorganised players in the industry that limits its pricing flexibility and, thus, its margins. The margins also remain relatively moderate owing to higher salary outgo. However, the strong track record of AIPL and its established relationships with its clients mitigate the risk to some extent.

Liquidity position: Adequate

With fund flow from operation (FFO) remaining positive over the last 5-year period, ICRA expects the company's liquidity profile to remain adequate on account of healthy cash accruals and minimal utilisation of fund-based limits. The company's funding requirements are mainly towards letters of credit and bank guarantees, and associated margin money. AIPL's total utilisation of non-fund-based limit stood at 41% in November 2022 after recent enhancements from its bankers. It also had free cash balance of Rs. 7.79 crore as on November 30, 2022. AIPL's capex plans of ~Rs. 20 crore over FY2023 and FY2024 will be partly debt-funded with modest long-term repayment obligations, to be comfortably serviced through existing cash accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company is able to significantly scale up revenues and cash accruals, coupled with effective working capital management.

Negative factors – ICRA could downgrade the ratings if the company is unable to execute and replenish projects in time resulting in a decline in earnings, or if a stretched working capital cycle, or weak margins result in deterioration of the liquidity profile.

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 standalone financials of AIPL

About the company

Ambience Interiors Private Limited (AIPL) started its operation in 2006 with Mr. Amit Idnani and Sanjay Wadhwa as Directors. The company is in the business of rendering commercial interior decoration services, including interior glazing, electrical, and networking services, for corporate offices. The company's head office is in Gurgaon with branch offices in Bangalore, Pune, Hyderabad, Chennai, Delhi and Noida.

Key financial indicators (audited)

AIPL Standalone	FY2021	FY2022
Operating income	228.0	249.8
PAT	13.5	14.6
OPBDIT/OI	8.0%	7.9%
PAT/OI	5.9%	5.8%
Total outside liabilities/Tangible net worth (times)	0.9	0.6
Total debt/OPBDITA (times)	0.0	0.0
Interest coverage (times)	41.5	58.9

PAT: Profit after tax; OPBDITA: 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	Type	Current rating (FY2023)			Chronology of rating history for the past 3 years					
		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
				Jan 02, 2023	Nov 29, 2022	May 31, 2022		Feb 09, 2021	Jan 27, 2021	
1 Long Term Fund Based Cash Credit	Long term	14.0	-	[ICRA]BBB+(Stable)	[ICRA]BB+(Stable); ISSUER NOT COOPERATING	[ICRA]BBB+(Stable); ISSUER NOT COOPERATING	-	[ICRA]BBB+(Stable)	[ICRA]BBB+(Stable)	[ICRA]BBB+(Stable)
2 Short Term Non-Fund based Limits	Short term	56.00	--	[ICRA]A2	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A2; ISSUER NOT COOPERATING	-	[ICRA]A2	[ICRA]A2	[ICRA]A2

3	Short Term Unallocated	Short term	20.00	-	[ICRA]A2	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A2; ISSUER NOT COOPERATING	-	[ICRA]A2	[ICRA]A2	-
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Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term Fund Based Cash Credit	Simple
Short Term Non-Fund based Limits	Very simple
Short Term Unallocated	Not applicable

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	Cash Credit	NA	NA	NA	14.00	[ICRA]BBB+ (Stable)
NA	Non-fund Based	NA	NA	NA	56.00	[ICRA]A2
NA	Unallocated	NA	NA	NA	20.00	[ICRA]A2

Source: Company

Annexure II: List of entities considered for consolidated analysis - NA

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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.

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.

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Branches



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