

January 23, 2024

## Ambience Interiors Private Limited: Ratings reaffirmed and Removed from Issuer non cooperating category; Rated Amount Enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash credit	14.00	12.00	[ICRA]BBB+ (Stable); Reaffirmed and Removed from ISSUER NOT COOPERATING category
Short-term - Non-fund-based limits	56.00	138.00	[ICRA]A2; Reaffirmed and Removed from ISSUER NOT COOPERATING category; assigned for enhanced amount
Short-term Unallocated	20.00	0.00	-
<b>Total</b>	<b>90.00</b>	<b>150.00</b>	

\*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 coverage metrics, given its limited reliance on external borrowings and adequate liquidity profile. 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 executions with consistent repeat orders from reputed clients such as Amazon (India), BNY Mellon and American Express (India). AIPL has a presence in most metropolitan cities across the country, which exemplifies its geographical diversification. However, the ratings are constrained by concentration risks as AIPL derives its revenues primarily 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, however, its relationship with clients and established 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 modest 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. The extensive experience of the directors has helped AIPL to be one of the leading players in the organised, commercial interior business.

**Established relationships with reputed clients resulting 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 reputed clients, such as Amazon (India), BNY Mellon, American Express (India), provided repeat business to the company over the years. The company also receives interest-free mobilisation advances from several clients, supporting its working capital cycle. In the current fiscal, the company has been able to source direct orders, which are expected to support its margin profile.

**Healthy financial profile with strong coverage indicators** – AIPL registered a healthy revenue growth of ~38% in FY2023 led by satisfactory order execution. The operating profit margin remained moderate at 8.1%. In 9M FY2024, the company achieved revenues of ~Rs. 307 crore on a provisional 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 a similar credit period available from suppliers as well as advances from customers. Thus, the company does not utilise its fund-based limits. As on March 31, 2023, the company had a healthy total outside liabilities/tangible net worth ratio of 0.81 times and an interest coverage ratio of 32.60 times. The company has a capex plan of ~Rs. 10 crore towards backward integration over FY2024 and FY2025, which will be partly debt-funded. Nevertheless, ICRA expects the 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 fiscal years 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, leading to high sector concentration risk.

**Moderate revenue visibility owing to short tenor nature of contracts** – AIPL has limited order visibility in the medium-term as most contracts have customisable project tenors ranging from 2 to 24 months. This exposes the company to the risk of slowdowns in commercial space supply in key markets, which could 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, limiting its pricing flexibility and the margins. The margins also remain relatively moderate owing to higher salary outgo. However, the strong track record of AIPL and its established relationships with clients mitigate the risk to some extent.

### Liquidity position: Adequate

ICRA expects the company's liquidity to remain adequate on account of healthy cash accruals and buffers in its fund-based limits. AIPL has annual repayments of less than Rs. 1 crore for its debt obligations. As on November 30, 2023, AIPL had a free FDR balance of Rs. 5 crore and mutual fund investments of ~Rs 30 crore. The company's funding requirements are mainly towards bank guarantees and associated margin requirements. The company has adequate non-fund-based limits of Rs. 130 crore, which remained utilised at 40% on average over the last 12-month period ended December 2023. The company also intends to avail enhancements in these limits.

### 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 its existing order pipeline in time, resulting in a decline in earnings. Additionally, a stretched working capital cycle or weak margins that result in deterioration of the liquidity profile on a sustained basis could also trigger a downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

AIPL commenced its operations in 2006, with Mr. Amit Idnani and Sanjay Wadhwa as its directors. The company is in the business of rendering commercial interior decoration services, including interior glazing, electrical, and networking services for corporate offices. The clientele of the company includes large corporates such as Amazon, BNY Mellon, Facebook, American Express, among others. Its head office is in Gurgaon and branch offices are in Bangalore, Pune, Hyderabad, Chennai, Delhi and Noida. In the current fiscal, the company acquired a 98% stake in Aakshee Elec. Solutions Pvt. Ltd. (Aakshee) for ~Rs. 2.43 crore, which is involved in electrical works and is expected to enhance the value addition for AIPL in its projects. In FY2023, Aakshee had a revenue of ~Rs. 12 crore.

## Key financial indicators (audited)

AIPL Consolidated	FY2022	FY2023
Operating income	249.8	345.3
PAT	14.6	20.3
OPBDIT/OI	7.9%	8.1%
PAT/OI	5.8%	5.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.8
Total debt/OPBDIT (times)	0.0	0.1
Interest coverage (times)	58.9	32.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

## 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)	Amount outstanding (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years					
				Date & rating in FY2024		Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021	
				Jan 23, 2024	Aug 21, 2023	Jan 02, 2023	Nov 29, 2022	May 31, 2022	-	Feb 09, 2021	Jan 27, 2021
1 Cash credit	Long term	12.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	[ICRA]BBB+ (Stable)	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2 Non-Fund based	Short term	138.00	-	[ICRA]A2	[ICRA]A2; ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A2; ISSUER NOT COOPERATING	-	[ICRA]A2	[ICRA]A2
3 Unallocated	Short term	0.00	-	-	[ICRA]A2; ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A2; ISSUER NOT COOPERATING	-	[ICRA]A2	

## 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	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	Cash credit	NA	NA	NA	12.00	[ICRA]BBB+ (Stable)
NA	Non-Fund based	NA	NA	NA	138.00	[ICRA]A2

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

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