

February 14, 2025

Ambience Interiors Private Limited: Ratings reaffirmed; 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	12.00	12.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term Fund-based – Term Loan	-	12.25	[ICRA]BBB+ (Stable); assigned
Short-term - Non-fund-based limits	138.00	275.75	[ICRA]A2; reaffirmed/assigned for enhanced amount
Total	150.00	300.00	

*Instrument details are provided in Annexure I

Rationale

The ratings of Ambience Interiors Private Limited (AIPL) factor in its satisfactory financial profile marked by healthy debt coverage metrics, given its limited reliance on external borrowings as well as its adequate liquidity position. 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 as well as secure repeat orders from reputed clients. The demand outlook for the industry in which AIPL operates also remain favourable, which augurs well for the revenue prospects of AIPL.

The ratings are, however, constrained by the susceptibility of the company's operating profit margins (OPMs) to volatility in raw material costs, given the fixed-price nature of contracts with the customers and intense competition in the industry. AIPL is also exposed to concentration risks as its revenues are primarily derived from the corporate office segment. Further, the moderate revenue visibility, owing to the shorter tenure of its orders, exposes AIPL to volatility in the commercial real estate market. Additionally, AIPL's revenue concentration towards the top 10 customers remained high at 91% in FY2024.

The Stable outlook on the long-term rating reflects ICRA's expectations that AIPL will continue to benefit from its established relationships with large conglomerates, which will lead to steady revenue growth. While ICRA notes that the company will be executing modest debt-funded capex towards backward integration, its debt coverage indicators are expected to be comfortable, supported by consistent accretion from the business.

Key rating drivers and their description

Credit strengths

Extensive experience of partners as turnkey contractors in interior designing space; reputed client base – 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 establish a strong track record of project execution as well as secure repeat orders from reputed clients.

Healthy financial profile – AIPL registered a healthy YoY revenue growth of 46.4% in FY2024, led by improved demand yielding increased order inflows. In 9M FY2024, the company achieved revenues of Rs. 491.6 crore on a provisional basis. AIPL's financial profile remains 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. The capital structure of the company remains satisfactory with total outside liabilities vis-à-vis tangible net worth of 0.9 times as on March 31, 2024. The debt coverage indicators also remain robust with interest cover of 16.1 times and total debt vis-à-

vis operating profit of 0.1 times as on March 31, 2024. The company has a capex plan of ~Rs. 19 crore towards backward integration in FY2025, which will be partly funded by a term loan of Rs. 11.25 crore and the rest from internal accruals. Nevertheless, ICRA expects the coverage metrics to be comfortable in the near to medium term, given the healthy cash accrual generation.

Established relationships with reputed clients and healthy order inflow - 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. The company secured Rs. 600 crore of orders in FY2024 and Rs. 453.1 crore in YTD FY2025, leading to healthy revenue growth in FY2024 and FY2025. The company's order book position remains moderate with an order book/OI of 0.8 times as of March 2024, with an execution period of 2-12 months. The demand outlook for the industry in which AIPL operates in also remains favourable, marked by increase in office leasing area and resultant demand for interior designing, which augurs well for the revenue prospects of AIPL.

Credit challenges

Vulnerability of profitability to raw material price fluctuations and stiff industry competition – AIPL faces intense competition from numerous organised and unorganised players in the industry, limiting its pricing flexibility and margins. Its OPM stood moderate at 8.1% in FY2024. AIPL also faces stiff competition from large real estate companies with integrated interior decoration operations.

Exposed to high sector and customer concentration risks – Most of AIPL's interior designing projects are from the corporate sector, leading to high sector concentration risk. Additionally, AIPL's revenue concentration towards the top 10 customers remained high at 91% in FY2024. However, the strong track record of AIPL and its established relationships with clients mitigate the risk to some extent.

High off-balance sheet exposure – AIPL has non-fund based limits of Rs. 200 crore, average utilisation of which stood at 74% in the last twelve months ending during October 2024. As on October 31, 2024, the outstanding non-fund based exposure stood at Rs 158.5 crore, including Rs. 106.4 crore of bank guarantees (towards performance, retention money and for securing mobilisation advances) and Rs. 52.1 crore of letter of credit limits. The maturity profile of the non-fund based limits has not been shared with ICRA. Nonetheless, there has not been any instance of devolvement of non-fund based limits in the past. ICRA also draws comfort from the adequate liquidity position, with AIPL having mutual fund investments of Rs. 75.2 crore as on October 15, 2024, and cash and liquid balance of Rs. 31.6 crore as on October 30, 2024, which would help the company fund devolvement in non-fund based limits, if any.

Liquidity position: Adequate

ICRA expects the company's liquidity to remain adequate, on account of limited fund-based working capital utilisation and availability of cash and liquid balance of Rs. 31.6 crore as on October 30, 2024, along with investment in mutual funds of Rs. 75.2 crore as on October 15, 2024. The company's funding requirements are mainly towards bank guarantees and associated margin requirements. The company has non-fund based limits of Rs. 200 crore, average utilisation of which stood at 74% in the last twelve months ending October 2024. The fund-based limits of Rs. 12 crore have been minimally utilised during the last 12 months. AIPL has a term loan of Rs. 8 crore towards building a furniture manufacturing plant in FY2025. The company has repayment obligation of Rs. 3 crore per annum in FY2025 and FY2026.

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 a sharp decline in revenues and earnings, adversely impacts its debt coverage indicators and liquidity position. Additionally, as stretched working capital cycle or weak profit 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	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone. AIPL also has a 98% subsidiary Aakshee Electrical Private Limited, which is involved in installation of electrical works. ICRA had sought the financial statements of this; however, the same was not shared with ICRA.

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, and American Express, among others. Its head office is in Gurgaon and branch offices are in Bengaluru, Pune, Hyderabad, Chennai, Delhi and Noida.

Key financial indicators (Standalone, audited)

Company name	FY2023	FY2024
Operating income	345.2	505.4
PAT	20.3	30.0
OPBDIT/OI	8.1%	8.1%
PAT/OI	5.9%	5.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.9
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	32.6	16.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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	Current rating (FY2025)			Chronology of rating history for the past 3 years					Date & rating in FY2022
	Type	Amount rated (Rs. crore)	Feb 14, 2025	Date & rating in FY2024		Date & rating in FY2023			
				Jan 23, 2024	Aug 21, 2023	Jan 02, 2023	Nov 29, 2022	May 31, 2022	
1 Cash credit	Long term	12.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	[ICRA]BBB+ (Stable)	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	-
2 Non-Fund based	Short term	275.75	[ICRA]A2	[ICRA]A2	[ICRA]A2; ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A2; ISSUER NOT COOPERATING	-
3 Term Loan	Long Term	12.25	[ICRA]BBB+ (Stable)	-	-	-	-	-	-
4 Unallocated	Short term	0.00	-	-	[ICRA]A2; ISSUER NOT COOPERATING	[ICRA]A2	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A2; ISSUER NOT COOPERATING	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based – Cash credit	Simple
Long-term - Fund-based – Term Loan	Simple
Short-term – Non-fund-based limits	Very Simple

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	Term Loan	NA	NA	NA	12.25	[ICRA]BBB+ (Stable)
NA	Non-Fund based	NA	NA	NA	275.75	[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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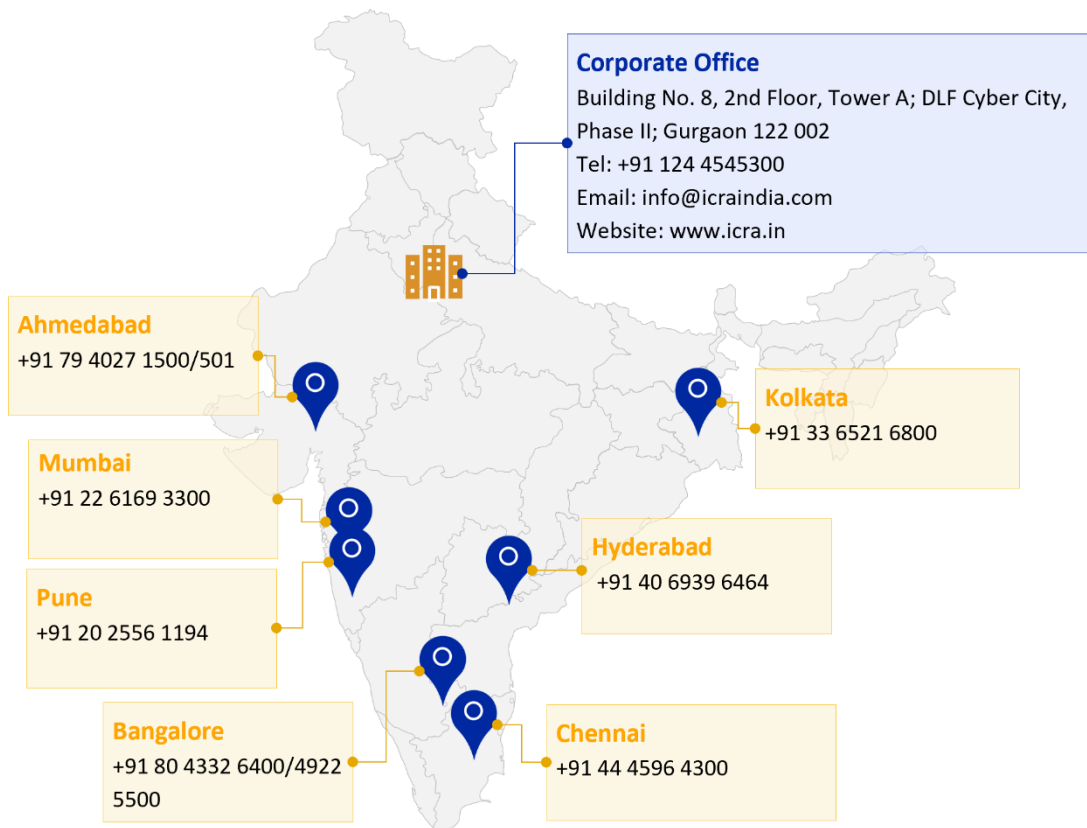
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