



Date: 8 December 2020

To
Secretary
Listing Department
BSE Limited
Department of Corporate Services Phiroze
Jeejeebhoy Towers Dalal Street, Mumbai – 400
001
Scrip Code : 540902
ISIN : INE371P01015

To
Secretary
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Mumbai – 400 050
Scrip Code : AMBER
ISIN : INE371P01015

Dear Sir/Ma'am,

Sub: CIRISL rating update on Amber Enterprises India Limited

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we wish to inform that CRISIL has revised its outlook on the long-term bank facilities of Amber Enterprises India Ltd (Amber; part of the Amber group) from 'Stable' to 'Positive' while reaffirming rating at 'CRISIL A+'. The short term rating has been reaffirmed at CRISIL A1'. The details of rating action are mentioned below :

Rating Action

Total bank loan facilities rated	Rs. 935 Crore (enhanced from Rs 650 Crore)
Long-term rating	CRISIL A+/Positive (Outlook revised from 'Stable' and rating reaffirmed)
Short-term rating	CRISIL A1 (Rating reaffirmed)

1 Crore = 10 Million

The detailed Rating rationale given by CIRISIL is annexed as **"Annexure A"**

Kindly take the same on record.

Thanking You,
Yours faithfully
For **Amber Enterprises India Limited**

(Konica Yadav)
Company Secretary and Compliance Officer

Amber Enterprises India Limited (Formerly Known as Amber Enterprises (India) Private Limited)

Ratings

CRISIL

An S&P Global Company

Rating Rationale

November 30, 2020 | Mumbai

Amber Enterprises India Limited

Rating outlook revised to 'Positive'; ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.650 Crore
Long Term Rating	CRISIL A+/Positive (Outlook revised from 'Stable' and rating reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has revised its outlook on the long-term bank facilities of Amber Enterprises India Ltd (Amber; part of the Amber group) from 'Stable' to **'Positive'** while reaffirming rating at 'CRISIL A+'. The short term rating has been reaffirmed at 'CRISIL A1'.

The revision in outlook reflects significant improvement anticipated in business risk profile because of few favourable changes in the domestic air-conditioning (AC) manufacturing ecosystem.

In October, 2020 Government of India (GoI) revised its policy on import of ACs with refrigerants. Earlier brands could freely import ACs with refrigerants whereas as per the revised policy, the import is prohibited. Since the ban is effective immediately and orders for next summer start from month of December onwards, hence group is well poised to take benefit of this new opportunity. This is reflected in group signing 4 new customers since the announcement of ban on imports.

Further, GoI has also recently announced production-linked incentive (PLI) scheme for white goods sector (ACs and LED) recently with incentives of Rs 6238 crore. The group with market share of 24% in room AC market is well poised to benefit from the implementation of the scheme which will not only improve domestic manufacturing in the medium term but also improve cost competitiveness in the export market in the medium to long term. The overall business risk profile will thus be a key monitorable over the medium term.

The revision in outlook also factors in the impact of Covid-19 on the AC industry in fiscal 2020 as an entire summer season was lost. Group registered revenue of Rs 667.4 crore in H1 FY21, decline of 68.3% from Rs 2103.6 crore in H1 FY20. Profit after tax was also down to negative Rs 21.08 crore in H1 FY21 compared to positive Rs 87.6 crore in H1 FY20. Despite decline in revenue and profit, strong financial risk profile aided by recent Qualified Institutional Placement (QIP) of Rs 400 crore supported the overall credit risk profile of the group.

The ratings continue to reflect the Amber group's established market position as a vendor for leading air conditioner (AC) manufacturers, the group's diversified customer base, high operating efficiency, and strong financial risk profile. These strengths are partially offset by exposure to risks related to seasonal business and the group's large working capital requirement.

Analytical Approach

For arriving at the ratings, CRISIL had combined the business and financial risk profiles of Amber, Sidwal, PICL, IL JIN and Ever, together referred to as the Amber group. CRISIL has combined the business and financial risk profiles of Amber with PICL and Sidwal as both are wholly owned subsidiaries and Amber holds 70% each in Ever and IL Jin. All these entities have significant business and operational synergies.

Please refer Annexure - Details of Consolidation, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

* Established market position and diversified clientele

The Amber group has a strong market position in the AC segment, which contributes over 60% to revenue. The group supplies to leading brands, such as Voltas, Panasonic, LG, Daikin, Hitachi, Whirlpool, Godrej, and Blue Star, which account for nearly 75% of the domestic refrigeration and air conditioning (RAC) market. Amber's clientele is fairly diversified, with the top five customers accounting for 57% of revenue in fiscal 2020.

*** High operating efficiency**

Integrated operations, with in-house manufacturing of components (heat exchangers, multi flow condensers, sheet metal components and plastic mouldings, system tubing, printed circuit boards, and electric motors), enhances operating efficiency. Thus, the group's operating margin has been adequate at 8% and should remain in the range of 8-9% over the medium term.

*** Healthy financial risk profile**

The financial risk profile is strong as reflected in low total outside liabilities to tangible networth ratio (TOLTNW) of 1.5 times as on March 31, 2020 which is expected to remain less than 1 times as on March 31, 2021 driven by recent fund raise through QIP route worth Rs 400 crore.

The funds raised are expected to be utilized majorly for setting up of 2 new manufacturing facilities, one in Pune and one near Chennai, for a new customer cluster arising in Southern part of India. The mentioned capital expenditure (capex) is expected to be completed in phases in next 2 years and hence group is continue to maintain healthy liquidity during the capex period.

Debt protection metrics are comfortable as reflected by interest coverage and net cash accrual to adjusted debt (NCAAD) of 7.4 times and 0.68 times respectively for fiscal 2020. Despite moderation in profitability in fiscal 2021, debt protection metrics are expected to remain comfortable.

Weaknesses*** Exposure to risks related to seasonal business**

Over 60% of the group's revenue comes from ACs, demand for which is seasonal (from January to May). The seasonal business leads to uneven cash flow during the year and affects liquidity and working capital management.

The impact of the seasonal nature was witnessed in the sales of ACs during summer season of calendar year 2020 because of the Covid-19 induced lockdown. Since the entire distribution chain in the AC industry has high volumes in month of March, hence the lockdown impacted the distributors negatively in H1 FY20. However, with inventory levels estimated to having been normalized by end of October, 2020 the upcoming summer season is expected to register significant growth for the AC industry.

*** Large working capital requirement**

Operations are working capital intensive in nature as reflected by inventory and receivables of 67 and 80 days, respectively, as on March 31, 2020. The large working capital requirements as on year end are on account of higher sales in the fourth quarter of fiscal 2019 because of the seasonal nature of business.

Liquidity Strong

Liquidity of the parent entity (Amber) is strong as reflected by healthy unencumbered cash and bank balance of Rs 247 crore outstanding as on September 30, 2020 aided by fund raised through QIP route in September, 2020 itself. Bank lines were moderately utilized at 25% for last 15 months ending September, 2020.

At group level, net cash accrual generation in fiscal 2021 is expected to be sufficient enough to meet its debt obligations despite impact of Covid-19 on the revenue and profitability during H1 FY21. In fact, Amber has also pre-paid certain portion of its long-term loans from the funds raised through QIP.

Outlook: Positive

CRISIL believes Amber group's business risk profile will benefit significantly over the medium term due to expected increase in market share and favourable government policies.

Rating Sensitivity factors**Upward Factors**

- * Significant improvement in revenue and profitability in upcoming season of fiscal 2021
- * Sustenance of financial risk profile with TOLTNW remaining below 1.2 times as on March 31, 2021

Downward Factors

- * Substantial debt-funded capital expenditure
- * Operating profitability declining to less than 7% on a sustainable basis

About the Group

Incorporated in 1990, Rajpura-based Amber started operations in 1992. It manufactures and assembles majorly RACs and key functional and reliable components, such as heat exchangers (coils), multi flow condensers, sheet metal components, injection-moulding components, system tubing, inner case liners, washing machine tub assembly, and other consumer durables. The manufacturing facilities are in Dehradun (Uttarakhand), Rajpura (Punjab), Jhajjar (Haryana), Kala Amb (Himachal Pradesh), Greater Noida (Uttar Pradesh), and Pune (Maharashtra). In January 2018, Amber came out with an initial public offering (IPO). Its shares are listed on the Bombay Stock Exchange and National Stock Exchange. Mr Jasbir Singh and Mr Daljit Singh are the promoters.

PICL, incorporated in 1994, manufactures AC motors at its unit in Faridabad, Haryana. Amber acquired PICL in 2013.

In December 2017, Amber acquired a 70% stake in Greater Noida-based IL Jin. In March 2018, Amber acquired a 19% stake in Ever, and later increased its stake to 70%. Both Ever and IL Jin are engaged in manufacturing, assembling, dealing, importing, and exporting electronic assembled printed circuit boards for RACs and other consumer durables.

Amber acquired Sidwal in May 2019. Sidwal manufactures heating, ventilation, air conditioning, and refrigeration equipment for mobile applications such as railway coaches, metro coaches, buses, as well as commercial refrigeration and related components. Effective September, 2020, Sidwal is a wholly owned subsidiary of Amber.

Key Financial Indicators (Consolidated)

Particulars	Unit	2020	2019
Revenue	Rs crore	3966	2755
Profit after tax (PAT)	Rs crore	163.9	94.5
PAT margin	%	4.1	3.4
Adjusted debt/adjusted networkth	Times	0.32	0.24
Interest coverage	Times	7.4	8.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit and Working Capital Demand Loan	NA	NA	NA	178.0	NA	CRISIL A+/Positive
NA	Term Loan	NA	NA	Mar-26	50.0	NA	CRISIL A+/Positive
NA	Letter Of Credit And Bank Guarantee	NA	NA	NA	412.0	NA	CRISIL A1
NA	Proposed Non Fund Based Limits	NA	NA	NA	10.0	NA	CRISIL A1

Annexure - List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Amber Enterprises India Ltd	Full	Parent company
PICL (India) Pvt Ltd	Full	Wholly owned subsidiary of Amber; Significant business and operational synergies
Sidwal Refrigeration Industries Pvt Ltd	Full	Wholly owned subsidiary of Amber; Significant business and operational synergies
IL Jin Electronics India Pvt Ltd	Full	70% owned by Amber; Significant business and operational synergies
Ever Electronics Pvt Ltd	Full	70% owned by Amber; Significant business and operational synergies

Annexure - Rating History for last 3 Years

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	513.00	CRISIL A+/Positive			16-09-19	CRISIL A+/Stable	05-11-18	CRISIL A+/Stable	21-12-17	CRISIL A-/Positive/ CRISIL A2+	CRISIL A-/Negative/ CRISIL A2+
						27-08-19	CRISIL A+/Stable	20-03-18	CRISIL A+/Stable/ CRISIL A1	23-03-17	CRISIL A-/Stable/ CRISIL A2+	

					24-06-19	CRISIL A+/Watch Developing	22-01-18	CRISIL A-/Positive/CRISIL A2+				
					02-04-19	CRISIL A+/Watch Developing	04-01-18	CRISIL A-/Positive/CRISIL A2+				
Non Fund-based Bank Facilities	LT/ST	422.00	CRISIL A1		16-09-19	CRISIL A1	05-11-18	CRISIL A1	21-12-17	CRISIL A2+	CRISIL A2+	
					27-08-19	CRISIL A1	20-03-18	CRISIL A1	23-03-17	CRISIL A2+		
					24-06-19	CRISIL A1/Watch Developing	22-01-18	CRISIL A2+				
					02-04-19	CRISIL A1/Watch Developing	04-01-18	CRISIL A2+				

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit & Working Capital demand loan	178	CRISIL A+/Positive	Cash Credit & Working Capital demand loan	178	CRISIL A+/Stable
Letter of credit & Bank Guarantee	412	CRISIL A1	Letter of credit & Bank Guarantee	412	CRISIL A1
Proposed Non Fund based limits	10	CRISIL A1	Proposed Non Fund based limits	10	CRISIL A1
Term Loan	50	CRISIL A+/Positive	Term Loan	50	CRISIL A+/Stable
Total	650	--	Total	650	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Consumer Durable Industry](#)

[CRISILs Approach to Recognising Default](#)

[CRISILs Bank Loan Ratings](#)

[CRISILs Criteria for Consolidation](#)

[The Rating Process](#)

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