Date: 01st August, 2021

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: CRISIL rating update on Amber Enterprises India Limited

Pursuant to Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we wish to inform that CRISIL Ratings has upgraded its ratings on the bank facilities of Amber Enterprises India Ltd (Amber; part of the Amber group) to 'CRISIL AA-/Stable/CRISIL A1+' from 'CRISIL A+/Positive/CRISIL A1'. The details of rating action are mentioned below:

Rating Action

Total Bank Loan Facilities Rated	Rs. 1285 Crore (Enhanced from Rs. 935 Crore)
Long Term Rating	CRISIL AA-/Stable (Upgraded from 'CRISIL A+ / Positive' and outlook revised to 'Stable')
Short Term Rating	CRISIL A1+ (Upgraded from 'CRISIL A1 ')

1 crore = 10 million

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

Kindly take the same on record.

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

Konica Yadav

Amber Enterprises India Limited

(Konica Yadav)
Company Secretary and Compliance officer
Membership No. : A30322

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Amber Enterprises India Limited

Ratings upgraded to 'CRISIL AA- / CRISIL A1+ '; outlook revised to 'Stable'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.1285 Crore (Enhanced from Rs.935 Crore)**
Long Term Rating	**CRISIL AA-/Stable (Upgraded from 'CRISIL A+ / Positive' and outlook revised to 'Stable')**
Short Term Rating	**CRISIL A1+ (Upgraded from 'CRISIL A1 ')**

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Amber Enterprises India Ltd (Amber; part of the Amber group) to 'CRISIL AA-/Stable/CRISIL A1+' from 'CRISIL A+/Positive/CRISIL A1'.

The upgrade reflects better than expected business performance in second half of fiscal 2021, esp. operating profitability. The group achieved revenue of Rs 2363 crore in second half of fiscal 2021 at operating margin of 8.6% compared to CRISIL Ratings' expectation of 6.5%. The higher operating profitability was on account of group's ability to pass on the entire price increase in raw material prices to its end customers while also continuing several cost cutting measures within the group.

The upgrade also factors in continued expectation of increase in revenue aided by the recent changes in the domestic air-conditioning (AC) manufacturing ecosystem which includes ban on import of refrigerant ACs and production-linked incentive (PLI) scheme for AC industry. The group is expecting addition of new customers for AC manufacturing while also expecting increase in contribution from existing customers who were importing the refrigerant ACs. Since the supply of summer season of 2022 is only 6 months away, hence Amber group is best placed to grab more orders as setting up of new factories is a capital intensive and a time taking venture. Revenues are thus expected to increase significantly from summer season of 2022 onwards.

The financial risk profile of the group is strong with capital structure being healthy as reflected by total outside liabilities to tangible networth (TOLTNW) of less than 1.2 times estimated as on March 31, 2021. Debt protection metrics were also comfortable as reflected by estimated interest coverage of around 6 times and net cash accrual to adjusted debt of 0.44 times for fiscal 2021. Despite, group expected to undertake debt worth Rs 150 crore for ongoing capital expenditure worth at least Rs 300 crore for its 2 new facilities, one in Maharashtra and another anticipated in Southern India, the financial risk profile is expected to continue to remain strong.

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.

Key Rating Drivers & Detailed Description

Strengths:

Established market position and diversified clientele

The Amber group has a strong market position in the room AC segment, which contributed 55% to total revenue in fiscal 2021 (61% in fiscal 2020). 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 around 8% and should remain in the range of 8-9% over the medium term. And with increase in value addition to final product, the overall profitability of the group is expected to increase 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 1.18 times estimated as on March 31, 2021 (compared to 1.5 times as on March 31, 2020) driven by fund raise through QIP route worth Rs 400 crore in September, 2020.

The funds raised are being utilized 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 by second quarter of fiscal 2023 and hence group is expected to maintain healthy liquidity during the capex period. Further to support the liquidity profile, group has opted for availing loan worth Rs 150 crore from banks so as to keep comfortable liquidity to tide any uncertain times and also new opportunities arising because of Covid-19. Despite the availment of debt, capital structure is expected to continue to remain strong.

Despite moderation in profitability in fiscal 2021, debt protection metrics are comfortable as reflected by interest coverage and net cash accrual to adjusted debt (NCAAD) of 5.4 times and 0.4 times respectively for fiscal 2021. With improvement expected in operating profitability over the medium term, the debt protection metrics are expected to continue to remain strong over the medium term.

Weakness:

Exposure to risks related to seasonal business

55% of the group's revenue in fiscal 2021 came 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 and also slightly in 2021 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 national lockdown impacted the distributors negatively in H1 FY20 while in H1 FY21, the impact was comparatively quite less because of localized lockdowns and lower impact on transportation.

Large working capital requirement

Operations are working capital intensive in nature as reflected by inventory and receivables estimated at 93 and 130 days, respectively, as on March 31, 2021. The inventory and debtor days were higher compared to 67 and 80 days respectively as on March 31, 2020 because 52.7% of sales in fiscal 2021 took place only in Q4 FY21 compared to 33.2% of sales in Q4 FY20 because of which working capital requirements were large in the said period. The higher sales in the fourth quarter of every year because of the seasonal nature of business as ACs are purchased largely in summer season which pans out from March to September of every year depending upon the region.

Liquidity: Superior

Group had total unencumbered cash balance of Rs 380 crore outstanding as on March 31, 2021. Additionally, group has liquid investments worth Rs 108 crore. Net cash accrual generation in fiscal 2022 and beyond is expected to be sufficient enough to meet its debt obligations despite impact of Covid-19 on the revenue and profitability during H1 FY21. Amber has also pre-paid certain portion of its long-term loans from the funds raised through QIP.

Outlook: Stable

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

Rating Sensitivity factors

Upward Factors

- Sustained market share of 30-35% in room AC space while increasing share of components to total revenue
- Sustenance of strong financial risk profile

Downward Factors

- Substantial debt-funded capital expenditure impacting financial risk profile
- Return on capital employed declining below 12% 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), 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

Particulars	Unit	2021	2020
Revenue	Rs crore	3031	3966
Profit after tax (PAT)	Rs crore	83.3	163.9
PAT margin	%	2.7	4.1
Adjusted debt/adjusted networth	Times	0.24	0.32
Interest coverage	Times	5.4	7.4

Status of non cooperation with previous CRA: Not applicable

Any other information: Not applicable

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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	25.0	NA	CRISIL AA-/Stable
NA	Fund-Based Facilities	NA	NA	NA	420.0	NA	CRISIL AA-/Stable
NA	Term Loan	NA	NA	March 2026	130.0	NA	CRISIL AA-/Stable
NA	Letter of credit and Bank Guarantee	NA	NA	NA	75.0	NA	CRISIL A1+
NA	Non-Fund-based limit	NA	NA	NA	555.0	NA	CRISIL A1+
NA	Working Capital Demand Loan	NA	NA	NA	38.74	NA	CRISIL AA-/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	41.26	NA	CRISIL AA-/Stable

Annexure – List of entities consolidated

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

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	655.0	CRISIL AA-/Stable		--	08-12-20	CRISIL A+/Positive	16-09-19	CRISIL A+/Stable	05-11-18	CRISIL A+/Stable	CRISIL A2+ / CRISIL A-/Positive
			--		--	30-11-20	CRISIL A+/Positive	27-08-19	CRISIL A+/Stable	20-03-18	CRISIL A+/Stable / CRISIL A1	--
			--		--		--	24-06-19	CRISIL A+/Watch Developing	22-01-18	CRISIL A2+ / CRISIL A-/Positive	--
			--		--		--	02-04-19	CRISIL A+/Watch Developing	04-01-18	CRISIL A2+ / CRISIL A-	--

											/Positive	
Non-Fund Based Facilities	ST	630.0	CRISIL A1+		--	08-12-20	CRISIL A+/Positive / CRISIL A1	16-09-19	CRISIL A1	05-11-18	CRISIL A1	CRISIL A2+
			--		--	30-11-20	CRISIL A1	27-08-19	CRISIL A1	20-03-18	CRISIL A1	--
			--		--		--	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	25	CRISIL AA-/Stable	Cash Credit & Working Capital Demand Loan	25	CRISIL A+/Positive
Fund-Based Facilities	420	CRISIL AA-/Stable	Fund-Based Facilities	230	CRISIL A+/Positive
Letter of credit & Bank Guarantee	75	CRISIL A1+	Letter of credit & Bank Guarantee	75	CRISIL A1
Non-Fund Based Limit	555	CRISIL A1+	Non-Fund Based Limit	180	CRISIL A1
Proposed Fund-Based Bank Limits	41.26	CRISIL AA-/Stable	Non-Fund Based Limit	375	CRISIL A+/Positive
Term Loan	130	CRISIL AA-/Stable	Term Loan	50	CRISIL A+/Positive
Working Capital Demand Loan	38.74	CRISIL AA-/Stable	-	-	-
Total	1285	-	Total	935	-

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