SIDWAL REFRIGERATION INDUSTRIES PRIVATE LIMITED

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	50.00 (Enhanced from 13.00)	CARE AA-; Stable	Upgraded from CARE A+; Stable
Long-term / Short-term bank facilities	25.00 (Reduced from 40.00)	CARE AA-; Stable / CARE A1+	LT rating upgraded from CARE A+; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the long-term rating assigned to bank facilities of Sidwal Refrigeration Industries Private Limited (SRIPL) reflects the improvement in credit profile of its parent company, Amber Enterprises India Limited (AEIL) on a consolidated basis. In 9MFY25 (refers to April 01 to December 31), AEIL's operating income and profit before interest, lease rentals, depreciation, and taxation (PBILDT) increased by 58.5% and 73.6%, respectively, over the corresponding period previous year. This growth was primarily driven by the strong demand for inventory build-up by AEIL's customers in the refrigeration and air conditioning (RAC) industry for the upcoming summer season, and support from business diversification. Ratings of SRIPL continue to derive strength from its strong parentage being wholly owned subsidiary of AEIL, its established track record in executing orders for HVAC (Heating ventilation, and air conditioning) and cooling solutions for Indian Railways and metro rails and robust operating efficiencies with high profitability margins. Ratings also take comfort from its healthy order book position and comfortable financial risk profile marked by low overall gearing and healthy debt coverage indicators. SRIPL's healthy order book includes HVAC orders for trains with deliveries starting from Q2FY26 (refers to July 01 to September 30). CARE Ratings Limited (CARE Ratings) takes cognisance of SRIPL's strategic investments through joint ventures (JVs) and special purpose vehicles (SPVs) to enter global markets, particularly in Europe, enhancing its scale and product diversification. Products such as driving gears, couplers, and pantographs for rolling stocks are being introduced through a JV of a wholly owned subsidiary, supporting SRIPL's future growth in scale and product diversification.

However, these rating strengths are partially offset by SRIPL's high dependence on railway orders, working capital intensive operations and its vulnerability to raw material price fluctuations and foreign currency exchange rates. Ratings also take cognisance of the ongoing capital expenditure of ~₹250.00 crore in Faridabad for capacity expansion and new product introductions. This project shall be funded by ₹100 crore term loan (₹95 crore disbursed till date), a sanctioned capex letter of credit facility of ₹50 crore (planned for FY26) and remaining ~₹100.00 crore from internal accruals. Despite the group's extensive experience in executing large projects, its ability to commission ongoing project, in a timely manner within the estimated time and cost, remains monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in scale of operations with total operating income (TOI) above ₹650.00 crore with PBILDT margin above 20% on a sustained basis.
- Significant improvement in the credit profile of parent AEIL.

Negative factors

- Significant decline in scale of operations with PBILDT margin below 15% on a sustained basis.
- Deterioration in capital structure with overall gearing above 0.70x on a sustained basis.
- Significant decline in the credit risk profile of parent AEIL.

Analytical approach: Standalone, after applying the subsidiary parent notch-up framework and considering the linkages with its parent company i.e., Amber Enterprises India Limited (consolidated), as reflected by common management and finance departments. AEIL has extended corporate guarantees for SRIPL's bank facilities.

Outlook: Stable

CARE Ratings believes SRIPL is likely to sustain its operating metrics and comfortable financial risk profile, going forward, through steady cash flow generation and healthy profit margins.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong management and financial support from parent with improvement in AEIL's credit profile

AEIL is a leading manufacturer of room air conditioners in India, holding a 27% market share in the RAC industry. The group caters leading brands such as Voltas, Panasonic, LG, and Daikin among others. There is a healthy increase in TOI and improvement in profitability of AEIL in 9MFY25 led by the strong demand for inventory build-up by AEIL's customers in RAC industry in anticipation of positive summer season, and support from business diversification. PBILDT improved to 7.54% in 9MFY25 from 7.05% in FY24. AEILs liquidity profile remains strong with free cash and bank equivalents of ₹473.81 crore as of December 31, 2024, and buffer in working capital limits. The introduction of new products, combined with planned capital expenditures in the electronic segment and HVAC, and recent acquisitions, are expected to support AEIL's growth in the coming years. AEILs focus on cost competitiveness, supported by backward integration and diversification into higher-margin products or segments such as printed circuit board assembly, bodes well for its future growth. AEIL has extended corporate guarantees for the bank loan facilities availed by SRIPL. Jasbir Singh, SRIPL's director, is AEIL's chairman and CEO and has industry experience of over 21 years. Daljit Singh, another SRIPL's director, is AEIL's managing director. He is serving AEIL's board since January 01, 2008. He has 17 years' experience in financial services and 10 years of experience in the RAC manufacturing sector. Udaiveer Singh is SRIPL's managing director and has been associated with AEIL Group since 1992 and has over 32 years' experience in manufacturing industry. Sudhir Goyal (Group CFO) also manages SRIPL's operations. For the ongoing capex, AEIL supported SRIPL with an unsecured loan of ₹80 crore in FY25, repaid through term loan disbursement in December 2024.

Growth expected in scale of operations and healthy profitability margins

In 9MFY25, the mobility application segment of SRIPL has not experienced growth due to general elections and deferred product off-take by Indian Railways. Consequently, the company may see a slight moderation or stable operating income in FY25. However, momentum for SRIPL is expected to pick up from Q2FY26 as delivery from Indian Railways improves. With healthy orders in hand, capital expenditure for capacity expansion, and the introduction of new products through joint ventures, SRIPL's scale is expected to increase from Q2FY26. Due to the lower off-take of products by Indian Railways and the diversification into lower-margin products, SRIPL's PBILDT margin moderated to 16.31% in 9MFY25 from 20.81% in the corresponding period of the previous year. Despite this moderation, PBILDT margins are expected to remain healthy, ranging between 17-19% from FY25 to FY27.

Comfortable financial risk profile

The company's financial risk profile remained comfortable with overall gearing of 0.14x as on March 31, 2024 (PY: 0.08x). The company's debt coverage indicators remained healthy as reflected by interest coverage ratio of 158.57x (PY: 207.99x) and total debt to gross cash accrual (TD/GCA) of 0.59x (PY: 0.27x) in FY24. The debt protection metrics are however expected to moderate in FY25 considering capital expenditure funded by term loan of ₹100 crore and higher utilisation of working capital limits. Capex LC of ₹50 crore is planned to be utilised from FY26 onwards. Due to higher debt, finance cost is estimated to increase resulting in some moderation of debt coverage indicators. However, with healthy PBILDT margin in the range of 17-19%, adequate cash flow from operations and strong tangible networth, debt protection metrics are estimated to remain at comfortable level.

Healthy order book

The company has a healthy order book which is executable over 2.5-3 years. The order book includes an HVAC order of trains with deliveries starting from Q2FY26. ~20-25% order book is set for delivery in FY26, with the remaining 75-80% scheduled for FY27. The introduction of new products such as gangways, doors, and pantry systems are expected to generate additional business for SRIPL.

Key weaknesses

Exposed to risks related to project execution

SRIPL is undergoing capex with a project cost of ₹250 crore and remains exposed to project execution risks as it is currently under construction phase and expected to be commissioned by Q2FY26. However, CARE Ratings notes the financial closure of the project has already been achieved with disbursement of term loan (₹95 crore out of sanctioned ₹100 crore) and sanction of capex LC of ₹50 crore. Despite the group's extensive experience in executing large projects, its ability to commission ongoing project within the budgeted cost and time remains monitorable. With this capital expenditure, SRIPL is expected to grow its scale of operations significantly over the next 2-3 years.

High dependence on Indian railways for orders

In FY23, SRIPL generated ~60% of its total revenue from sales to Indian Railways. This contribution although decreased to 48.62% in FY24 and 54.40% in 9MFY25, remained high. While SRIPL has explored other growth and diversification opportunities, primarily in the defense sector, Indian Railways and Metro Rail remain its major clients. However, this high client concentration could limit SRIPL's growth and expose it to risks associated with delays or changes in investment plans by a single major client.

Working capital intensive operations

The company's operations are inherently working capital intensive, as evidenced by an operating cycle of 130 days in FY24, compared to 115 days in the previous year. This elongation in the operating cycle in FY24 was due to the extended credit period offered to new customers. There is typically a delay in payments from Indian Railways following the budget in February, with payments for February and March usually received in April. SRIPL has diversified its customer base from Railways and Metro to the Defence sector, where payment terms differ. Per nature of business, SRIPL maintains sufficient inventory to execute orders promptly and cover the warranty period of its products.

Exposure to forex risk & raw material price volatility

The primary raw materials used by the company include stainless steel sheets, copper tubes, copper wires, expansion valves, and temperature controls. SRIPL is vulnerable to adverse price fluctuations of these materials, as it enters fixed-price contracts with clients, allowing it to pass on price increase only if they exceed a certain threshold. However, the management's industry experience provides some comfort in anticipating raw material price fluctuations. SRIPL imports a portion of its copper and compressors from Vietnam and China, exposing it to foreign exchange fluctuation risks. With the rupee depreciating, SRIPL is hedging ~80-90% of imports in recent months. SRIPL reported a gain of ₹0.37 crore due to foreign exchange fluctuation in FY24 (PY: gain of ₹0.06 crore).

Liquidity: Strong

Liquidity profile of SRIPL is aided by strong liquidity profile of Amber and likely support from the parent entity as and when required. SRIPL is envisaged to generate a gross cash accrual (GCA) of ~₹57 crore in FY25 with low repayments amounting to ₹0.83 crore. The liquidity is further aided by the sizeable free cash and cash equivalents of AEIL and SRIPL, which stood at ₹473.81 crore and ₹4.17 crore, respectively, as on December 31, 2024. SRIPL is undertaking a capital expenditure of ₹250 crore for which the funding is already tied up. The average utilisation of fund-based limits over the last 12 months, ending on November 30, 2024, was 47.95%.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Factoring Linkages Parent Sub JV Group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Incorporated in 1965, SRIPL is engaged in providing comprehensive services in designing, system engineering, supply, testing, installation, and commissioning of HVAC (Heating ventilation, and air conditioning) and cooling solutions with its manufacturing facility in Faridabad (Haryana). SRIPL serves Indian Railways, Metro, Defence, Bus and Telecom sector in India. Udaiveer Singh in the Managing Director of SRIPL and he has been associated with AEIL Group since 1992 and has over 32 years of the experience in manufacturing industry.

About the Group

Incorporated in 1990 and headquartered in Gurugram (Haryana), AEIL is a diversified business-to-business (B2B) solution provider across three businesses including consumer durables, electronics, and railway subsystems and defense. AEIL is India's largest contract manufacturer of air conditioners. It primarily manufactures and assembles RACs and key functional and reliable RAC components. At present, the company has 23 manufacturing plants across eight states and serves major RAC brands in India, such as Voltas, Blue Star, LG, and Daikin, among others.

Brief Financials (₹ crore) Standalone (reported)	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	422.51	480.70	324.66
PBILDT	96.26	96.94	52.96
PAT	74.26	70.79	33.17
Overall gearing (times)	0.08	0.14	0.54
Interest coverage (times)	207.99	158.57	8.33

A: Audited UA: Unaudited; Note: these are latest available standalone financial results of SRIPL

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	50.00	CARE AA-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	25.00	CARE AA-; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of Instrument /Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	25.00	CARE AA-; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (08-Jan-24)	1)CARE A+; Stable / CARE A1+ (15-Mar-23)	-
2	Fund-based - LT-Working Capital Limits	LT	50.00	CARE AA-; Stable	-	1)CARE A+; Stable (08-Jan-24)	1)CARE A+; Stable (15-Mar-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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