

Rating Rationale

October 18, 2023 | Mumbai

Amphenol Interconnect India Private Limited

Rating reaffirmed at 'CRISIL AA-/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.75 Crore
Long Term Rating	CRISIL AA-/Stable (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AA-/Stable' rating on the long-term facilities of Amphenol Interconnect India Pvt Ltd (AIIPL).

The rating continues to reflect the company's healthy business risk profile, driven by its established market position in the electronic interconnects segment; sound operating efficiency; benefits derived from being a part of the Amphenol Corporation group; and robust financial risk profile. These strengths are partially offset by large working capital requirement and exposure to intense competition and cyclicity in demand.

Analytical Approach

CRISIL Ratings has applied its parent notch-up framework to factor in the support provided by the parent of AIIPL, Amphenol Corporation, the USA (rated BBB+/Stable/A2 by S&P Global Ratings). CRISIL Ratings has also combined the business and financial risk profiles of AIIPL and its wholly owned subsidiary, Exa Thermometrics India Pvt Ltd.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position in the electronic interconnects business, and sound operating efficiency:** AIIPL has been manufacturing interconnects and related products for five decades and has been a part of the US-based Amphenol Corporation group for over 20 years. Backed by its longstanding presence, the company has developed strong technical and operational capabilities, and maintains healthy association with several reputed clients in the domestic and overseas markets. It mainly derives revenue from segments such as the military, aerospace, railways and space and satellite programmes. The company also has the capability to manufacture interconnects for telecom and other industrial segments.
- Operating margin has remained strong at more than 27% for the five fiscals through 2023, while return on capital employed is comfortable at 30-40%. This is because of criticality of components and effective control over operating cost. The company's proven technical and operational capabilities in critical interconnect products and geographical diversity in revenue would continue to support business risk profile.**
- Strong operational support from the parent:** AIIPL is a part of the \$12 billion Amphenol Corporation group, which is one of the top three electronic interconnects and sensor manufacturers in the world, present across diversified end-user segments. The company draws operational synergies and benefits from the parent's global presence, which facilitates its overseas business (accounts for ~75% of total sales) in terms of billing and collections.
- Robust financial risk profile:** Networth was sizeable at over Rs 1,168 crore as on March 31, 2023, and has been growing continuously, driven by strong accretion; though the extent of build-up also remains contingent on dividend payout. The company has no debt, and relies on bank guarantee limit to meet its business needs. Debt protection metrics are strong, aided by healthy cash accrual and no reliance on fund-based limit. Financial risk profile should remain robust over the medium term on the back of strong operating cash flows and moderate working capital and capital expenditure (capex) requirements. Any future capex or acquisition is likely to be funded completely through internal accrual and surplus liquidity, leading to minimal reliance on debt.

Weaknesses:

- **Exposure to intense competition and cyclicity in demand:** The electronic interconnect product segment has many players who bid competitively for projects. Also, since the company derives majority of revenue from military, aerospace, railways and space and satellite programmes, it remains exposed to slowdown in demand from any particular segment or customer.
- **Large working capital requirement:** Gross current assets were 228 days as on March 31, 2023, because of large inventory of around 120 days and moderate receivables of around 80 days. However, working capital requirement is funded through internal accrual and payables.

Liquidity: Strong

Cash accrual is sizeable against nil debt obligation. The company does not use any fund-based working capital limit and meets working capital requirement through moderate credit from suppliers and internal accrual. The company may utilise this additional fund for any acquisition if any opportunity arises going ahead. Healthy cash and equivalent cushion liquidity. Cash flow from operations, along with sufficient surplus liquidity (unencumbered fixed deposits and bank balance of around Rs 200 crore as on March 31, 2023), indicates strong liquidity. Current ratio was robust at around 5 times.

Outlook: Stable

The credit risk profile of AIPL will continue to be supported by its established market position in the interconnect products segment, sound operating efficiency, and surplus liquidity.

Rating Sensitivity Factors**Upward factor**

- Significant and sustained year-on-year revenue growth of over 25% along with stable healthy profitability
- Continued healthy financial risk profile, including surplus liquidity
- Any upgrade in the credit rating of the parent

Downward factor

- Any steep reduction in revenue or fall in operating margin below 20% leading to lower-than-expected cash accrual
- Sizeable acquisition, large, debt-funded capex, any further stretch in working capital cycle or higher-than-usual dividend payout weakening overall financial metrics and liquidity
- Any downward revision in the credit rating of the parent

About the Company

AIPL is a wholly owned subsidiary of the US-based Amphenol Corporation and was set up in 1970. Headquartered in Pune, the company manufactures electronic interconnect products and sensors for the military and aerospace and space segments, and also for the railways, telecom and industrial sectors. Mr Robert David John is the director and CEO of AIPL. Manufacturing units are in Pune and Bengaluru and research and development and service centre is in Hyderabad.

Amphenol Corporation designs and manufactures electronic connectors, sensors, and cabling products that are used in various end-markets, including automotive, industrial, and mobile and communications.

Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs.Crore	1,578.44	1,287.38
Reported profit after tax (PAT)	Rs.Crore	318.00	250.56
PAT margin	%	19.95	19.59
Adjusted debt/adjusted networth	Times	0.00	0.00
Interest coverage	Times	67.11	71.93

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` 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.

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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
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NA	Bank Guarantee	NA	NA	NA	70	NA	CRISIL AA-/Stable
NA	Bank Guarantee	NA	NA	NA	5	NA	CRISIL AA-/Stable

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Exa Thermometrics India Pvt Ltd	Full consolidation	Subsidiary; same business with operational synergies

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non-Fund Based Facilities	LT	75.0	CRISIL AA-/Stable		--	20-07-22	CRISIL AA-/Stable	27-04-21	CRISIL AA-/Stable	29-04-20	CRISIL A1+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	70	State Bank of India	CRISIL AA-/Stable
Bank Guarantee	5	Citi Bank	CRISIL AA-/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for Consolidation

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