

Rating Rationale

July 20, 2022 | Mumbai

Amphenol Interconnect India Private Limited

Rating Reaffirmed

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 facility of Amphenol Interconnect India Private Limited (AIPL).

AIPL's operating performance has improved in fiscal 2022 on back of recovery in demand post pandemic led disturbance and higher realizations. It recorded a revenue growth of around 25% during the year while maintaining healthy operating profitability.

The company derives majority of its revenue by supplying interconnect products and sensors to military and aerospace segment. Revenue is expected to grow by around 10-15% over medium term aided by increasing demand on back of rising defense spending across globe and higher demand from new segments like Telecom, Infrastructure for which the company has developed new products.

Financial risk profile remains robust with healthy cash accrual, nil reliance on external debt and maintenance of surplus liquidity.

The rating continues to reflect the healthy business risk profile of AIPL, driven by its established market position in the electronic interconnects segment, sound operating efficiencies, and the support and benefits the company receives from being a part of the Amphenol Corporation group. The rating also factors in the robust financial risk profile. These strengths are partially offset by the large working capital requirement, and exposure to intense competition and cyclical demand.

Analytical Approach

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

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 electronic interconnects business, and sound operating efficiencies:** AIPL has been manufacturing interconnects and related products for five decades and has been a part of the US-based, Amphenol Corporation group for over two decades. Backed by its longstanding presence, AIPL has developed strong technical and operational capabilities, and maintains healthy association with several reputed clients in the domestic and overseas markets. Revenue primarily accrues from the military, aerospace, railways and space and satellite program segments. The company also has capability to manufacture interconnects for telecom and other industrial segments. It also has requisite approvals and qualifications, which allow it to cater to all major overseas markets and to domestic market.

Sound operating efficiencies are well reflected in the healthy operating margin of more than 26% maintained over the four fiscals through 2022, and comfortable return on capital employed (30-40%). Criticality of the components and effective control over operating cost enables the company to maintain sound operating efficiencies. Thus, AIPL's proven

technical and operational capabilities in critical interconnect products and geographical diversity in revenue, would continue to support the business.

- **Strong operational support from the parent:** AIPL is part of the USD 10.9 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. AIPL draws operational synergies and benefits from the parent's global presence, which facilitates its overseas business (accounting for ~75% of total sales) primarily in terms of billing and collections.
- **Robust financial risk profile:** Debt was nil and networth sizeable estimated at over Rs 1060 crore as on March 31, 2022. AIPL relies on bank guarantee limit to meet its contractual requirement for the domestic business. Networth has been growing continuously, driven by strong accretion, though the extent of build-up also remains contingent to dividend payout. Debt protection metrics are strong, aided by healthy cash accrual and no reliance on fund-based bank debt.

The management follows a conservative financial policy and has not relied on debt in the past. AIPL had acquired Exa Thermometrics India Pvt Ltd (ETIPL) in the last quarter of fiscal 2020 for Rs 146 crore. The acquisition was fully funded through surplus cash and bank balance and internal accrual.

Financial risk profile should remain robust over the medium term, driven by strong operating cash flows and moderate working capital and capex requirements. Any future capex or acquisition if undertaken will be funded completely through internal accruals and surplus liquidity and no debt will be availed for the same.

Weaknesses:

- **Exposure to intense competition and cyclicity in demand:** The electronic interconnect product business is marked by presence of many players, and the competitive bidding nature of business. As AIPL derives majority of its revenue from the military, aerospace, railways and space and satellite program segments, it remains exposed to segmental concentration. Slowdown in demand from any particular region and/or key customers, amid intense competition, can impact growth in revenue and earnings. Nonetheless, the company also has the capability to manufacture products for other industries, such as telecom and others.
- **Moderately large working capital requirement:** Gross current assets (GCAs) are estimated at over 215 days as on March 31, 2022, driven by large inventory and moderate receivables. Though working capital requirement is moderately high, it is funded through internal accrual.

Liquidity: Superior

Liquidity is supported by company generating sizeable cash accrual against nil debt repayment obligation. The company also does not use any fund based working capital limits and manages its working capital requirement through moderate credit period from suppliers and internal accruals. Surplus funds are invested in form of fixed deposits and bank balances. The company may utilize this additional fund to fund any acquisition if any opportunity arises going ahead.

The company also maintains healthy cash and cash equivalents which cushions the liquidity. Positive cash flow from operations, along with steadily increasing surplus liquidity (fixed deposits and bank balances), indicates superior liquidity. The current ratio is healthy at around 4.08 times for fiscal 2021 and estimated at around 5 times as on March 31, 2022.

Outlook: Stable

AIPL's credit risk profile remains supported by its established market position in the interconnect products segment backed by parent's support and its sound operating efficiencies and surplus liquidity position.

Rating Sensitivity Factors

Upward factors

- Significant and sustained y-o-y revenue growth of over 25% along with stable healthy profitability
- Continued healthy financial risk profile and surplus liquidity
- Any upgrade revision in the credit profile of the parent

Downward factors

- Reduction in revenue and/or operating margin, leading to cash accrual of less than Rs 150 crore
- Sizeable acquisition or large debt-funded capex or any significant elongation in working capital cycle, weakening overall financial metrics and reduction in surplus 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 (rated at BBB+/Stable/A2 by S&P Global Ratings) and was set up in 1970. Headquartered in Pune, the company manufactures electronic interconnect products, and sensors, primarily for the military and aerospace and space/satellite segments, along with other applications in railways, telecom and industrial sectors. Mr Robert David John is the director and CEO of AIPL. The company has manufacturing units in Pune and Bengaluru. It also has a research and development and service centre in Hyderabad.

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

Key Financial Indicators (Consolidated)

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs.Crore	1,044.31	984.90
Reported profit after tax	Rs.Crore	191.68	188.16
PAT margins	%	18.35	19.10
Adjusted Debt/Adjusted Networkth	Times	0.00	0.00
Interest coverage	Times	107.61	129.57

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.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

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	Bank Guarantee	NA	NA	NA	75	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; Similar line of business with operational synergies

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non-Fund Based Facilities	LT	75.0	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	75	State Bank of India	CRISIL AA-/Stable

This Annexure has been updated on 13-Mar-23 in line with the lender-wise facility details as on 20-Feb-23 received from the rated entity.

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

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912	Rahul Subrato Kumar Guha Director CRISIL Ratings Limited D:+91 22 4097 8320	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports:

B: +91 22 3342 3000
AVEEK.DATTA@crisil.com

Prakruti Jani
Media Relations
CRISIL Limited
M: +91 98678 68976
B: +91 22 3342 3000
PRAKRUTI.JANI@crisil.com

Rutuja Gaikwad
Media Relations
CRISIL Limited
B: +91 22 3342 3000
Rutuja.Gaikwad@ext-crisil.com

rahul.guha@crisil.com

Shirish A Mujumdar
Associate Director
CRISIL Ratings Limited
D: +91 20 4018 1934
shirish.mujumdar@crisil.com

Shraddhesh Shah
Rating Analyst
CRISIL Ratings Limited
B: +91 20 4018 1900
Shraddhesh.Shah@crisil.com

CRISILratingdesk@crisil.com

For Analytical queries:
ratingsinvestordesk@crisil.com

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>