



Press Release

Tecumseh Products India Private Limited

March 25, 2021

Ratingss

Instrument/Facility	Amount (Rs. Crores)	Supported Rating*	Rating Action
Bank Facilities- Long Term	66.00	IVR AA (CE)/Stable Outlook (IVR Double A (CE) with Stable Outlook)	Assigned
Bank Facilities- Short Term	(10.00)	IVR A1+ (CE)	Assigned
Bank Facilities- Short Term	(59.00)	IVR A1+ (CE)	Assigned
Bank Facilities- Short Term	(66.00)	IVR A1+ (CE)	Assigned
Total	66.00		

* The (CE) rating based upon the rated facilities are backed by SBLC which is legally enforceable, irrevocable, covers the entire amount and tenor of the rated facilities and has a well-defined invocation and its payment mechanism.

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Tecumseh Products India Private Limited (TPIPL) are backed by SBLC which is legally enforceable, irrevocable, covers the entire amount and tenor of the rated facilities and has a well-defined invocation and its payment mechanism. This results in credit enhancement in the rating of the bank facilities to IVR AA (CE)/Stable Outlook (IVR Double A (Credit Enhancement) with Stable Outlook) & IVR A1+ (CE) (IVR Single A Plus (Credit Enhancement) against the unsupported rating of IVR B+/ Positive Outlook (IVR Single B Plus with Positive Outlook). The rating further takes into account standalone credit profile of Tecumseh, which takes into account of experienced management, strategic importance for the group and strong Technical, Managerial, and financial support from Tecumseh Products Holdings LLC (TPH). The rating also takes into consideration the inherent volatility in the input prices and competitive pressure along with exposure to cyclical demand from end-user industries.

Key Rating Sensitivities

Upward Factors



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- ✓ Sustained increase in revenue and operating profitability supported by increase in scale of operations.
- ✓ Efficient working capital management, with sustained strong financial risk profile and healthy liquidity

Downward Factors

- ✓ Further decline in operating performance.
- ✓ Decline in the performance of the parent.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Healthy track record of the company and its experienced promoters:

Tecumseh is one of the leading manufacturers of hermetic compressors for refrigeration and air-conditioning applications in India and across the world, with plants in the USA, Brazil, France, India and Malaysia. The company was established more than 85 years ago in the USA and soon emerged as one of the leading compressor manufacturers in the world.

Incorporated in 1997, TPIPL has strong relationships with major OEMs in the air conditioning, refrigeration, and commercial refrigeration segments, and has a significant share of the market in each of these segments in India. The company's promoters are technically competent and have extensive experience in the compressors business. The company has presence in foreign countries with its group companies that are in similar business lines and have strong operational and financial linkages with TPIPL. Further, their established relations with customers over the years augur well for business growth.

Strong Technical, Managerial, and financial support from TPH: -

Tecumseh Products India Private Limited (TPIPL) receives technical and managerial support from Tecumseh Products Holdings LLC (TPH), driven by the latter's global expertise in providing mechanical, electrical, and fluid-handling components and services. Raw materials are procured from group companies, primarily Tecumseh Brazil and Tecumseh Europe. Furthermore, one out of two board members of TPIPL are also on the board of TPH, ensuring management support and control.



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As part of the parent's overall global strategy, TPIPL sees tremendous growth opportunities in Asia Pacific's emerging economies, and hence, has identified India as a key market for investments. TPH has also extended significant funding support to TPIPL in the past, through external commercial borrowings and the balance through advances. In addition, TPH supports liquidity by providing deferred payment credit to TPIPL.

TPH has a strong focus on research and development (R&D) to meet changing customer needs and evolving regulations, pertaining to energy efficiency, refrigerant requirement, and environmental standards. TPIPL has completed the process of setting up a global technology center in Ballabgarh, Haryana. Given TPIPL's strategic importance to TPH, India, along with Brazil, would be the main manufacturing hub for compressors, going forward.

Consolidation Of India Operations To Improve Operating Efficiency:

Tecumseh Products India Private Limited (TPIPL) has sold out its land assets in Hyderabad. The compressor manufacturing lines has been shifted to the Ballabgarh plant, near Delhi. This has enabled the company to consolidate all compressors manufacturing at a single location for better operational efficiencies.

Also, the Company has set up a new R&D center at Ballabgarh, which is expected to strengthen TPIPL's business risk profile by introducing a new line of products in the Indian market that exist in the European market but not in India. Integration of the operations, coupled with more focus on high-margin product line, would help TPIPL to increase its operating efficiency by reducing the overheads cost and improving profitability over the medium to long term.

Adequacy of credit enhancement:

The rating of the Bank facilities is based on the credit enhancement approach whereby the rating of the support provider (i.e., issuers of the SBLCs) has been translated to the rating of the said debt facilities. The SBLC is legally enforceable, irrevocable, covers the entire amount and tenor of the rated facilities and has a well-defined invocation and its payment mechanism. Given these attributes, the SBLC provided is adequately strong to result in an



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enhancement in the rating of the said debt. In case, the rating of the SBLC-issuer banks was to undergo a change, the same would reflect in the rating of the aforesaid facilities as well.

Key Weaknesses

Exposure to cyclical in demand from end-user industries:

TPIPL is one the largest manufacturer of air conditioner and refrigeration compressors in the Country. In addition to supply in domestic market, the Company exports to Middle East and SAARC countries. Tecumseh India's compressors are widely used in air conditioners, refrigerators, and commercial refrigeration applications. Customers in the segment are mainly engineering and other capital-intensive industries wherein demand is cyclical. Demand from these industries is cyclical, and dependent on the performance of the Indian economy. Revenue growth, therefore, remains vulnerable to economic downturn.

Susceptibility to volatility in input prices and competitive pressure:

Operating margin is susceptible to volatile input prices primarily copper, aluminium, and steel. Material costs in the compressor industry account for 65-70% of operating income. Any adverse movement in raw material prices could, therefore, impact profitability. The gestation period of projects in the compressor systems segment is 3-6 months, rendering profitability susceptible to volatility in input prices. Also, in the compressor segment, TPIPL faces competition from domestic players and major international players and their Indian subsidiaries, with players having access to strong technological and managerial support from their parent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Rating Methodology for Structured Debt Transactions (Non-securitization Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched



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Liquidity is stretched on account of limited internal accrual. However, the liquidity is supported by moderately utilised bank line and nil term debt. The sanctioned cash credit limit of Rs 66 crore was utilised at 44% (fund-based) over the 12 months through October, 2020.

Liquidity is expected to be supported by funding support from the parent.

About the Company

Tecumseh Products India Private Limited (TPIPL) is a wholly-owned subsidiary of the Tecumseh Products Company (TPC) LLC, an U.S based Company incorporated in 1934 and entered India in 1997 through a dual acquisition of Siel Compressors Ltd, Hyderabad and the compressor division of Whirlpool India Ltd at Ballabgarh, Haryana. TPIPL manufactures a wide range of compressors used in room air conditioners and household refrigerators. TPC, the parent company is also a global player in the air-conditioning and refrigeration industry, with manufacturing facilities located at USA, Brazil and France apart from India; the Group has assembling plants in Canada, Mexico, and Malaysia; and a joint venture in China.

Tecumseh Products India Private Limited has a manufacturing facility located at Ballabgarh, Haryana (formerly the compressor division of Whirlpool India Limited). The plant is a totally integrated facility manufacturing compressors meant for refrigeration units and has a production capacity of 28,77,000 units per annum. The Company also provides Computer Aided Designing, Engineering and Manufacturing (CADEM) services. The Company has recently sold its one of the existing Unit located at Hyderabad. The compressor and systems manufacturing lines is shifted to the Ballabgarh plant. This has enabled the company to consolidate all compressor manufacturing at a single location for better Operational efficiencies. This process was completed in September 2019 and now the operations are getting stabilized.

Financials (Standalone basis)

For the year ended / As on*	(Rs. In Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	284.47	289.04
EBITDA	-16.20	-25.68



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PAT	-33.87	-24.31
Total debt	132.20	99.22
Tangible Net worth	-134.05	-158.36
PAT margins (%)	-11.77	-7.87
EBITDA margins (%)	-5.70	-8.88
Overall Gearing Ratio (x)	Not Meaningful	Not Meaningful

*classification as per Infomerics standard

Status of non-cooperation with previous CRA: Nil

Any other information: N.A

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund based Facilities–Term Loan	Long Term	66.00	IVR AA (CE)/Stable	-	-	-
2.	Fund based Facilities	Short Term	(59.00)*	IVR A1+ (CE)	-	-	-
3.	Non-Fund Based	Short Term	(10.00)*	IVR A1+ (CE)	-	-	-
4.	Non-Fund Based	Short Term	(66.00)*	IVR A1+ (CE)	-	-	-

* Denotes sublimit under Fund based facility of Rs 66.00 crores.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually



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gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Bank Facilities– Cash Credit	-	-	Revolving	66.00	IVR AA (CE)/Stable
Short Term - Bank Guarantee	-	-	-	(10.00)*	IVR A1+ (CE)
Short Term - WCDL	-	-	-	(59.00)*	IVR A1+ (CE)
Short Term - LC (Pre & Post shipment)	-	-	-	(66.00)*	IVR A1+ (CE)

* Denotes sublimit under Fund based facility of Rs 66.00 crores.