



Press Release

Tecumseh Products India Private Limited

January 25, 2023

Ratings

Sr. No.	Instrument / Facility	Amount (Rs. crore)	Current Ratings#	Previous Ratings#	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities- Cash Credit	65.70	Supported: IVR AA(CE)/ Rating Watch with Negative implications Unsupported: IVR B+/ Positive	Supported: IVR AA (CE)/Stable Unsupported: IVR B+/ Positive	Reaffirmed and placed under Rating Watch with Negative implications	Simple
2.	Short Term Bank Facilities- WCDL	(59.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4	Reaffirmed and placed under Rating Watch with Negative implications	Simple
3.	Short Term Bank Facilities- Letter of Credit	(33.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4	Reaffirmed and placed under Rating Watch with Negative implications	Simple
4.	Short Term Bank Facilities- Bank Guarantee	(10.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4	Reaffirmed and placed under Rating Watch with Negative implications	Simple
5.	Short Term Bank Facilities- Pre/ Post Shipment LC	(65.70) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4	Reaffirmed and placed under Rating Watch with Negative implications	Simple
Total		65.70	Rs. Sixty-Five crore & Seventy Lakhs			

* Denotes sublimit under Fund based facility of Rs 65.70 crores.

Details of Facilities are in Annexure 1

Detailed Rationale



Press Release

Rating outlook revised to Rating Watch with Negative Implications to align with the RBI guidance note on the CE ratings dated April 22, 2022, and FAQ on July 26, 2022.

#The (CE) rating based upon the rated facilities are backed by SBLC which is legally enforceable and irrevocable.

^Unsupported rating does not factor in the SBLC..

Infomerics Valuation and Rating Private Limited (IVR) has placed the rating of IVR AA (CE) under Rating Watch with Negative Implications for the bank loan facilities of Tecumseh Products India Private Limited (TPIPL). The revision in outlook of TPIPL takes into account latest RBI guidelines on “Credit enhancement (CE)” ratings. The unsupported rating of IVR B+/ Positive is reaffirmed.

The rating watch with negative implications reflects certain structural issues around the payment structure mechanism. Infomerics will resolve the watch once receiving inputs on this account.

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 cyclicity in demand from end-user industries.

IVR has principally relied on the standalone audited results for FY20 & provisional financial results of TPIPL for FY21 & FY22, 6MFY23 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the firm’s management.

Key Rating Sensitivities:

Upward Factors

- 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
- Completion of audit for financial statements as on 31.03.2021 & 31.03.2022 without any major changes.



Press Release

Downward Factors

- Decline in operating performance.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Healthy track record of the Parent 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.

- **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.

- **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 centre 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



Press Release

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 offered by way of a standby letter of credit issued by Bank of America and Silicon Valley Bank for USD 5 million each.

- **Improvement in scale of operations and profitability metrics:**

As per provisional FY22, the company's operating income is Rs. 508.27 Crores, which is ~ 67% rise from Rs 303.99 Cr in FY21. On the back of sale of Hyderabad unit from last year and increase in operations, company has become profitable. The company still had EBITDA Margin of -ve 3.41% in FY21. As per prov. FY 2022, EBITDA margin is at 4.37% and PAT margin is at 4.87%.

Key Rating Weaknesses

- **Exposure to cyclical demand from end-user industries:**

TPIPL is one of the largest manufacturers 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



Press Release

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 \(Non-financial Sector\)](#)

[Criteria for Assigning Rating Outlook](#)

Liquidity – Adequate

The liquidity is supported by moderately utilised bank line and nil term debt. The sanctioned cash credit limit of Rs 65.70 crore has enough buffer to support the growing scale of operations. The liquidity going forward will be adequate as the company generates more cash.

About the Company

Tecumseh Products India Private Limited (TPIPL) is one of the largest independent manufacturers of air conditioner and refrigeration compressors in the Country India. 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. Tecumseh sells its products under the brand names Tecumseh, L'Unite Hermetique, Masterflux, Silensys, Celseon, and Vector.

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.



Press Release

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2020	31-03-2021	31-03-2022
	Audited	Provisional	Provisional
Total Operating Income	289.04	303.99	508.27
EBITDA	-25.68	-10.38	22.22
PAT	-24.31	161.36	25.69
Total Debt	68.02	69.16	79.81
Adjusted Tangible Net worth	-139.51	21.32	47.62
EBITDA Margin (%)	-8.88	-3.41	4.37
PAT Margin (%)	-7.87	33.05	4.87
Overall Gearing Ratio (x)	2.38	1.28	2.38

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (January 25, 2023)	Rating (June 21, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (March 25 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	65.70	Supported: IVR AA(CE)/ Rating Watch with Negative implications Unsupported: IVR B+/ Positive	Supported: IVR AA (CE)/Stable Unsupported: IVR B+/ Positive	-	Supported: IVR AA (CE)/Stable Unsupported: IVR B+/ Positive	-
2.	Working Capital Demand Loan	Short Term	(59.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4		Supported: IVR A1+ (CE) Unsupported: IVR A4	



Press Release

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3.	Letter of Credit	Short Term	(33.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4		Supported: IVR A1+ (CE) Unsupported: IVR A4	
4.	Bank Guarantee	Short Term	(10.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4		Supported: IVR A1+ (CE) Unsupported: IVR A4	
5.	Prs/ Post Shipment LC	Short Term	(65.70) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4	Supported: IVR A1+ (CE) Unsupported: IVR A4		Supported: IVR A1+ (CE) Unsupported: IVR A4	

* Denotes sublimit under Fund based facility of Rs 65.70 crores.

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides



Press Release

investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

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	65.70	Supported: IVR AA(CE)/ Rating Watch with Negative implications Unsupported: IVR B+/ Positive
Short Term Bank Facilities- WCDL	-	-	-	(59.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4
Short Term Bank Facilities- Letter of Credit	-	-	-	(33.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4
Short Term Bank Facilities- Bank Guarantee	-	-	-	(10.00) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4
Short Term Bank Facilities- Pre/ Post Shipment LC	-	-	-	(65.70) *	Supported: IVR A1+ (CE)/ Rating Watch with Negative Implications Unsupported: IVR A4

* Denotes sublimit under Fund based facility of Rs 65.70 crores.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable



Press Release

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-tecumseh-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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 [Complexity Level of Rated Instruments/Facilities](#).