

January 24, 2025

RESULT REPORT Q3 FY25 | Sector: Consumer Durables

Amber Enterprises Ltd

Growth guidance increased; upgrade to ADD

Result Synopsis

AMBER delivered significant beat to ours and consensus estimates, with revenue and EBITDA surpassing estimates by 26% and 46% respectively. Consumer durables and Electronics division has registered growth of 67% and 95% respectively on yoy basis, with margin improvement of 250bps and 290bps respectively on yoy basis. Strong revenue growth in consumer durables was on back of channel filling, addition of new customer from gas charging to ODM. On the electronics side consolidation of Ascent circuit has aided in strong growth. Management expects RAC industry to grow at 25-30% in FY25, while Amber growth has been far superior as company has been able to add new customers and increased wallet share from its existing customers. On the electronics side, considering strong performance in 9M and with orders in hand management has raised its FY25 revenue guidance to 55% vs 45% earlier. Management is confident of strong revenue growth in medium term on huge import substitution opportunities and expectation of the new incentive scheme from the government. The company has inked JV with Korea circuits which will further enhance its capabilities and enable company to make inroads into mobile, IT module and semiconductor industry. On the railways and mobility management expects current downtrend to be transient and is maintaining its guidance of doubling its revenue in next 3 years. We remain positive on the EMS space as we believe EMS space will provide huge growth opportunity in medium term given the import substitution. Considering Amber operating in the attractive space and prospects of strong performance we upgrade the stock to ADD with PT of Rs7800 valuing it at 45x FY27 EPS.

We believe AMBER's focus on enhancing its capabilities on the components side, its JV with Korea circuits will bode well for the company. Further, Ascent circuit will result in increased PCBA manufacturing for the electronics universe. We now estimate Amber's Revenue/EBITDA/PAT to grow at 26%/31%/61% CAGR over FY24-27E.

Result Highlights

- Quarter summary** - Amber delivered better than expected performance with Revenue/EBITDA beating estimates by 24% and 46% respectively. Revenue growth stood at 65% aided by channel filling and customer additions.
- Margins** - Gross margins saw a contraction of 140 bps to 18.7%, while EBITDA stood at Rs 1587mn, margin of 7.4% expanding by 138bps.
- Guidance** - Management has revised the guidance in the electronics division upwards. Management now believes electronics division to grow more than 55% in FY25 vs earlier guidance of 45% growth. Strong order-book and 9M performance has resulted in increased guidance.
- Sidwal**- Railway and Mobility business has been impacted by deferral in offtake of products. However management remains optimistic over medium term backed by strong order book and product expansion.

Exhibit 1: Actual vs estimates

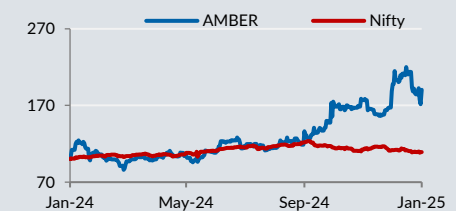
Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	21,333	17,180	16,916	24%	26%	Customer addition coupled with low inventory has resulted in revenue beat
EBITDA	1,587	1,087	1,160	46%	37%	
EBITDA Margin (%)	7.4%	6.3%	6.9%	111 bps	58 bps	
Adjusted PAT	370	237	167	56%	122%	

Reco	: ADD
CMP	: Rs 6,977
Target Price	: Rs 7,800
Potential Return	: +11.8%

Stock data (as on Jan 24, 2025)

Nifty	23,092
52 Week h/l (Rs)	8177 / 2993
Market cap (Rs/USD mn)	212518 / 2465
Outstanding Shares (mn)	34
6m Avg t/o (Rs mn):	3068
Div yield (%):	-
Bloomberg code:	AMBER IN
NSE code:	AMBER

Stock performance



	1M	3M	1Y
Absolute return	-3.8%	11.5%	82.7%

Shareholding pattern (As of Jun'24 end)

Promoter	39.8%
FII+DII	44.2%
Others	16.0%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	7800	6,684

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	131.7	173.3
EPS (Old)	120.3	158.3
% change	9.5%	9.5%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	95,846	116,232	133,819
YoY Growth	42.4	21.3	15.1
EBIDTA	7476	9415	11107
YoY Growth	52.0	25.9	18.0
PAT	2900	4437	5840
YoY Growth	104.5	53.0	31.6
ROE	13.1	17.2	18.9
EPS	86.1	131.7	173.3
P/E	81.1	53.0	40.3
BV	698.7	832.2	1005.5
EV/EBITDA	33.4	26.3	22.0

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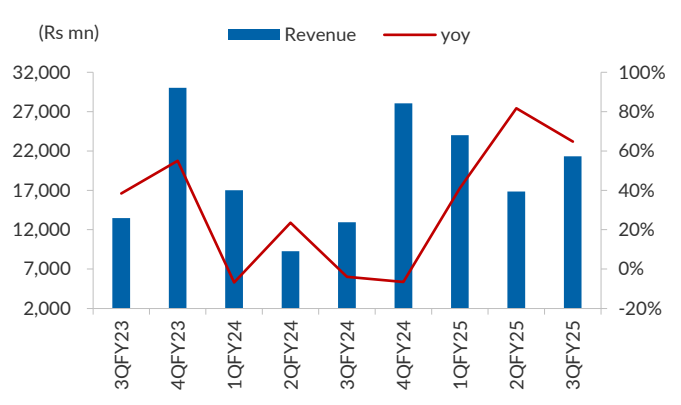
Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Sales	12,948	28,055	24,013	16,847	21,333	64.8	(29.8)	62,193	39,238	58.5
EBITDA	785	2219	1962	1137	1587	102.2	(42.0)	4,686	2,700	73.6
EBITDA Margin %	6.1	7.9	8.2	6.8	7.4			7.5	6.9	
Depreciation	465.6	514.6	549.4	566.3	587.7	26.2	3.1	1,703	1,351	26.1
EBIT	319	1704	1412	571	1000	213.0	(59.6)	2,983	1,349	121.1
EBIT Margin %	2.5	6.1	5.9	3.4	4.7			4.8	3.4	
Interest charges	369	483	518	486	537	45.6	(6.2)	1,541	1,187	29.9
Other Income	52.1	180.4	206.8	178.2	159.8	206.7	(13.8)	545	373	46.2
PBT	3	1402	1101	263	623	21,674.8	(76.1)	1,987	535	271.3
Tax	8	388	298	26	162	1,900.6	(91.1)	487	131	272.1
Effective Tax Rate (%)	283.7	27.7	27.0	10.1	26.1			24.5	24.4	
PAT	-5	1014	780	236	461	(10,063.1)	(69.7)	1,477	383	286.0
PAT Margin %	0.0	3.6	3.2	1.4	2.2			2.4	1.0	
EPS (Rs)	-0.1	30.1	23.1	7.0	13.7	(10,063.1)	(69.7)	44	11	286.0

Source: Company, YES Sec

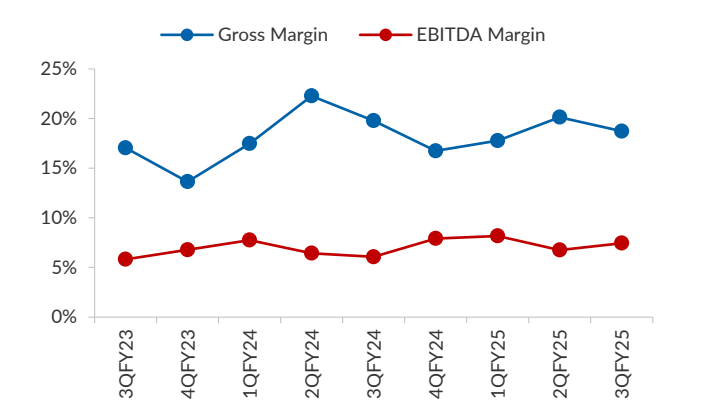
CHARTS

Exhibit 3: Revenue growth driven by Consumer Durables and Electronics business



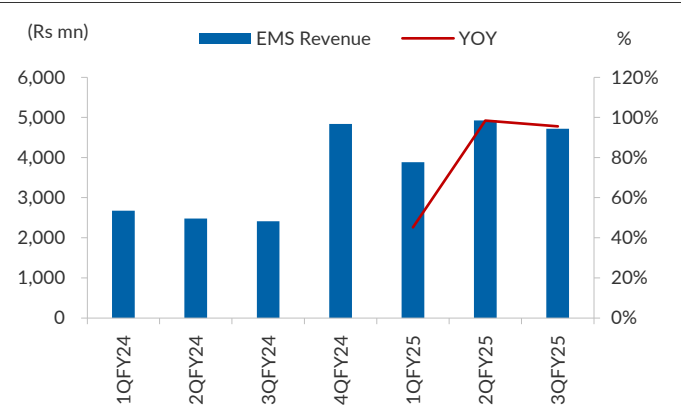
Source: Company, YES Sec

Exhibit 4: Operating leverage has resulted in EBITDA margin expansion



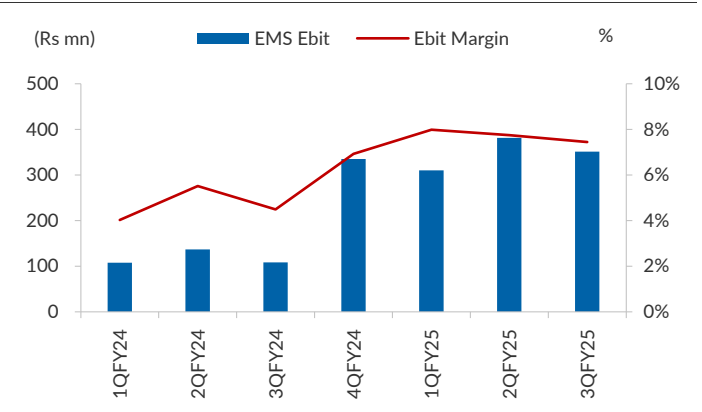
Source: Company, YES Sec

Exhibit 5: Consolidation of Ascent circuit and strong order-book has resulted in Electronics division growth



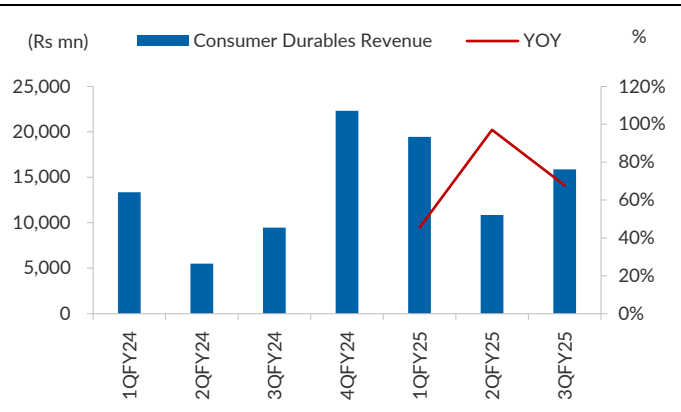
Source: Company, YES Sec

Exhibit 6: Margins continues to be range bound



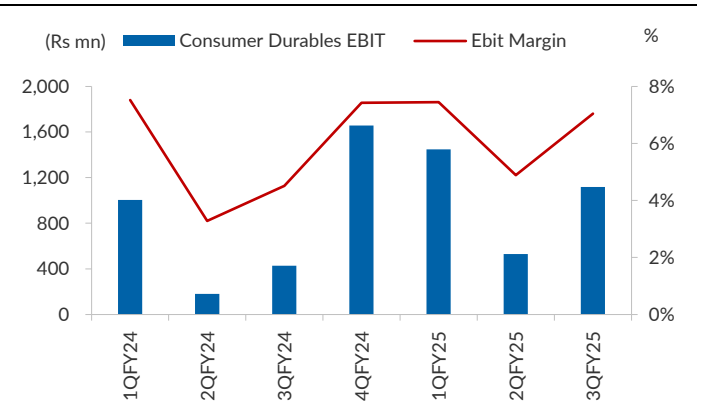
Source: Company, YES Sec

Exhibit 7: RAC inventory filling and new customer additions has propelled growth



Source: Company, YES Sec

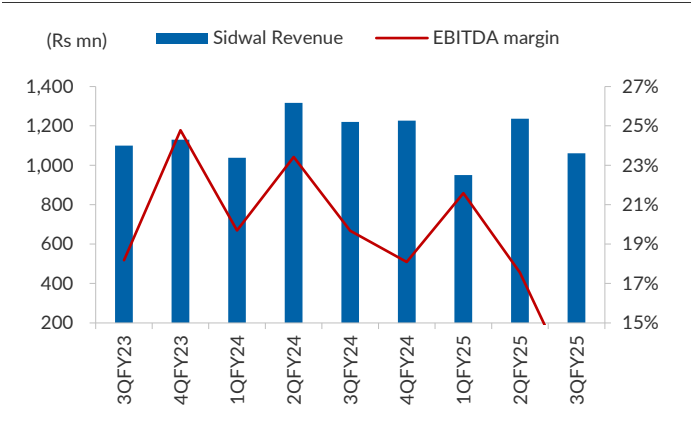
Exhibit 8: Diversification into non-RAC components has resulted in margin expansion



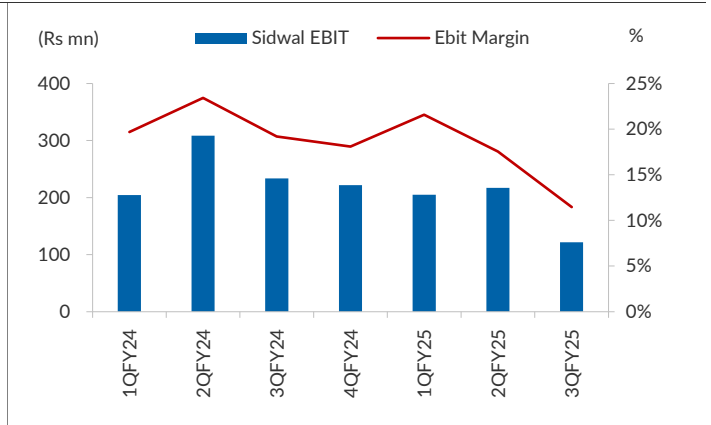
Source: Company, YES Sec

Exhibit 9: Offtake delays and change of focus of Indian Railways towards non-AC coaches has resulted in revenue decline

Exhibit 10: Profitability impacted owing to product expansion and negative operating leverage



Source: Company, YES Sec



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Consumer durables** – Consumer durables revenue grew 67% yoy basis, with RAC and its components growing 71% and Non-RAC components grew by 43%. There has been conversion of big MNC brand from gas charging customer to ODM. Growth is also on account of deepening relationship with the customers. The company has built strong order-book on the commercial AC side and on-boarded new customers.
- **Amber Resojet JV** – Washing machine JV with resojet is progressing well and mass production of washing machines will start from H1 of next financial year.
- **Electronics division**– There has been strong order-book in the electronics division. On back of strong order-book and considering 9MFY25 growth, the company has revised its growth guidance in electronics segment from earlier 45% to 55% for FY25. There is strong demand from PCBA and bare-board PCB. The company has added new customer in renewable energy. Its expansion in Hosur plant is progressing well and manufacturing will kick-off from Q4FY26. JV with Korea circuit is on track and company is awaiting final scheme for electronics components and scouting land for Korea circuit JB
- **Railways** – Decline in railway revenue is more on expected lines. Profitability has impacted on account of product expansion expense and delay in off-take. The company expects margins to return to its normalized levels of 18-20% from 2HFY26. Despite slowdown in railways the company is maintaining its revenue guidance of doubling its revenue in next 3 years.
- **Railway green field expansion** – Green field capacity expansion is progressing well and will start manufacturing from Q2FY26.
- **RAC industry** – RAC industry is expected to grow at 25-30% in FY25 to 12.5mn to 13mn units. The company has grown faster than the industry as there have been customer addition. Going forward the company will grow inline to better than the industry. In longer term the company expects AC sales to be 30mn units by 2030. RAC industry would have grown by 30% in 9MFY25
- **Market share** – The company's market share was around 26% of the manufacturing foot print as per last quarter, with strong growth in Q3
- **Korea circuit** – Company is waiting for finalizing electronics components before taking final call on the capex for Korea circuits. The company is expecting announcement of the components scheme in and around the budget. Management expects electronics components scheme should be in place by 2HFY26.
- **Korea circuits Capex** – The company is looking for capex of Rs10bn for Korea circuit
- **Capacity utilization** – Company current capacity utilization is 65% and can go up to 90-95%.
- **Resojet JV** – Resojet JV should be breaking even in FY26 and then it should start contributing to profits from FY27 onwards
- **PCB Asset-turn** – Asset-turn in PCB manufacturing is between 1-1.2x, however with 75% of subsidy from the government it can go to 5x.
- **Ascent circuit** – Ascent circuit has done revenue of Rs820mn in Q3 and is expected to grow by 25-30% in medium term
- **Exports** – Exports at the current stage are miniscule with 90% of the PCB consumed in India and 10% will be exports
- **Capex** – Electronics capex will be Rs7.5bn of which land cost has come in current year. Railway capex would be Rs3.5bn of which Rs1bn has been spent in current fiscal.
- **Compressor supply chain issue**– February and March supply chain should not be the problem, however there can be some delays in the April as shipments are likely to get delayed. Amber expects this should not create much issue as sufficient compressor capacities are available in other countries as well
- **Components Price hikes** – Prices of refrigerant gas has increased, otherwise other components prices have been stable

FINANCIALS

Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	337	337	337	337	337
Reserves	18,751	20,307	23,206	27,701	33,541
Net worth	19,088	20,644	23,543	28,038	33,878
Debt	13,437	14,332	15,864	14,864	12,864
Deferred tax liab (net)	978	1,378	1,378	1,378	1,378
Other non current liabilities	2,114	4,383	4,399	4,437	4,477
Total liabilities	35,617	40,736	45,184	48,717	52,596
Fixed Asset	20,994	27,493	30,034	31,581	32,179
Investments	1,939	2,178	2,178	2,178	2,178
Other Non-current Assets	3,052	3,771	4,515	5,035	5,480
Net Working Capital	6,400	5,976	7,131	7,924	8,657
Inventories	10,913	8,408	13,550	16,432	18,918
Sundry debtors	17,631	15,693	23,371	28,341	32,630
Loans and Advances	19	22	32	38	44
Sundry creditors	23,039	21,671	30,583	37,088	42,648
Other current liabilities	3,719	3,430	4,802	5,786	6,636
Cash & equivalents	3,232	1,319	1,326	1,998	4,102
Total Assets	35,617	40,736	45,184	48,717	52,596

Source: Company, YES Sec

Exhibit 12: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	69,271	67,293	95,846	116,232	133,819
Operating profit	4,179	4,919	7,476	9,415	11,107
Depreciation	1,391	1,865	2,299	2,539	2,735
Interest expense	1,118	1,670	2,062	1,635	1,351
Other income	527	553	760	689	783
Profit before tax	2,197	1,937	3,875	5,929	7,804
Taxes	559	519	975	1,492	1,964
Minorities and other	-	-	-	-	-
Adj. profit	1,638	1,418	2,900	4,437	5,840
Exceptional items	-	-	-	-	-
Net profit	1,638	1,418	2,900	4,437	5,840

Source: Company, YES Sec

Exhibit 13: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	3,315	3,607	5,937	7,564	9,155
Depreciation	1,391	1,865	2,299	2,539	2,735
Tax paid	(559)	(519)	(975)	(1,492)	(1,964)
Working capital Δ	(187)	424	(1,155)	(794)	(733)
Other operating items					
Operating cashflow	3,960	5,377	6,107	7,817	9,193
Capital expenditure	(6,944)	(8,365)	(4,840)	(4,086)	(3,333)
Free cash flow	(2,984)	(2,988)	1,266	3,731	5,860
Equity raised	108	138	(0)	58	-
Investments	320	(239)	-	-	-
Debt financing/disposal	3,119	895	1,531	(1,000)	(2,000)
Interest paid	(1,118)	(1,670)	(2,062)	(1,635)	(1,351)
Dividends paid	-	-	-	-	-
Net Δ in cash	246	(1,913)	7	672	2,103

Source: Company, YES Sec

Exhibit 14: Du-pont analysis

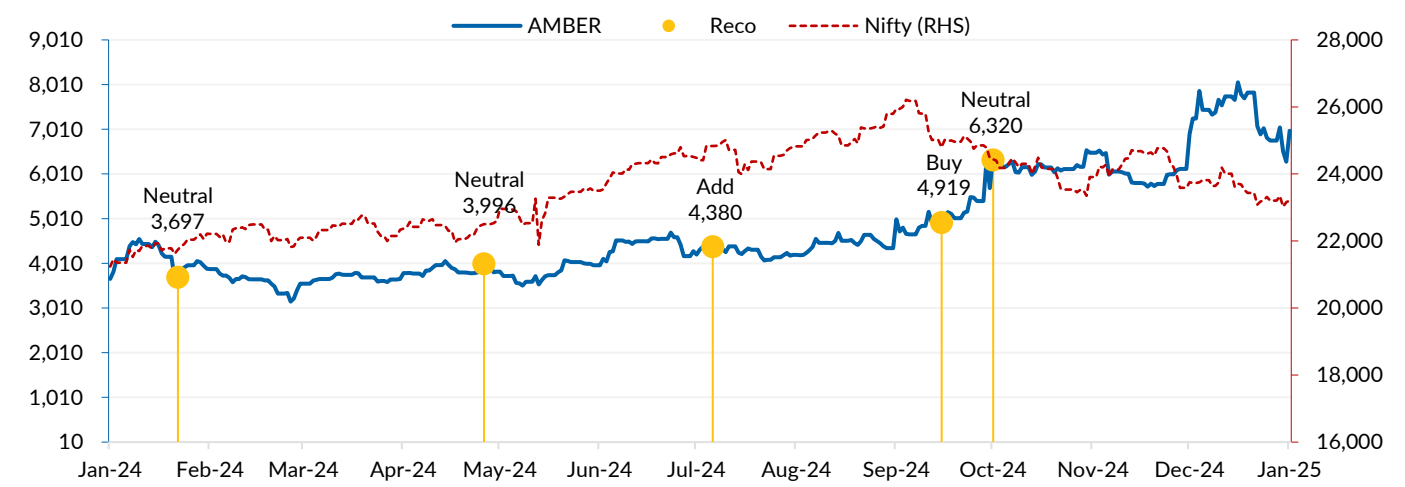
Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.75	0.73	0.75	0.75	0.75
Interest burden (x)	0.66	0.54	0.65	0.78	0.85
EBIT margin (x)	0.05	0.05	0.06	0.07	0.07
Asset turnover (x)	1.24	1.05	1.31	1.35	1.38
Financial leverage (x)	3.06	3.23	3.32	3.34	3.13
RoE (%)	9.0	7.1	13.1	17.2	18.9

Exhibit 15: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	64.7	(2.9)	42.4	21.3	15.1
Op profit growth	51.8	17.7	52.0	25.9	18.0
EBIT growth	65.2	8.8	64.6	27.4	21.0
Net profit growth	47.1	(13.4)	104.5	53.0	31.6
Profitability ratios (%)					
OPM	6.0	7.3	7.8	8.1	8.3
EBIT margin	4.8	5.4	6.2	6.5	6.8
Net profit margin	2.4	2.1	3.0	3.8	4.4
RoCE	11.0	10.7	16.0	18.4	20.4
RoNW	9.0	7.1	13.1	17.2	18.9

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
RoA	2.9	2.2	4.0	5.1	6.0
Per share ratios					
EPS	48.6	42.1	86.1	131.7	173.3
Dividend per share	-	-	-	-	-
Cash EPS	89.9	97.4	154.3	207.0	254.5
Book value per share	566.5	612.7	698.7	832.2	1,005.5
Valuation ratios					
P/E	143.5	165.8	81.1	53.0	40.3
P/CEPS	77.6	72.1	45.2	33.7	27.4
P/B	12.3	11.4	10.0	8.4	6.9
EV/EBIDTA	58.7	50.4	33.4	26.3	22.0
Payout (%)					
Dividend payout	-	-	-	-	-
Tax payout	25.4	26.8	25.2	25.2	25.2
Liquidity ratios					
Debtor days	92.9	85.1	89.0	89.0	89.0
Inventory days	57.5	45.6	51.6	51.6	51.6
Creditor days	121.4	117.5	116.5	116.5	116.3

Recommendation Tracker



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Name of the Research Analyst : Aakash Fadia, Sharan Shankarnarayan

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Analyst signature

Analyst signature

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