

Amber Enterprises

BSE SENSEX
81,688

S&P CNX
25,015

CMP: INR4,919 TP: INR5,500 (+12%)

Buy



Stock Info

Bloomberg	AMBER IN
Equity Shares (m)	34
M.Cap.(INRb)/(USDb)	166.1 / 2
52-Week Range (INR)	5365 / 2712
1, 6, 12 Rel. Per (%)	10/20/41
12M Avg Val (INR m)	839
Free float (%)	60.1

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	84.6	101.0	120.7
EBITDA	6.3	7.9	10.1
EBITDA Margin (%)	7.4	7.8	8.4
PAT	2.3	3.2	4.7
EPS (INR)	68.1	95.2	140.3
EPS Growth (%)	72.6	39.9	47.4
BV/Share (INR)	680.8	776.0	916.3

Ratios

Net D/E	0.4	0.3	0.2
RoE (%)	10.5	13.1	16.6
RoCE (%)	9.8	11.3	13.9

Valuations

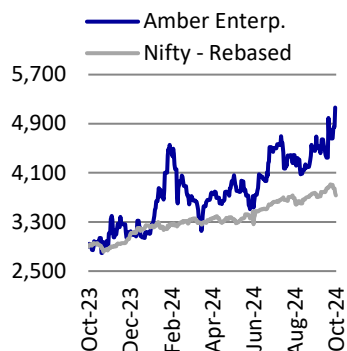
P/E (x)	72.2	51.7	35.1
P/BV (x)	7.2	6.3	5.4
EV/EBITDA (x)	28.2	22.2	17.1

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	39.9	40.3	40.3
DII	15.7	15.8	12.7
FII	28.4	26.0	24.2
Others	16.0	17.9	22.8

FII Includes depository receipts

Stock performance (one-year)



Electronics segment to grow at a fast pace

We recently interacted with Amber Enterprises (AMBER) management to understand the scope of growth in the consumer durables, railways, and electronics segments. Management highlighted a positive view on the long-term growth of the RAC segment, particularly components expected to be driven by improved AC demand in the coming years and continuous addition of new segments and clients in consumer durables. For the electronics division, the company is adding new customers in segments such as automotive, defense, medical, and telecom and is targeting to grow its electronics division at a fast pace. The company is also continuously expanding the scope of addressable market in railways, though ordering remains slow in this segment. We maintain our positive stance on AMBER on account of its ability to grow other segments beyond RAC. We slightly revise our estimates on slower growth in railways and higher growth in electronics segment and expect revenue/ EBITDA/PAT CAGR of 21%/27%/52% over FY24-FY27. We reiterate BUY with a DCF-based TP of INR5,500, implying 42x P/E on two-year forward EPS (Dec'26).

Key investment thesis on the company

RAC industry is growing fast, thus aiding growth in consumer durables

The RAC market stood at 10m units in FY24 and is currently growing at a fast pace of 40%. The company has maintained its market share of 25-26% in the RAC market and expects a similar trend in future. Due to insourcing from various OEMs, realization and margins in this segment were impacted. However, AMBER, with its ability to cater to IDU/ODU as well as component requirements, is expecting to benefit from volume growth. With increased share of components in overall consumer durable sales, AMBER also expects some margin improvement in future.

Electronics segment will continue to remain on a high growth trajectory

The electronics market in India is expected to reach USD300b by FY30 from the current level of USD115b. PCBs form nearly 3-4% of the BoM of electronics and the PCB market in India currently stands at USD4b. With very small scale of PCB manufacturing taking place in India at INR30b, the scope of TAM expansion for PCB manufacturing in India is very high, at USD5b-USD6b, over the next few years. AMBER has expanded its presence in PCB assembly and PCB manufacturing across a wide range of industries in the electronics segment through ILJIN, Ever, and the acquisition of Ascent circuits. It currently holds 20% of total market share in PCB manufacturing. For PCB assembly, the company already caters to a wide range of segments, such as aerospace & defense, railways, industrial, telecom, automobile, healthcare, hearable & wearable, and consumer durables, and will move up the value chain to manufacture Flex, HDI, and Semiconductor substrate PCBs through its MoU with Korea Circuit. The company expects to grow this segment to INR18-20b in FY25 and at a 35% CAGR over the next few years. With a wide range of user industries, the scope of margin expansion in the electronics segment is also quite high.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Railways segment's performance may remain weak in FY25

AMBER has already increased its addressable market from 3-4% of BoM per coach to 18-20% of BoM per coach through its JV with Titagarh. The company's greenfield plant and brownfield plant will start offering prototypes by 1QFY26, with full production slated to commence from 4QFY26. Thus, a sharp ramp-up is expected in the mobility division from FY27 onwards.

Scope for further indigenization in the RAC industry

There is scope for further indigenization in the RAC industry as the import dependence is still higher for specific components. For instance, the import dependence is higher for key components of high-value intermediaries such as compressors, copper tubes, and aluminum stock. AC OEMs are already making investments in these areas. However, AMBER already caters to nearly 70% of the BoM of RAC and currently does not have plans to foray into compressor manufacturing.

Financial outlook

We expect AMBER's revenue to clock a 21% CAGR over FY24-FY27, driven by 17%/36%/26% CAGR in the consumer durables/electronics/mobility segments. We revise our estimates to factor in slower growth in railways and higher growth in the electronics segment in FY26. We expect its gross margin to range around 18.3% and EBITDA margin to be 7.4%/7.8%/8.4% for FY25/FY26/FY27E. We expect 52% PAT CAGR over the same period, driven by improved revenue as well as margins. We model a capex of INR4b in FY25 and INR3.5b each for the next two years as Amber is continuously investing across components, electronics, and railways to widen its scope of offerings. With improvement in margins and stable working capital, we project an OCF of INR2.2b/INR6.4b/INR7.9b for FY25/FY26/FY27. However, FCF may remain weak at INR(1.8b)/INR2.9b/INR4.4b due to a higher capex over the next 2-3 years. We, thus, expect its RoE/RoCE to start moving up over the next 2-3 years.

Valuation and recommendation

The stock is currently trading at 72.2x/51.7x/35.1x P/E on FY25/26/27E earnings. We roll forward our valuations and reiterate a BUY rating on AMBER with a DCF-based TP of INR5,500, implying 42x P/E on a two-year forward EPS (Dec'26).

Key risk and concerns

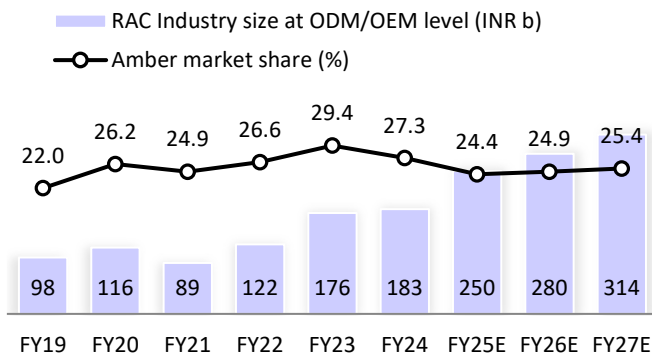
Key risks and concerns include lower-than-expected demand growth in the RAC industry; change in BEE norms making products costlier; and increased competition across the RAC, mobility, and electronics segments.

Key Investment thesis

Consumer durables and RAC divisions to remain dominant segments in the near to medium term

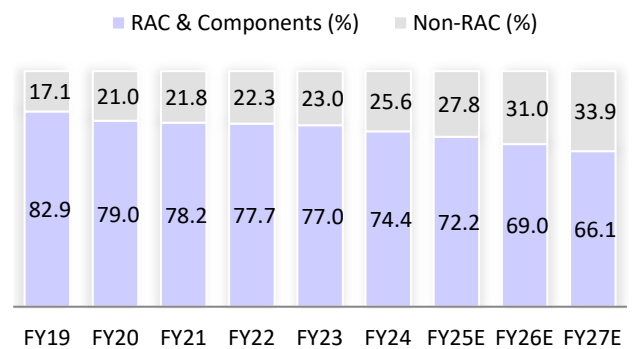
AMBER has maintained its market share of 24-25% in the RAC market and expects a similar trend for future. Management claims that the company can cater to IDU and ODU as well as components for the RAC segment. However, the company enjoys better margins in RAC components than in finished products.

Exhibit 1: We expect AMBER to maintain an ODM market share of ~24-25%



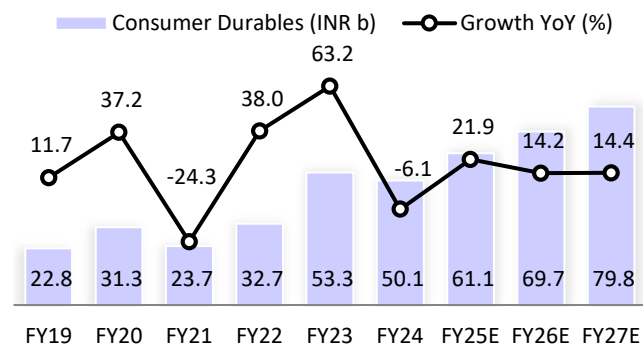
Source: Company, MOFSL

Exhibit 2: We expect the share of non-AC revenue to move up from the current levels



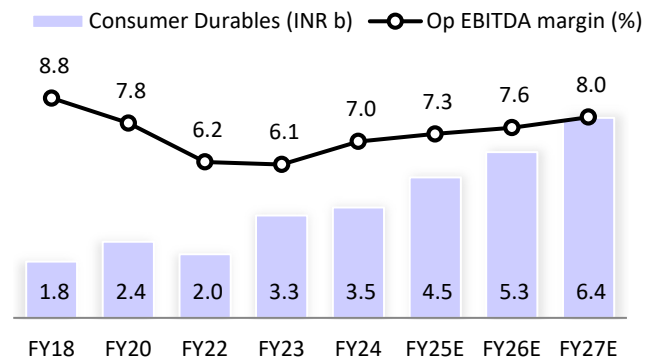
Source: Company, MOFSL

Exhibit 3: We expect consumer durables segment's revenue to post 17% CAGR over FY25-FY27



Source: Company, MOFSL

Exhibit 4: We expect consumer durables' operating EBITDA to reach 7.8% by FY27

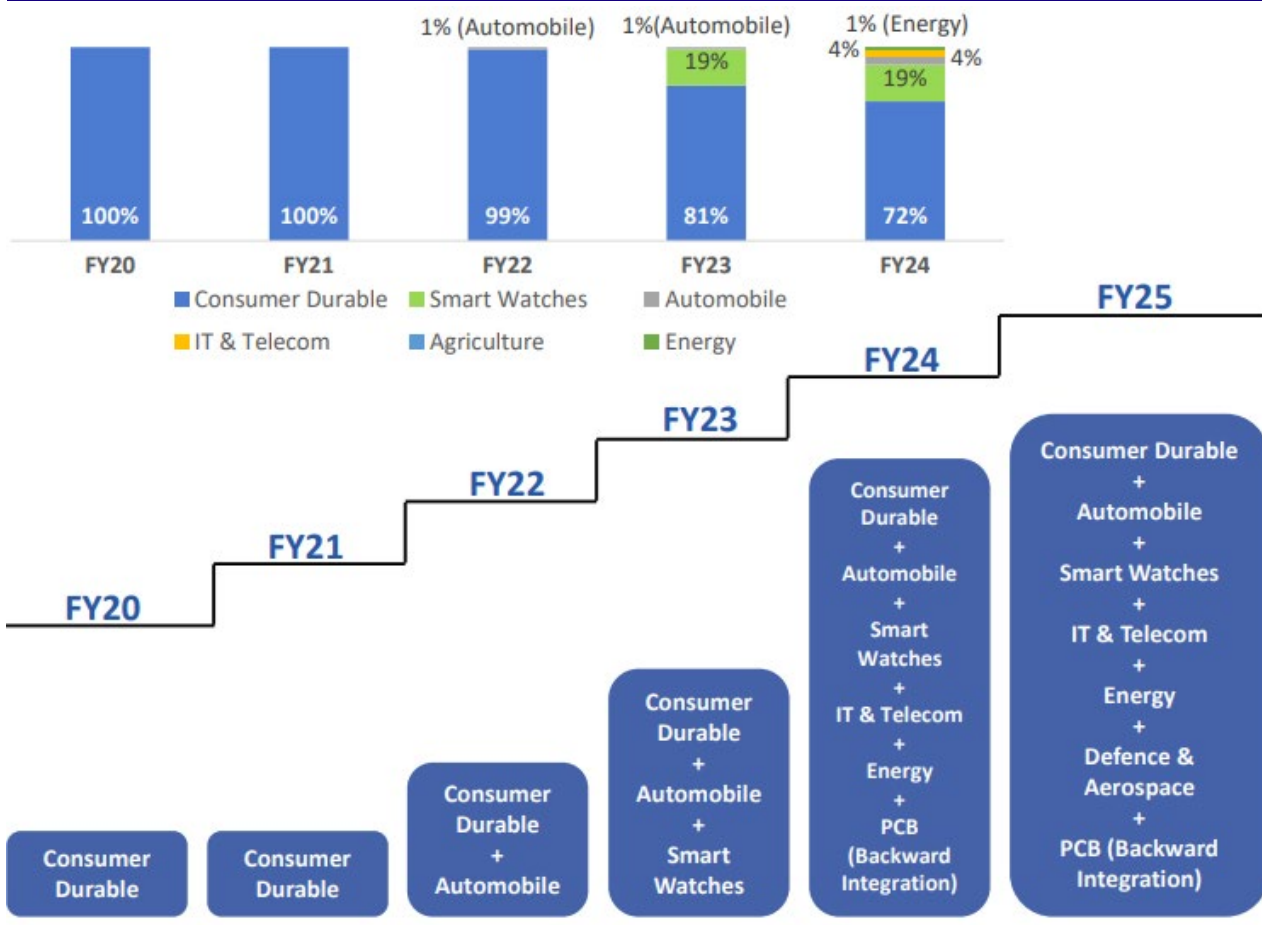


Source: Company, MOFSL

Electronics segment is continuously diversifying its client base

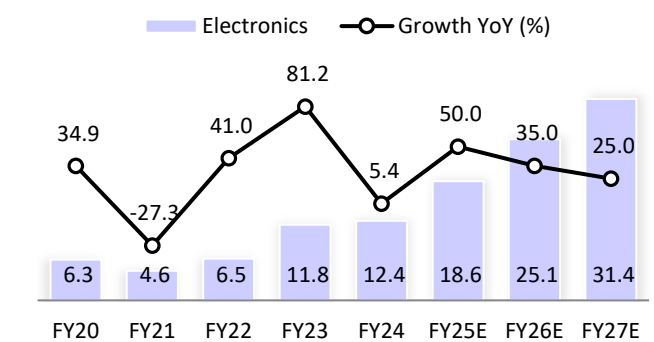
Over the years, AMBER has expanded its product portfolio, catering to various segments. The company has expanded its presence in PCB assembly and caters to a wide range of segments, such as aerospace & defense, railways, industrial (EBITDA margin of 14%-15%), telecom (EBITDA margin of 6%-7%), automobile (EV: EBITDA margin of 10%-11%, non-EV: EBITDA margin of 7%), healthcare (EBITDA margin of 12%-15%), hearable & wearable (EBITDA margin of 6%-7%), and consumer durables (EBITDA margin of 4%). The company manufactures over a million watches every month. Further, defense applications have begun in the past few months and the company has added three new customers in its electronics segment catering to automobiles.

Exhibit 5: Electronics segment’s diversification across margin-accretive businesses



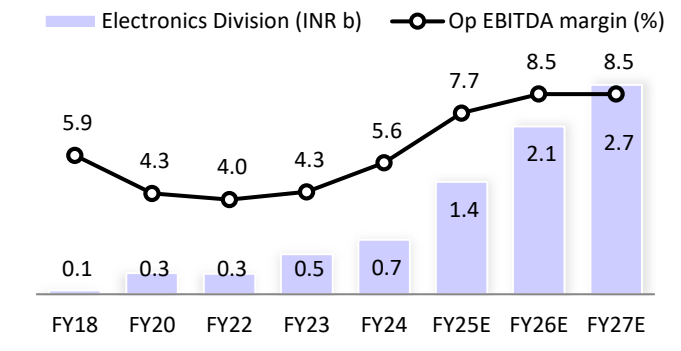
Source: Company, MOFSL

Exhibit 6: Electronics segment revenue to improve (INRb)



Source: Company, MOFSL

Exhibit 7: Electronics segment EBITDA improving

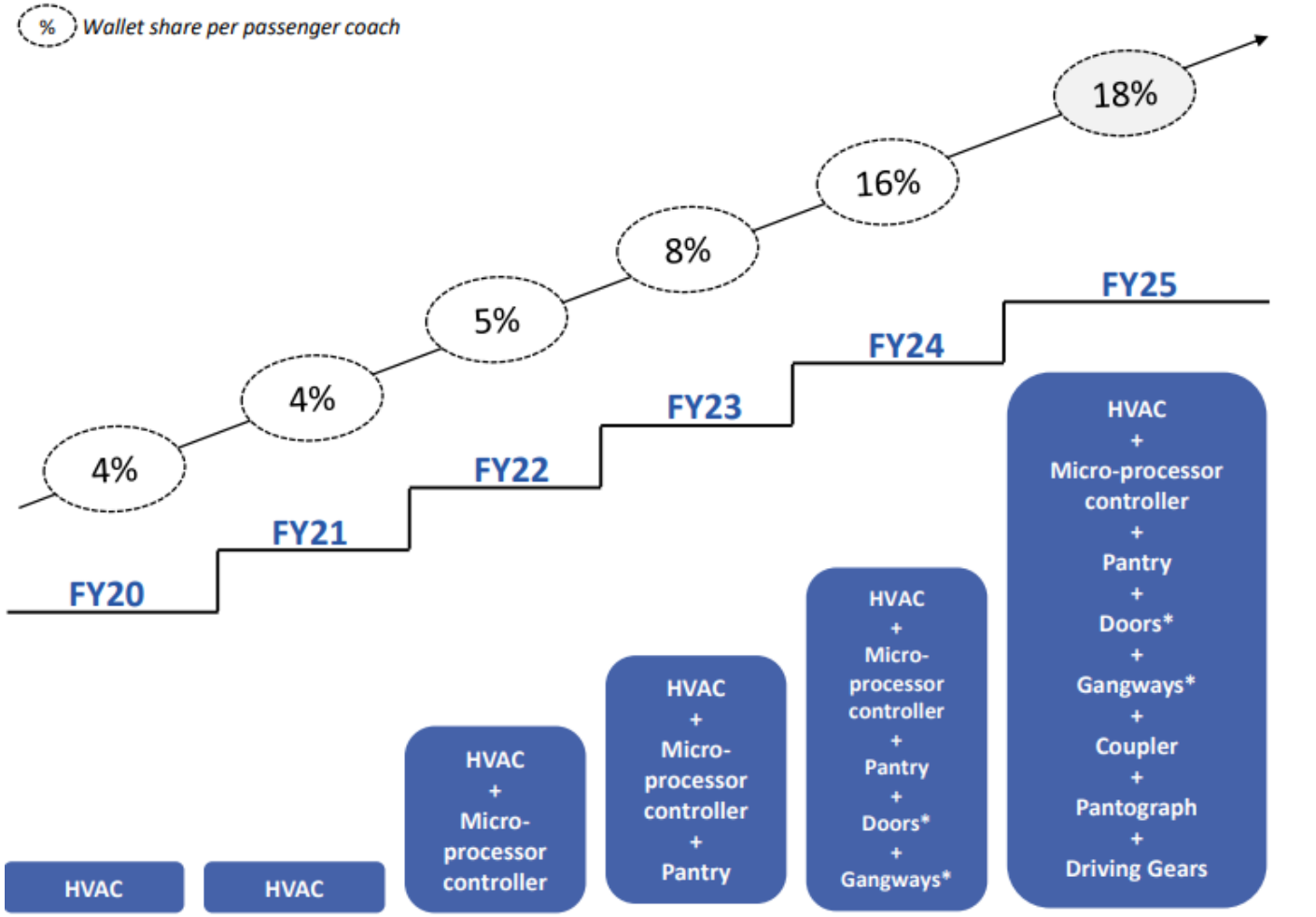


Source: Company, MOFSL

Railways to start growing from FY27

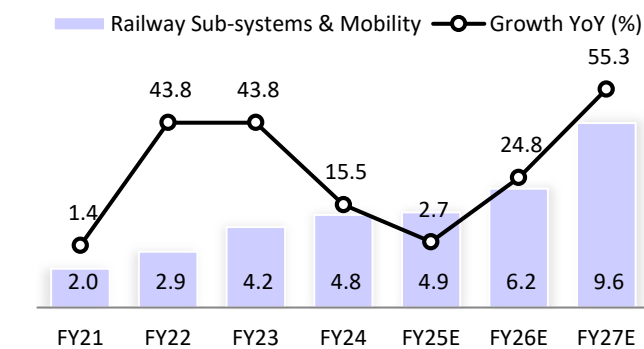
The company’s greenfield plant and brownfield plant will start offering prototypes by 1QFY26, with full production slated to commence from 4QFY26. Thus, a sharp ramp-up is expected in the mobility division from FY27 onwards. Railway orders are cyclical in nature and, hence, to tackle this, AMBER’s subsidiary Sidwal has expanded its range to provide air-conditioners for data centers, buses, and defense products that require instant cooling systems. Currently, the railways segment and the newly added sub-segments by Sidwal have around INR20b in order book. Out of this order book, the portion of Vande Bharat orders is around INR8.5b.

Exhibit 8: Sidwal’s wallet share strategically increasing across the railway business



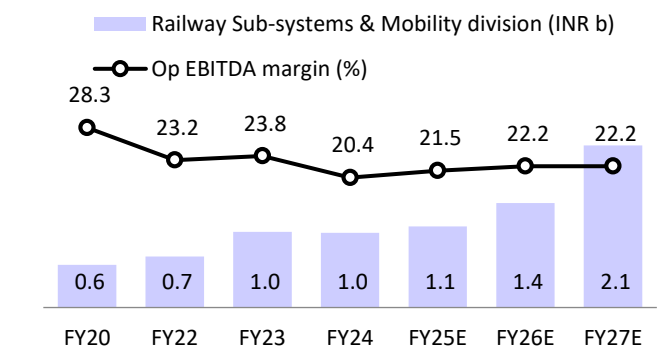
Source: Company, MOFSL

Exhibit 9: Railway & Mobility segment revenue



Source: Company, MOFSL

Exhibit 10: Railway & Mobility segment operating EBITDA



Source: Company, MOFSL

Further scope for indigenization in the RAC industry

There is scope for further indigenization in the RAC industry as import dependence is still higher for specific components. For instance, the import dependence is higher for key components of high-value intermediaries such as compressors, copper tubes, and aluminum stock, while production of low-value intermediaries such as control assemblies, display panels, motors, cross-flow fans, valves, brass components, heat exchangers, sheet metal, and plastic moulding components has started ramping up domestically.

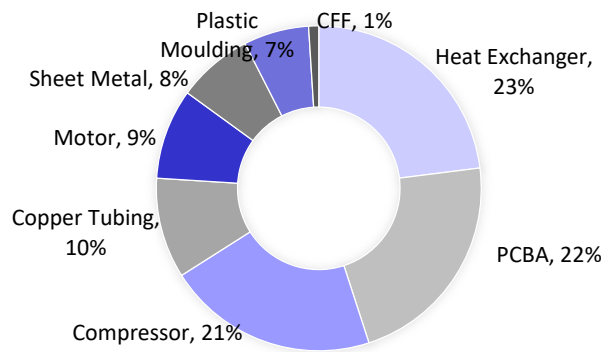
For high-value intermediaries such as compressors, increased investments are seen from GMCC, Highly, and Daikin, while other players will start adding up more.

- Voltas has revived its manufacturing plans in India through partnerships with firms from Japan or Korea, with investments worth INR13b for compressors and other AC components.
- Daikin has commenced its facility for ACs (1.5m units) and compressors (3m units) in Sricity in FY24.

For copper tubes and aluminum stock, domestic players such as Adani Copper Tubes, Hindalco, and Mettube are already incurring capex. For low-value intermediaries, AMBER, EPACK Durable, and PG Electroplast dominate the investments, followed by OEM players.

AMBER already caters to nearly 70% of BoM of RAC and currently does not have plans to foray into compressor manufacturing.

Exhibit 11: Heat exchanges, PCBA, and compressors form a larger proportion of the RAC BoM breakup (%)



Source: Company, MOFSL

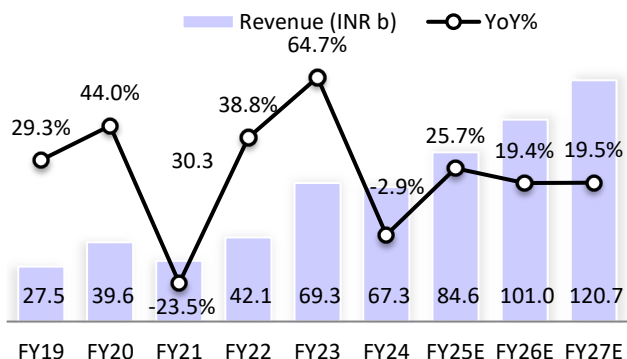
Financial Outlook

Exhibit 12: Segmental revenue and EBITDA

Y/E March (INR m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Segmental revenue						
Consumer Durables Division	32,680	53,339	50,083	61,074	69,730	79,762
Growth YoY (%)	38.0	63.2	-6.1	21.9	14.2	14.4
Electronics Division	6,500	11,776	12,410	18,615	25,130	31,413
Growth YoY (%)	41.0	81.2	5.4	50.0	35.0	25.0
Railway Sub-systems & Mobility Division	2,890	4,156	4,800	4,928	6,151	9,554
Growth YoY (%)	43.8	43.8	15.5	2.7	24.8	55.3
Total Revenues	42,070	69,271	67,293	84,618	1,01,012	1,20,729
Growth YoY (%)	38.8	64.7	-2.9	25.7	19.4	19.5
Operating EBITDA						
Consumer Durables Division	2,030	3,260	3,520	4,476	5,284	6,381
Margin (%)	6.2	6.1	7.0	7.3	7.6	8.0
Electronics Division	260	510	690	1,426	2,126	2,658
Margin (%)	4.0	4.3	5.6	7.7	8.5	8.5
Railway Sub-systems & Mobility Division	670	990	980	1,060	1,367	2,123
Margin (%)	23.2	23.8	20.4	21.5	22.2	22.2
Total Operating EBITDA	2,754	4,179	4,919	6,260	7,920	10,119
Margin (%)	6.5	6.0	7.3	7.4	7.8	8.4

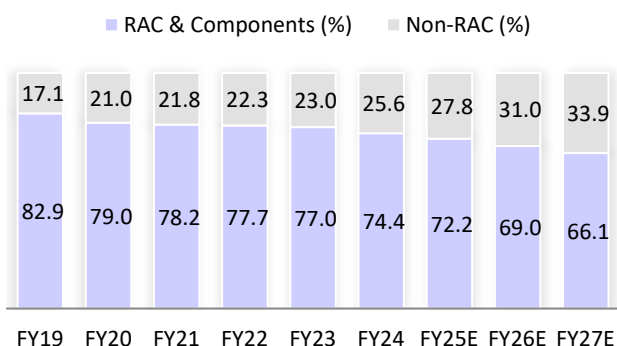
Source: Company

Exhibit 13: We expect AMBER’s revenue to post a 21% CAGR over FY24-FY27



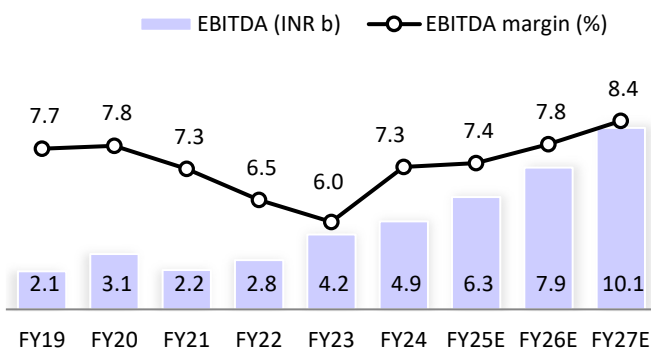
Source: Company, MOFSL

Exhibit 14: We expect the share of non-AC revenue to move up from the current levels



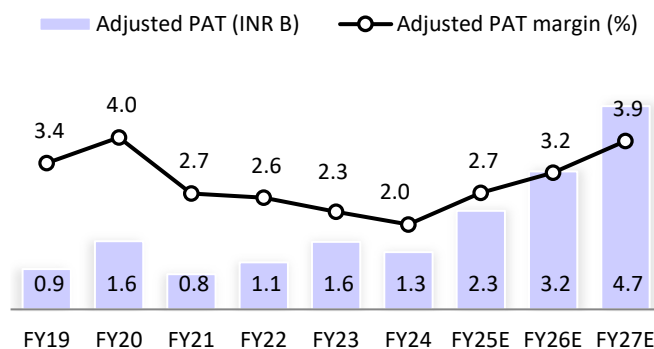
Source: Company, MOFSL

Exhibit 15: AMBER’s EBITDA margin to inch up on improved revenue from higher-margin segments



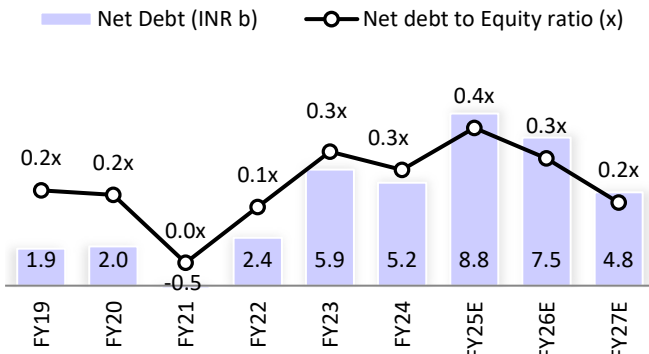
Source: Company, MOFSL

Exhibit 16: We expect its PAT to clock a 51% CAGR over FY24-FY27



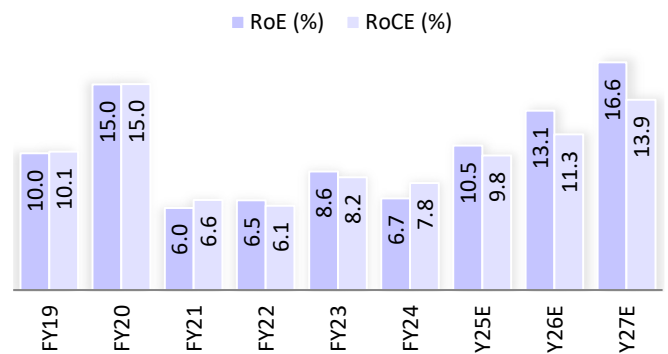
Source: Company, MOFSL

Exhibit 17: We expect net debt to remain high over the next two years on increased capex



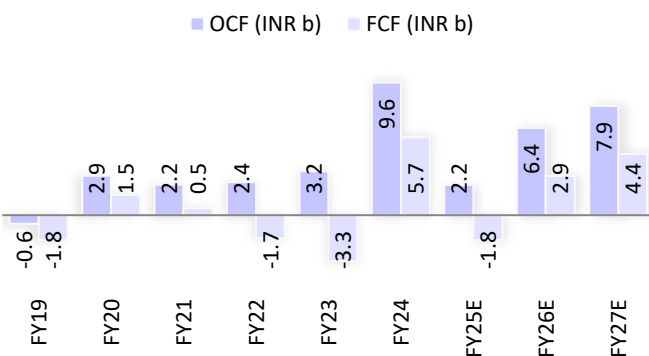
Source: Company, MOFSL

Exhibit 18: We expect RoE & RoCE to reach double-digit levels from FY26 onwards



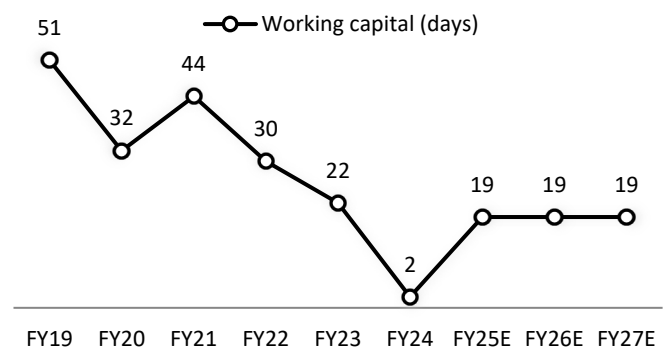
Source: Company, MOFSL

Exhibit 19: We expect FCF to improve from FY25 as capex moderates



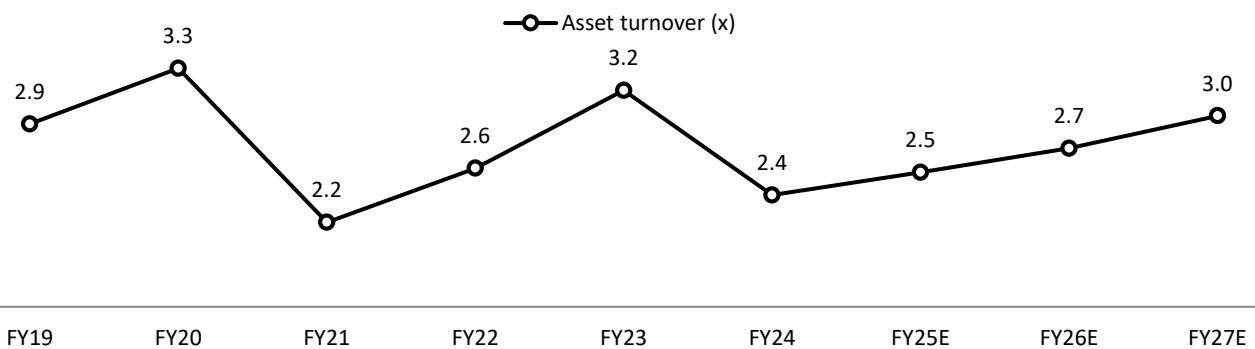
Source: Company, MOFSL

Exhibit 20: NWC cycle has remained comfortable for the company and we expect a similar trend in future



Source: Company, MOFSL

Exhibit 21: With an improved product mix, we expect the asset turnover ratio to improve



Source: Company, MOFSL

Valuation and recommendation

The stock is currently trading at 72.2x/51.7x/35.1x P/E on FY25/26/27E earnings. We reiterate a BUY rating on AMBER with a DCF-based TP of INR5,400, implying 42x P/E on a two-year forward EPS (Dec’26). Reiterate BUY.

Key risks and concerns

Key risks and concerns include lower-than-expected demand growth in the RAC industry; change in BEE norms making products costlier; and increased competition across the RAC, mobility, and electronics segments.

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27e
Total Income from Operations	39,628	30,305	42,064	69,271	67,293	84,618	1,01,012	1,20,729
Change (%)	44.0	-23.5	38.8	64.7	-2.9	25.7	19.4	19.5
Raw Materials	33,017	25,135	35,297	58,678	54,999	69,159	82,558	98,673
Gross Profit	6,611	5,170	6,767	10,593	12,293	15,458	18,453	22,055
Employee Cost	1,063	1,021	1,500	2,116	2,572	2,508	2,993	3,578
Other Expenses	2,455	1,947	2,514	4,298	4,802	6,691	7,540	8,359
Total Expenditure	36,535	28,102	39,310	65,092	62,374	78,358	93,092	1,10,610
% of Sales	92.2	92.7	93.5	94.0	92.7	92.6	92.2	91.6
EBITDA	3,093	2,203	2,754	4,179	4,919	6,260	7,920	10,119
Margin (%)	7.8	7.3	6.5	6.0	7.3	7.4	7.8	8.4
Depreciation	848	923	1,079	1,391	1,865	2,162	2,405	2,632
EBIT	2,245	1,280	1,675	2,788	3,054	4,098	5,515	7,487
Int. and Finance Charges	419	410	464	1,118	1,670	1,584	1,505	1,512
Other Income	82	331	332	527	553	667	409	498
PBT bef. EO Exp.	1,907	1,201	1,543	2,197	1,937	3,181	4,419	6,473
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	1,907	1,201	1,543	2,197	1,937	3,181	4,419	6,473
Total Tax	266	369	429	559	519	814	1,131	1,657
Tax Rate (%)	13.9	30.7	27.8	25.4	26.8	25.6	25.6	25.6
Minority Interest	57	17	21	66	89	72	80	88
Reported PAT	1,584	816	1,092	1,572	1,329	2,294	3,208	4,728
Adjusted PAT	1,584	816	1,092	1,572	1,329	2,294	3,208	4,728
Change (%)	69.1	-48.5	33.8	44.0	-15.5	72.6	39.9	47.4
Margin (%)	4.0	2.7	2.6	2.3	2.0	2.7	3.2	3.9

Consolidated - Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	314	337	337	337	337	337	337	337
Total Reserves	10,970	15,704	17,005	18,751	20,307	22,601	25,809	30,537
Net Worth	11,284	16,041	17,342	19,088	20,644	22,938	26,146	30,874
Minority Interest	348	365	387	452	518	591	670	758
Total Loans	3,205	3,495	10,318	13,437	14,332	14,332	14,332	14,332
Deferred Tax Liabilities	678	769	954	947	1,348	1,348	1,348	1,348
Capital Employed	15,515	20,670	29,001	33,924	36,841	39,208	42,496	47,311
Gross Block	13,465	14,683	18,037	25,621	31,309	35,309	38,809	42,309
Less: Accum. Deprn.	3,630	4,466	5,335	6,556	8,333	10,398	12,696	15,210
Net Fixed Assets	9,836	10,218	12,702	19,065	22,977	24,911	26,114	27,099
Goodwill on Consolidation	1,223	1,223	1,457	1,425	3,609	3,609	3,609	3,609
Capital WIP	118	433	1,282	503	908	908	908	908
Total Investments	0	1,081	2,254	1,934	2,173	2,173	2,173	2,173
Curr. Assets, Loans & Adv.	17,813	22,892	31,401	39,475	36,236	44,427	53,112	64,846
Inventory	6,557	7,163	8,408	10,913	8,408	13,331	15,913	19,019
Account Receivables	8,542	10,690	13,149	17,631	15,693	20,865	24,907	29,769
Cash and Bank Balance	1,203	2,899	5,626	5,594	6,913	3,395	4,612	7,399
Loans and Advances	293	321	18	39	49	48	57	69
Other Current Asset	1,218	1,818	4,200	5,297	5,173	6,788	7,622	8,591
Curr. Liability & Prov.	13,474	15,175	20,095	28,478	29,060	36,820	43,420	51,324
Account Payables	11,058	13,169	17,021	23,039	21,671	28,143	33,595	40,153
Other Current Liabilities	2,288	1,864	2,888	5,216	7,090	8,404	9,499	10,781
Provisions	128	141	186	223	300	273	326	389
Net Current Assets	4,339	7,717	11,306	10,997	7,175	7,607	9,692	13,522
Appl. of Funds	15,515	20,670	29,001	33,924	36,841	39,208	42,496	47,311

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	50.4	24.2	32.4	46.7	39.4	68.1	95.2	140.3
Cash EPS	77.3	51.6	64.4	87.9	94.8	132.3	166.6	218.4
BV/Share	358.8	476.1	514.7	566.5	612.7	680.8	776.0	916.3
DPS	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	97.7	203.1	151.8	105.4	124.7	72.2	51.7	35.1
Cash P/E	63.6	95.3	76.3	55.9	51.9	37.2	29.5	22.5
P/BV	13.7	10.3	9.6	8.7	8.0	7.2	6.3	5.4
EV/Sales	4.0	5.5	4.1	2.5	2.6	2.1	1.7	1.4
EV/EBITDA	50.7	75.5	61.9	41.5	35.2	28.2	22.2	17.1
Dividend Yield (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	46.8	14.8	-49.6	-98.8	168.3	-53.8	84.8	132.0
Return Ratios (%)								
RoE	15.0	6.0	6.5	8.6	6.7	10.5	13.1	16.6
RoCE	15.0	6.6	6.1	8.2	7.8	9.8	11.3	13.9
RoIC	14.7	5.8	6.7	9.1	8.5	10.2	12.2	15.6
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	2.1	2.3	2.7	2.1	2.4	2.6	2.9
Asset Turnover (x)	2.6	1.5	1.5	2.0	1.8	2.2	2.4	2.6
Inventory (Days)	60	86	73	58	46	58	58	58
Debtor (Days)	79	129	114	93	85	90	90	90
Creditor (Days)	102	159	148	121	118	121	121	121
Leverage Ratio (x)								
Current Ratio	1.3	1.5	1.6	1.4	1.2	1.2	1.2	1.3
Interest Cover Ratio	5.4	3.1	3.6	2.5	1.8	2.6	3.7	4.9
Net Debt/Equity	0.2	0.0	0.1	0.3	0.3	0.4	0.3	0.2

Consolidated – Cashflow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,907	1,201	1,543	2,197	1,913	3,181	4,419	6,473
Depreciation	848	923	1,079	1,391	1,865	2,162	2,405	2,632
Interest & Finance Charges	419	406	464	1,118	1,670	1,584	1,505	1,512
Direct Taxes Paid	-488	-79	-539	-539	-461	-814	-1,131	-1,657
(Inc)/Dec in WC	44	-80	-62	-582	5,032	-3,926	-842	-1,012
CF from Operations	2,731	2,371	2,485	3,585	10,019	2,187	6,356	7,948
Others	151	-162	-77	-379	-371	0	0	0
CF from Operating incl EO	2,882	2,210	2,407	3,206	9,648	2,187	6,356	7,948
(Inc)/Dec in FA	-1,411	-1,711	-4,077	-6,535	-3,977	-4,000	-3,500	-3,500
Free Cash Flow	1,471	499	-1,670	-3,329	5,671	-1,813	2,856	4,448
(Pur)/Sale of Investments	-1,672	-1,568	-1,542	210	788	0	0	0
Others	-183	-1,531	-1,277	1,437	-7,156	-23	-27	-32
CF from Investments	-3,266	-4,810	-6,896	-4,888	-10,345	-4,023	-3,527	-3,532
Issue of Shares	0	3,936	0	0	0	0	0	0
Inc/(Dec) in Debt	1,209	161	6,031	3,120	589	0	0	0
Interest Paid	-430	-372	-430	-1,097	-1,567	-1,584	-1,505	-1,512
Dividend Paid	-121	0	0	0	0	0	0	0
Others	-23	-24	-46	-96	-238	0	0	0
CF from Fin. Activity	634	3,700	5,555	1,928	-1,216	-1,584	-1,505	-1,512
Inc/Dec of Cash	250	1,099	1,066	246	-1,913	-3,420	1,324	2,904
Opening Balance	450	700	1,920	2,986	3,232	6,913	3,395	4,612
Other Bank Balances	503	1,100	2,640	2,363	5,594	-97	-107	-118
Closing Balance	1,203	2,899	5,626	5,594	6,913	3,395	4,612	7,399

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