

Amber Enterprises India | BUY

Components and electronics to drive growth

Amber Enterprises' (Amber) 1QFY25 results vs. JMFe estimates saw inline revenue and EBITDA margins. Cons revenue at INR 24bn up 41% YoY and down 14% QoQ. 6 year CAGR of +23% (vs. PGEL 50%). SA rev at INR 17bn up 45% YoY. AC & Comp rev at INR 19.4bn up 46% yoy and OPM at 7.4% down 10 bps yoy. Electronic rev at INR 3.8bn rev up 45% YoY. OPM at 8% up 400bps yoy. Railway & Mobility rev at INR 950mn down 9% yoy, OPM at 21.6% up 190bps yoy. Gross margin at 17.8% vs 17.5% YoY and 16.7% QoQ. EBITDA at INR 1.9bn up 49% YoY and down 11% QoQ. OPM at 8.2% vs 7.8% YoY and 7.9% QoQ (JMFe OPM at 8.2%). 6 year CAGR of +23% (vs. PGEL 60%). Adj. Net profit of INR 724mn up 58% YoY and down 24%. 6 year CAGR of +18% (vs. PGEL 77%)

- **Consumer durable:** Growth was mainly led by (1) unprecedented industry growth (2) increasing wallet share from existing customers (3) addition of new customers and (4) diversification of business. RAC channel inventory is low – Q2 is expected to perform better YoY and major traction to be seen from Q3FY25. No pricing action in AC. JV for washing machine Resojet is on track to deliver the guidance - mass production will commence from Q3FY25. Already on boarded four customers + ongoing talks with eight more customers.
- **Electronics:** PCB: Government imposing anti-dumping duty on PCB's, enabled Amber to onboard four new customers. In Q1FY25, Ascent circuits grew c.30%+ YoY to INR 730mn with EBITDA of INR c.150mn. IL Jin saw lower growth c.18/19% YoY due to reducing in ASP (by 40%) of speaker and wearable. For FY25, expect c.35% growth. Guidance: revised revenue guidance of c.45% vs. previous 35% in FY25 – basis entering into new verticals like auto (incl EV) and defence. Long term: can expect EBITDA margins of c.12/13% in next 4/5 years.
- **Railway subsystem:** Decreased by 9% YoY to INR 950mn due to (1) Delays in the Mumbai Metro project due to shortage of rolling stock sub-systems (2) Delays in the 200 Vande Bharat Express project due to changes in coach composition (3) Shift in focus of Indian Railways this year towards non-AC coaches. Order book stands at c.INR 20.75bn (INR 7.8bn from new products category + INR 800mn from defence and bal. from HVAC) – executable in 2.5/3 years. Guidance: In FY25, Sidwal to see flat growth vs. guided 15/20% due to long approval formalities. Although, continue to maintain the guidance of doubling the revenue in 3 years.

Maintain BUY with TP of INR 4,770: We expect rev. / PAT CAGR of 21%/67% over FY24-26E, mainly due to (1) ramp up in the electronics and mobility segments, backed with increasing its offering + New segment (PCB) + Strong order book in Sidwal. We also expect pickup in RAC component segment; however RAC product business to remain under pressure with brands going in-house. We value Amber at 42x (previously 37x) on FY26 EPS which implies 35x (previously 30x – due to strong industry tailwinds) to RAC + Component business (lower multiple due to increasing competition and lower margins) and 50x (previously 44x - due to strong visibility over next two years) to other segment (Mobility + Electronics) on FY26E and maintain BUY with TP of 4,770.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	42,064	69,271	67,293	85,774	98,443
Sales Growth (%)	38.8	64.7	-2.9	27.5	14.8
EBITDA	2,754	4,180	4,919	6,460	7,442
EBITDA Margin (%)	6.5	6.0	7.3	7.5	7.6
Adjusted Net Profit	1,092	1,573	1,395	2,649	3,872
Diluted EPS (INR)	32.4	46.7	41.4	78.6	114.9
Diluted EPS Growth (%)	33.5	44.1	-11.4	89.9	46.2
ROIC (%)	7.3	10.0	9.4	12.8	14.3
ROE (%)	6.5	8.6	7.0	12.1	15.4
P/E (x)	135.2	93.8	105.8	55.7	38.1
P/B (x)	8.5	7.7	7.1	6.3	5.5
EV/EBITDA (x)	55.1	37.1	31.4	23.9	20.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1

Source: Company data, JM Financial. Note: Valuations as of 26/Jul/2024



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	4,770
Upside/(Downside)	8.9%
Previous Price Target	4,370
Change	9.2%

Key Data – AMBER IN

Current Market Price	INR4,380
Market cap (bn)	INR147.8/US\$1.8
Free Float	48%
Shares in issue (mn)	33.7
Diluted share (mn)	33.7
3-mon avg daily val (mn)	INR763.7/US\$9.1
52-week range	4,888/2,337
Sensex/Nifty	81,333/24,835
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	2.4	6.8	78.7
Relative*	-0.5	-5.6	45.3

* To the BSE Sensex

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key Conference call takeaways:

Overall Guidance:

In FY24, expect revenue growth of 24% + capex to be c.INR 3.5/3.75bn. Long term: to achieve RoCE of c.19-21% in next two FY from current 15%. To increase share of component business to achieve 50:50 of revenue split between it and AC business.

RAC & Component:

- RAC grew by 50%. Non-RAC components vertical grew by 39%
- RAC industry grew in excess of 35%+ in H1FY25
- Added new products - became India's first B2B player, offering ODM solutions in products like Tower Air conditioners, Window Top Throw Inverter Series, Tropical high efficiency split air conditioners and Cassette Air Conditioners
- Strategy: RAC: expanding product profile in finished goods and will explore exports – expect first order soon. Component: can provide c.70% BOM for AC but currently have c.25/27% market share – plans to increase that + enter into new vehicles

Electronics:

- PCB market is c.INR 370bn which is expected to grow at 11% CAGR over FY24-30 to reach c.INR 800bn. c.85% of PCBs are currently imported.
- Increased stake in IL JIN from 70% to 90.2%.
- With acquisition of Ascent circuits, now catering to c. 22/23% of inverter PCB boards for AC.
- 4 new customer addition comprised of segments such as consumer electronics, IT, Auto EV and defense
- Expanding PCB business: acquired 12 acre land + received approval of INR 2.56bn of plant and machinery under SPECS scheme. Also, with launching of new scheme, expect c.50/55% of cost to be reimbursed by govt.

Railway & Mobility:

- Bagged the developmental order of ACs for trains from US and Europe rolling stock companies
- Investments: The joint venture entered for manufacturing business of all types of Driving Gears, Couplers, and Pantograph will start trial run by Q4FY25. New greenfield facility of Sidwal is expected to start the trials of our new product categories like doors and gangways in Q1FY26 and mass production by Q4FY26.
- New contracts strengthens order book visibility. Developmental orders for train ACs from European and US companies open global markets. Defense segment gains momentum with a growing order book.
- HVAC segment: includes metro rails and Indian railways. In metro rail, Amber enjoy c.46% share of business and in Indian Railways c.40%

Others:

- Expect subsidy reimbursement of c.INR 800mn including PLI of c.INR 360mn.
- Not looking to further participate in the reopening of PLI scheme.
- Non-operating expenses mainly includes ESOP expenses

Exhibit 1. Change in estimates

Particulars	Actual	Revised Estimates			Old Estimates		Variation	
	FY24A	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	
Sales	67,293	85,774	98,443	84,436	97,161	1.6	1.3	
EBITDA	4,919	6,460	7,442	6,558	7,577	-1.5	-1.8	
EBTDA Margin (%)	7.3%	7.5%	7.6%	7.80%	7.80%	-30bps	-20bps	
Adj PAT	1,395	2,649	3,872	2,727	3,979	-2.9	-2.7	
EPS	41.4	78.6	114.9	80.9	118.1	-2.8	-2.7	

Source: JM Financial, Company. Note: Decline in estimates mainly due to downward revision of revenue guidance for railway segment (flat growth vs. 15/20% growth previously)

Exhibit 2. Quaterly performance

Consolidated (INR mn)	1QFY24	1QFY25	YoY (%)	4QFY24	QoQ (%)	1QFY25 (JMFe)	VAR (%)
Net Sales	17,020	24,013	41.1	28,055	-14.4	24,211	-0.8
Expenditure	15,701	22,051	40.4	25,836	-14.6	22,221	-0.8
EBITDA	1,319	1,962	48.7	2,219	-11.6	1,990	-1.4
EBITDA (%)	7.8	8.2	40bps	7.9	30bps	8.2	0bps
Other income	193	207	7.1	180	14.7	150	
Depreciation	433	549	26.9	515	6.8	520	
EBIT	1,079	1,619	50.0	1,885	-14.1	1,620	
Interest	453	518	14.5	483	7.3	450	
PBT before Eol	627	1,101	75.6	1,402	-21.5	1,170	
Eol	0	0		0		0	
PBT	627	1,101	75.6	1,402	-21.5	1,170	
Tax	161	298	85.1	388	-23.3	292	
Tax rate (%)	25.7	27.0	140bps	27.7	-60bps	25.0	
Share of JV	0.0	-56.0	NA	-23.4	NA		
PAT	466	747	60.3	990	-24.5	877	-14.8
EPS (Rs)	13.8	22.2	60.3	29.4	-24.5	26.0	-14.8
Adj PAT	456	724	58.5	947	-23.6	867	
Adj EPS (Rs)	13.5	21.5	58.5	28.1	-23.6	25.7	

Source: JM Financial, Company

Revenue grew by 41% YoY due to strong demand for RAC owing to favourable summer season

Increase in operating EBITDA margins to 8.2% is due to blend of strategy for finished goods and the components

Exhibit 3. Segmental Revenue

Consolidated (INR mn)	1QFY24	1QFY25	YoY (%)	4QFY24	QoQ (%)
Consumer Durable	13,320	19,437	45.9	21,990	-11.6
as a % of sales	78.2	80.1		78.4	
Mobility	1,040	950	-8.7	1,220	-22.1
as a % of sales	6.1	3.9		4.3	
Electronics	2,670	3,882	45.4	4,840	-19.8
as a % of sales	15.7	16.0		17.3	
Total	17,030	24,269	42.5	28,050	-13.5

Source: JM Financial, Company

Exhibit 4. Peer valuation comparison

Stock name	Valuation basis	FY26 P/E (actual)	FY26 P/E (target)
EMS			
Kaynes	SOTP	68	NA
Syrma SGS	P/E	32	35
Cyient DLM	P/E	38	45
Avalon	P/E	29	36
Shivalik Bimetal	P/E	27	30
Contract Manufacturers (CM)			
PGEL	P/E	37	45
Dixon	P/E	65	50*
Amber	P/E	38	42

Source: Company, JM Financial *Note: to be updated post its Q1FY25 results

Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	42,064	69,271	67,293	85,774	98,443
Sales Growth	38.8%	64.7%	-2.9%	27.5%	14.8%
Other Operating Income	0	0	0	0	0
Total Revenue	42,064	69,271	67,293	85,774	98,443
Cost of Goods Sold/Op. Exp	35,297	58,678	54,999	70,673	80,900
Personnel Cost	1,500	2,116	2,572	3,066	3,702
Other Expenses	2,514	4,298	4,802	5,575	6,399
EBITDA	2,754	4,180	4,919	6,460	7,442
EBITDA Margin	6.5%	6.0%	7.3%	7.5%	7.6%
EBITDA Growth	24.9%	51.8%	17.7%	31.3%	15.2%
Depn. & Amort.	1,079	1,391	1,865	2,091	2,236
EBIT	1,674	2,789	3,054	4,369	5,206
Other Income	332	527	553	619	681
Finance Cost	464	1,118	1,670	1,413	1,191
PBT before Excep. & Forex	1,542	2,197	1,937	3,576	4,696
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,542	2,197	1,937	3,576	4,696
Taxes	429	559	519	908	1,193
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	21	65	0	21	21
Reported Net Profit	1,092	1,573	1,418	2,647	3,482
Adjusted Net Profit	1,092	1,573	1,395	2,649	3,872
Net Margin	2.6%	2.3%	2.1%	3.1%	3.9%
Diluted Share Cap. (mn)	33.7	33.7	33.7	33.7	33.7
Diluted EPS (INR)	32.4	46.7	41.4	78.6	114.9
Diluted EPS Growth	33.5%	44.1%	-11.4%	89.9%	46.2%
Total Dividend + Tax	0	0	0	0	116
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	3.4

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	1,543	2,197	1,913	3,576	4,696
Depn. & Amort.	1,079	-391	1,865	2,091	2,236
Net Interest Exp. / Inc. (-)	160	740	1,670	793	510
Inc (-) / Dec in WCap.	-51	-582	5,032	-2,667	-1,805
Others	302	1,782	-371	0	0
Taxes Paid	-539	-539	-461	-908	-1,193
Operating Cash Flow	2,495	3,206	9,648	2,884	4,444
Capex	-4,077	-6,535	-3,977	-2,000	-2,000
Free Cash Flow	-1,583	-3,329	5,671	884	2,444
Inc (-) / Dec in Investments	-2,907	1,647	-6,368	-132	-552
Others	0	0	0	0	0
Investing Cash Flow	-6,984	-4,888	-10,345	-2,132	-2,552
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-476	0	0	0	-116
Inc / Dec (-) in Loans	6,031	1,928	589	-2,000	-2,000
Others	0	0	-1,806	-791	-120
Financing Cash Flow	5,555	1,928	-1,216	-2,791	-2,236
Inc / Dec (-) in Cash	1,065	246	-1,913	-2,039	-344
Opening Cash Balance	4,561	2,986	5,594	6,913	4,874
Closing Cash Balance	5,626	5,594	3,681	4,874	4,530

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	17,342	19,088	20,644	23,292	27,048
Share Capital	337	337	337	337	337
Reserves & Surplus	17,005	18,751	20,307	22,955	26,711
Preference Share Capital	0	0	0	0	0
Minority Interest	387	452	518	539	560
Total Loans	10,318	13,437	14,332	12,332	10,332
Def. Tax Liab. / Assets (-)	954	947	1,348	1,348	1,348
Total - Equity & Liab.	29,002	33,925	36,841	37,511	39,288
Net Fixed Assets	16,334	22,719	29,160	29,069	28,833
Gross Fixed Assets	19,294	27,720	33,065	35,065	37,065
Intangible Assets	1,457	1,425	3,609	3,609	3,609
Less: Depn. & Amort.	5,473	6,556	8,421	10,512	12,748
Capital WIP	1,056	130	908	908	908
Investments	2,254	1,934	2,173	2,305	2,857
Current Assets	30,508	37,750	34,569	40,594	47,144
Inventories	8,408	10,913	8,408	11,750	14,564
Sundry Debtors	13,149	17,631	15,693	20,445	24,004
Cash & Bank Balances	5,626	5,594	6,913	4,874	4,530
Loans & Advances	1,567	1,136	49	19	539
Other Current Assets	1,758	2,476	3,506	3,506	3,506
Current Liab. & Prov.	20,095	28,478	29,060	34,457	39,546
Current Liabilities	17,021	23,039	21,671	28,200	32,365
Provisions & Others	3,074	5,439	7,390	6,257	7,181
Net Current Assets	10,413	9,272	5,508	6,137	7,598
Total - Assets	29,002	33,925	36,841	37,511	39,288

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin	2.6%	2.3%	2.1%	3.1%	3.9%
Asset Turnover (x)	1.7	2.2	1.9	2.3	2.5
Leverage Factor (x)	1.5	1.7	1.8	1.7	1.5
RoE	6.5%	8.6%	7.0%	12.1%	15.4%

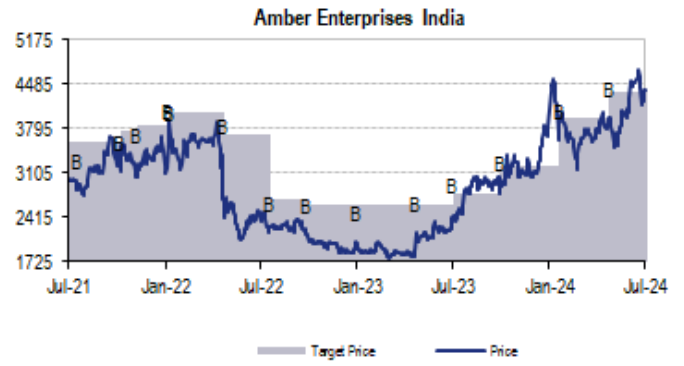
Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)	514.7	566.5	612.7	691.3	802.8
ROIC	7.3%	10.0%	9.4%	12.8%	14.3%
ROE	6.5%	8.6%	7.0%	12.1%	15.4%
Net Debt/Equity (x)	0.1	0.3	0.3	0.2	0.1
P/E (x)	135.2	93.8	105.8	55.7	38.1
P/B (x)	8.5	7.7	7.1	6.3	5.5
EV/EBITDA (x)	55.1	37.1	31.4	23.9	20.5
EV/Sales (x)	3.6	2.2	2.3	1.8	1.5
Debtor days	114	93	85	87	89
Inventory days	73	58	46	50	54
Creditor days	158	129	127	130	130

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
17-Mar-21	Buy	4,000	
24-May-21	Buy	3,600	-10.0
11-Aug-21	Buy	3,600	0.0
1-Nov-21	Buy	3,750	4.2
3-Dec-21	Buy	3,850	2.7
31-Jan-22	Buy	4,000	3.9
2-Feb-22	Buy	4,050	1.3
15-May-22	Buy	3,700	-8.6
10-Aug-22	Buy	2,700	-27.0
22-Oct-22	Buy	2,600	-3.7
24-Jan-23	Buy	2,600	0.0
17-May-23	Buy	2,600	0.0
27-Jul-23	Buy	2,780	6.9
24-Oct-23	Buy	3,215	15.6
13-Feb-24	Buy	3,960	23.2
18-May-24	Buy	4,370	10.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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