

October 23, 2023

RESULT REPORT Q2 FY24 | Sector: Consumer Durables

Amber Enterprises Ltd

New capabilities to chart next leg of growth; downgrade to ADD

Result Synopsis

AMBER's Q2FY24 results have been a mixed bag with revenue coming in below estimates, while margins have been better than estimates. Lower than expected revenue was on account of some slackness in its motors and electronics division which has seen muted growth of 3% each in Q2. Motors division was affected on lower exports. Management is confident of growth bouncing back in both verticals maintaining motors growth at 25% and electronics growth at more than 30% in FY24. Company has acquired new capabilities in its electronic vertical and has guided of doubling its revenue in FY26 on base of FY24. Apart from this company has also entered in 50%-50% JV with Noise where it expects revenue of the JV to clock Rs10bn in FY25. On mobility front Amber continues to witness strong traction and now with the technology transfer agreement company has acquired additional capabilities and has strong order book of Rs11bn. Company also expects its mobility revenue to double in FY26. Amber is witnessing increased traction in new businesses like wearables and hearables and coupled with new opportunities in the telecom communication equipment space should argue well for the company going forward. Our FY24 estimates have been lower on back of increased interest expenses, while our FY25 estimates increase marginally on increased traction the company is expected to gain from its new capabilities. We continue to maintain our positive stance; we however downgrade the Stock to ADD rating with PT of Rs3,255 valuing it at 33x on FY25 vs earlier 30x. Stock should be accumulated on decline

We believe AMBER's focus on enhancing its capabilities on the components side is bearing fruits as it can increase wallet share from its existing customers and enabling addition of new customer. Further, entry into newer segments of wearables, hearables, telecom products and exports will give further boost to the revenues. We now estimate Amber's Revenue/EBITDA/PAT to grow at 13%/28%/45% CAGR over FY23-25E. We continue with our positive stance on stock; and downgrade stock to ADD rating on the stock with PT of Rs3,255.

Result Highlights

- Quarter summary** – Amber delivered lower than expected revenue growth as its motors and electronics segment has seen muted growth of 3% each. Standalone revenue grew by 38% on favorable base, while Sidwal saw growth of 23.6%.
- Margins** – Gross margins and EBITDA margins have seen improvement of 122bps and 154bps respectively on yoy basis Gross margin at 22.3% as been highest in past many quarters.
- Channel inventory** –Channel inventory for RAC has been at normalized levels, with certain brands have higher than normal inventory. Channel inventory is expected to be at normalized levels across brands by Q3 and Q4 should see strong growth.
- Capex** – Company has incurred capex of Rs1.49bn in 1HFY24 and expects capex of Rs3.5-3.8bn for F24. Major capex cycle for company is behind and there will be one green filed capacity expected next year.

Exhibit 1: Actual vs estimates

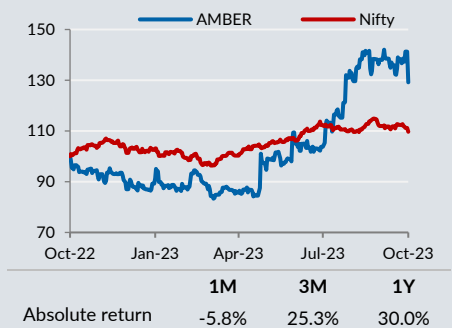
| Rs mn | Actual | Estimate | | % Variation | | Remarks |
|-------------------|--------|----------|-----------|-------------|-----------|---|
| | | YES Sec | Consensus | YES Sec | Consensus | |
| Sales | 9,271 | 10,109 | 9,220 | -8.3 | 0.6 | Lower than expected revenue is on back of subdued performance of Motors and Electronics divisions |
| EBITDA | 596 | 552 | 580 | 7.8 | 2.8 | |
| EBITDA Margin (%) | 6.4 | 5.4 | 6.3 | 100 bps | 10 bps | |
| Adjusted PAT | -57 | -117 | -80 | 41.1 | 28.8 | |

| | |
|------------------|------------|
| Reco | : ADD |
| CMP | : Rs 2,800 |
| Target Price | : Rs 3,255 |
| Potential Return | : +15.4% |

Stock data (as on October 23, 2023)

| | |
|-------------------------|---------------|
| Nifty | 19,270 |
| 52 Week h/l (Rs) | 3150 / 1763 |
| Market cap (Rs/USD mn) | 102314 / 1231 |
| Outstanding Shares (mn) | 34 |
| 6m Avg t/o (Rs mn): | 413 |
| Div yield (%): | - |
| Bloomberg code: | AMBER IN |
| NSE code: | AMBER |

Stock performance



Shareholding pattern (As of Jun'23 end)

| | |
|----------|-------|
| Promoter | 40.3% |
| FII+DII | 36.9% |
| Others | 22.8% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-------|-------|
| Rating | BUY | BUY |
| Target Price | 3,255 | 2,929 |

Δ in earnings estimates

| | FY24e | FY25e |
|-----------|--------|-------|
| EPS (New) | 63.1 | 98.6 |
| EPS (Old) | 70.5 | 97.6 |
| % change | -10.5% | 1.0% |

Financial Summary

| (Rs mn) | FY23 | FY24E | FY25E |
|------------|--------|--------|--------|
| Revenue | 69,271 | 76,590 | 89,141 |
| YoY Growth | 64.7 | 10.6 | 16.4 |
| EBIDTA | 4179 | 5438 | 6819 |
| YoY Growth | 51.8 | 30.1 | 25.4 |
| PAT | 1572 | 2126 | 3324 |
| YoY Growth | 44.0 | 35.3 | 56.3 |
| ROE | 8.6 | 10.5 | 14.5 |
| EPS | 46.7 | 63.1 | 98.6 |
| P/E | 60.4 | 44.7 | 28.6 |
| BV | 566.5 | 631.8 | 732.8 |
| EV/EBITDA | 25.2 | 19.6 | 15.5 |

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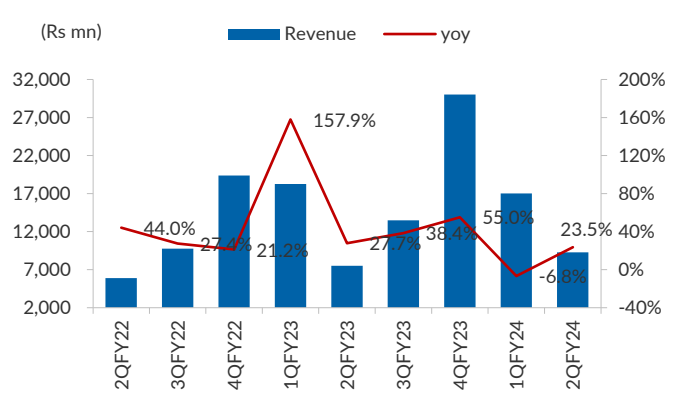
Exhibit 2: Quarterly snapshot (Consolidated)

| Particulars (Rs mn) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | y/y % | q/q % | 1HFY24 | 1HFY23 | y/y % |
|------------------------|--------|--------|--------|--------|--------|--------|---------|--------|--------|-------|
| Sales | 7,504 | 13,483 | 30,026 | 17,020 | 9,271 | 23.5 | (45.5) | 26,291 | 25,762 | 2.1 |
| EBITDA | 367 | 785 | 2035 | 1319 | 596 | 62.4 | (54.8) | 1,915 | 1,359 | 40.9 |
| EBITDA Margin % | 4.9 | 5.8 | 6.8 | 7.8 | 6.4 | | | 7.3 | 5.3 | |
| Depreciation | 318.0 | 363.2 | 388.4 | 432.9 | 452.2 | 42.2 | 4.5 | 885 | 640 | 38.4 |
| EBIT | 49 | 422 | 1647 | 886 | 143 | 194.4 | (83.8) | 1,030 | 720 | 43.0 |
| EBIT Margin % | 0.6 | 3.1 | 5.5 | 5.2 | 1.5 | | | 3.9 | 2.8 | |
| Interest charges | 244 | 289 | 375 | 453 | 366 | 50.1 | (19.2) | 818 | 454 | 80.1 |
| Other Income | 121.8 | 89.4 | 186.9 | 193.1 | 127.5 | 4.7 | (34.0) | 321 | 250 | 28.1 |
| PBT | -73 | 222 | 1459 | 627 | -95 | 29.6 | (115.1) | 532 | 516 | 3.1 |
| Tax | -50 | 71 | 378 | 161 | -38 | (23.9) | (123.8) | 123 | 109 | 12.1 |
| Effective Tax Rate (%) | 68.8 | 32.1 | 25.9 | 25.7 | 40.4 | | | 23.0 | 21.2 | |
| PAT | -30 | 142 | 1040 | 456 | -69 | 133.5 | (115.2) | 387 | 421 | (8.1) |
| PAT Margin % | -0.4 | 1.0 | 3.5 | 2.7 | -0.7 | | | 1.5 | 1.6 | |
| EPS (Rs) | -0.9 | 4.2 | 30.9 | 13.5 | -2.1 | 133.5 | (115.2) | 11 | 12 | (8.1) |

Source: Company, YES Sec

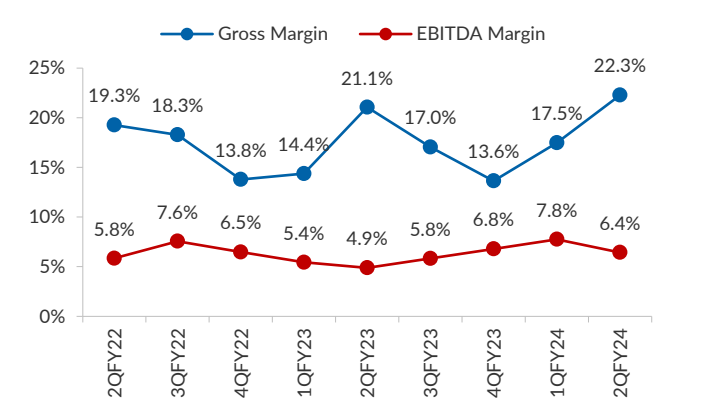
CHARTS

Exhibit 3: Lower than expected revenue is on back of subdued performance of Motors and Electronics division



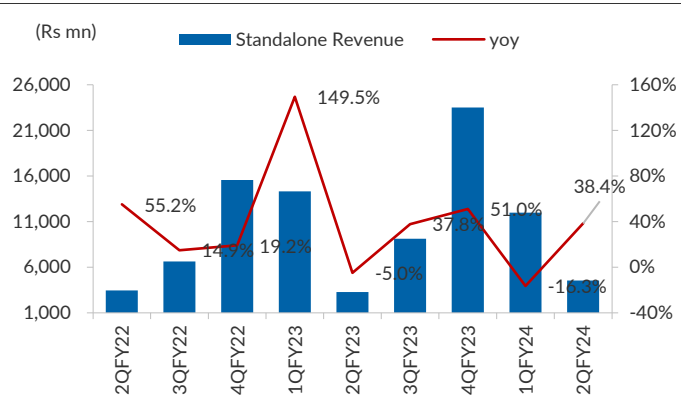
Source: Company, YES Sec

Exhibit 4: Gross margin has been highest ever since its listing



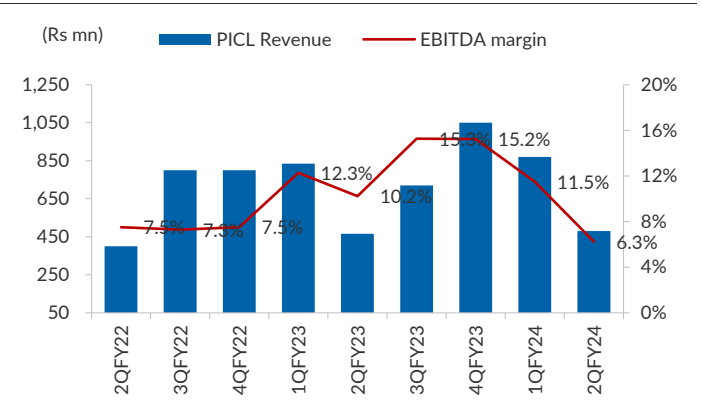
Source: Company, YES Sec

Exhibit 5: Standalone revenue has grown from favorable base



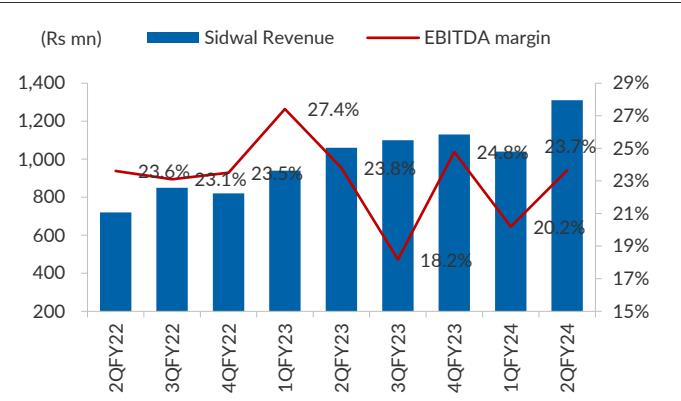
Source: Company, YES Sec

Exhibit 6: Lower exports has resulted in muted growth for motors division



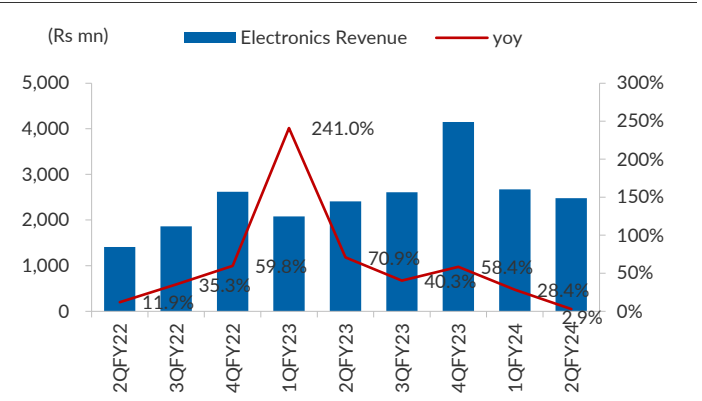
Source: Company, YES Sec

Exhibit 7: Sidwal continues with its steady revenue growth



Source: Company, YES Sec

Exhibit 8: Electronics segment has witness lower than estimated growth



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **AC industry** – RAC industry is expected to grow in single digit in FY24 despite poor Q1 and this would bode well for company like Amber. Amber is now backward integrated B2B solutions player with 29.4% of Industry RAC industry.
- **New Segmentation** – Customer demand getting fragmented as there is varied demand coming from the customer in terms of components, semi knock down kits and so on hence there was need for new segment. New segmentation will be consumer durables, Electronics and Mobility.
- **Market share** – Market share for Amber stood at 29.4%.
- **Customer acquisition** – Company has added new customers in Electronics sub-segments like telecom, wearables and hearables and automotive.
- **Working capital** – Working capital days stood at 52 days vs 39 days in Q2FY23. Net working capital is likely to normalize by Q4.
- **Capex** – Capex in 1HFY24 stood at Rs1.49bn. For FY24 company is likely to incur capex of Rs3.8-3.9bn in FY24.
- **Channel inventory** – Channel inventory is now at the normalized levels. Capex would be invested in electronics and Mobility division.
- **Motors division** – revenue in 1HFY24 stood at Rs1.35bn vs Rs1.3bn in 1HFY23, while EBITDA in 1HFY24 stood at Rs130mn vs Rs150mn in 1HFY23. Lower EBITDA is on account of higher employee costs on account of inflation. Expect motor division to grow 25-30%. Motors margins were lower on account of adverse product mix.
- **Sidwal – Revenue from Sidwal in 1HFY24 stood at Rs2.38bn vs Rs2bn on yoy basis, with EBITDA of Rs520mn vs Rs510mn on yoy basis.** Company has done technological transfer with two companies, which has increased the capability of Amber. Order book has now reached Rs11.4bn and expects mobility to grow 25% growth in FY24. Company is expected to double its revenue in next two years from base of FY24.
- **Electronics** – 1HFY24 revenue stood at Rs5.15bn vs Rs4.49bn on yoy basis, while EBITDA 1HFY24 stood at Rs240mn vs Rs170mn. Company has formed 50-50 JV with Noise and ILJIN will develop the local components solutions. Company expects Rs10bn of revenue in FY25 and capex required would be Rs100-150mn. **Company expects electronics division to double its revenue in next 2 years from the base of FY24.**
- **Electronics Asset turns** – Asset turn in electronics is as high as 10-11x and RoCE in electronics has been in the range of 25-27%.
- **Inventory** – Demand is muted unseasonal rains has led to high channel inventory. Expect inventory to normalize by Q2FY24.
- **Debt** – Net debt is Rs9.5bn as on Q2FY24. Company expects Net debt to be in range of Rs6.25-6.5bn.
- **Exports** – Some MNC has started to shift manufacturing base to India, which will benefit company like Amber. Expected to first order for finished goods in exports in Q1FY25

FINANCIALS

Exhibit 9: Balance Sheet

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|--------|--------|--------|--------|--------|
| Equity capital | 337 | 337 | 337 | 337 | 337 |
| Reserves | 15,780 | 17,005 | 18,751 | 20,949 | 24,353 |
| Net worth | 16,117 | 17,342 | 19,088 | 21,286 | 24,690 |
| Debt | 3,495 | 10,318 | 13,437 | 11,937 | 11,937 |
| Deferred tax liab (net) | 790 | 983 | 978 | 978 | 978 |
| Other non current liabilities | 620 | 1,197 | 2,114 | 2,129 | 2,154 |
| Total liabilities | 21,021 | 29,841 | 35,617 | 36,330 | 39,758 |
| Fixed Asset | 11,877 | 16,334 | 20,994 | 23,110 | 24,281 |
| Investments | 556 | 1,061 | 27 | 27 | 27 |
| Other Non-current Assets | 1,477 | 2,049 | 3,052 | 3,346 | 3,849 |
| Net Working Capital | 5,240 | 7,411 | 8,381 | 9,274 | 10,163 |
| Inventories | 7,163 | 8,408 | 10,982 | 12,142 | 14,132 |
| Sundry debtors | 10,690 | 13,149 | 17,631 | 19,494 | 22,688 |
| Loans and Advances | 219 | 18 | 19 | 21 | 24 |
| Sundry creditors | 13,169 | 17,021 | 23,039 | 25,020 | 29,050 |
| Other current liabilities | 1,728 | 2,228 | 3,719 | 4,107 | 4,783 |
| Cash & equivalents | 1,871 | 2,986 | 3,162 | 573 | 1,438 |
| Total Assets | 21,021 | 29,841 | 35,617 | 36,330 | 39,758 |

Source: Company, YES Sec

Exhibit 10: Income statement

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------|--------|--------|--------|--------|--------|
| Revenue | 30,305 | 42,064 | 69,271 | 76,590 | 89,141 |
| Operating profit | 2,203 | 2,754 | 4,179 | 5,438 | 6,819 |
| Depreciation | 923 | 1,079 | 1,391 | 1,839 | 2,034 |
| Interest expense | 410 | 464 | 1,118 | 1,313 | 955 |
| Other income | 331 | 332 | 527 | 663 | 734 |
| Profit before tax | 1,201 | 1,543 | 2,197 | 2,949 | 4,565 |
| Taxes | 369 | 429 | 559 | 750 | 1,161 |
| Minorities and other | 17 | 21 | 66 | 72 | 80 |
| Adj. profit | 816 | 1,092 | 1,572 | 2,126 | 3,324 |
| Exceptional items | - | - | - | - | - |
| Net profit | 816 | 1,092 | 1,572 | 2,126 | 3,324 |

Source: Company, YES Sec

Exhibit 11: Cashflow Statement

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------|---------|---------|---------|---------|---------|
| Profit before tax | 1,611 | 2,007 | 3,315 | 4,262 | 5,520 |
| Depreciation | 923 | 1,079 | 1,391 | 1,839 | 2,034 |
| Tax paid | (369) | (429) | (559) | (750) | (1,161) |
| Working capital Δ | (790) | (2,170) | (970) | (893) | (889) |
| Other operating items | | | | | |
| Operating cashflow | 1,375 | 486 | 3,177 | 4,457 | 5,503 |
| Capital expenditure | (1,624) | (5,536) | (6,051) | (3,955) | (3,205) |
| Free cash flow | (248) | (5,050) | (2,874) | 502 | 2,298 |
| Equity raised | 4,017 | 133 | 174 | 72 | 80 |
| Investments | (531) | (505) | 1,034 | - | - |
| Debt financing/disposal | (180) | 6,824 | 3,119 | (1,500) | - |
| Interest paid | (410) | (464) | (1,118) | (1,313) | (955) |
| Dividends paid | - | - | - | - | - |
| Net Δ in cash | 1,171 | 1,115 | 177 | (2,589) | 864 |

Source: Company, YES Sec

Exhibit 12: Du-pont analysis

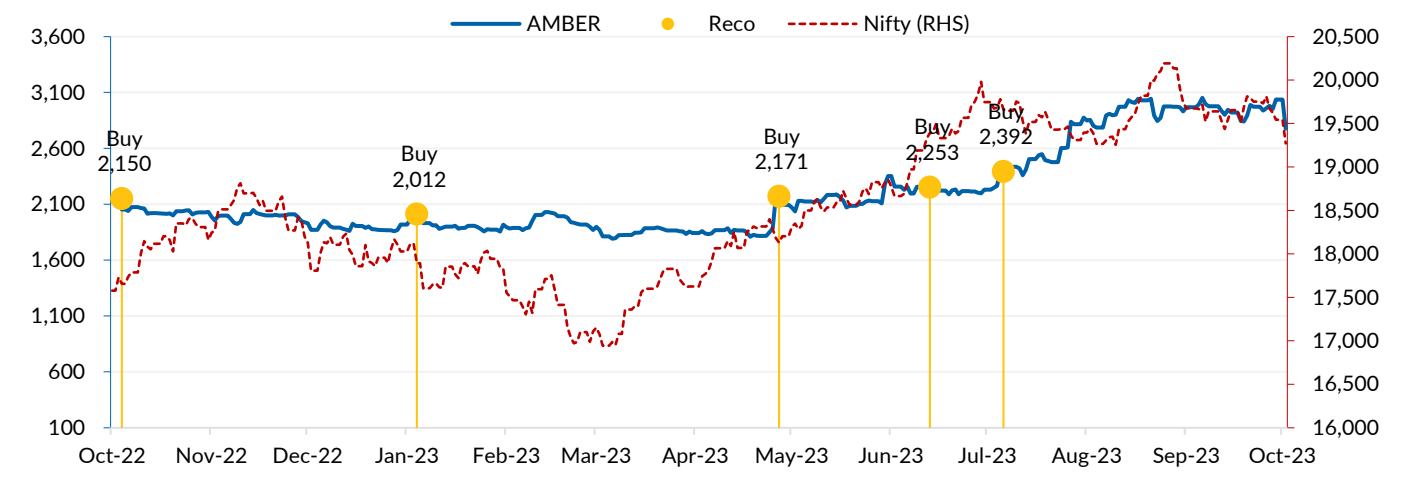
| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|------------------------|------|------|------|-------|-------|
| Tax burden (x) | 0.68 | 0.71 | 0.72 | 0.72 | 0.73 |
| Interest burden (x) | 0.75 | 0.77 | 0.66 | 0.69 | 0.83 |
| EBIT margin (x) | 0.05 | 0.05 | 0.05 | 0.06 | 0.06 |
| Asset turnover (x) | 0.93 | 0.99 | 1.24 | 1.20 | 1.28 |
| Financial leverage (x) | 2.37 | 2.54 | 3.06 | 3.17 | 3.03 |
| RoE (%) | 6.0 | 6.5 | 8.6 | 10.5 | 14.5 |

Exhibit 13: Ratio analysis

| Y/e 31 Mar | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------------|--------|------|------|-------|-------|
| Growth matrix (%) | | | | | |
| Revenue growth | (23.5) | 38.8 | 64.7 | 10.6 | 16.4 |
| Op profit growth | (28.8) | 25.0 | 51.8 | 30.1 | 25.4 |
| EBIT growth | (30.8) | 24.6 | 65.2 | 28.6 | 29.5 |
| Net profit growth | (48.5) | 33.8 | 44.0 | 35.3 | 56.3 |
| Profitability ratios (%) | | | | | |
| OPM | 7.3 | 6.5 | 6.0 | 7.1 | 7.7 |
| EBIT margin | 5.3 | 4.8 | 4.8 | 5.6 | 6.2 |
| Net profit margin | 2.7 | 2.6 | 2.3 | 2.8 | 3.7 |
| RoCE | 9.3 | 8.5 | 11.0 | 13.0 | 15.8 |
| RoNW | 6.0 | 6.5 | 8.6 | 10.5 | 14.5 |

| Y/e 31 Mar | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------|-------|-------|-------|-------|-------|
| RoA | 2.5 | 2.6 | 2.8 | 3.3 | 4.8 |
| Per share ratios | | | | | |
| EPS | 24.2 | 32.4 | 46.7 | 63.1 | 98.6 |
| Dividend per share | - | - | - | - | - |
| Cash EPS | 51.6 | 64.4 | 87.9 | 117.7 | 159.0 |
| Book value per share | 478.3 | 514.7 | 566.5 | 631.8 | 732.8 |
| Valuation ratios | | | | | |
| P/E | 116.5 | 87.0 | 60.4 | 44.7 | 28.6 |
| P/CEPS | 54.6 | 43.8 | 32.1 | 24.0 | 17.7 |
| P/B | 5.9 | 5.5 | 5.0 | 4.5 | 3.8 |
| EV/EBIDTA | 43.9 | 37.2 | 25.2 | 19.6 | 15.5 |
| Payout (%) | | | | | |
| Dividend payout | - | - | - | - | - |
| Tax payout | 30.7 | 27.8 | 25.4 | 25.4 | 25.4 |
| Liquidity ratios | | | | | |
| Debtor days | 128.8 | 114.1 | 92.9 | 92.9 | 92.9 |
| Inventory days | 86.3 | 73.0 | 57.9 | 57.9 | 57.9 |
| Creditor days | 158.6 | 147.7 | 121.4 | 119.2 | 118.9 |

Recommendation Tracker



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| 10 | Research Analyst or YSL has been engaged in market making activity for the subject company(ies) | No |

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Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.