

# Amber Enterprises India | BUY



## Scale up in mobility and electronics to reduce seasonality

Amber Enterprises' (Amber) 2QFY24 results were below estimates led largely by lower revenue in a seasonally weak qtr. Net sales grew by 24% YoY to INR9.3bn (JMFe: INR9.8bn), EBITDA grew 63%YoY to INR596mn (JMFe: INR665mn) with net loss at INR69mn (JMFe: (-) INR 24mn). EBITDA margin came in at 6.4% (+150bps; JMFe: 6.8%). While FY24 growth outlook for the RAC industry is subdued (<10%), channel inventories getting normalised improves outlook for 2H. Growth outlook for the mobility and electronics divisions remains robust (FY24E: 25-35%) with guidance of doubling their revenues by FY26 over FY24E base. Diversifications into components add to stability in the durables segment while greater thrust on the electronics and mobility segments should reduce earnings seasonality and aid growth. We estimate robust revenue/EPS CAGR of 19%/39% for Amber over FY23-26E. Maintain Buy with revised PT of INR 3,215 based on 30x Sept-25 EPS (30x FY25E EPS earlier).

- Consumer durables (RAC, components & motors) and Mobility segments perform well:** Consolidated net sales grew by 23.5% YoY to INR 9.3bn, with 35% YoY growth in the consumer durables segment to INR 5.5bn and 25.7%YoY growth in the mobility segment to INR1.3bn. Share of RAC finished goods stood at 40% of revenue. Electronics segment growth was muted at 3% YoY to INR2.5bn but is likely to pick-up materially going ahead.
- Margins continue to improve:** Gross margins improved to 22.3% vs 21.1% in 2QFY23 and 17.5% in 1QFY24 largely on account of lower RM costs and greater focus on components within the RAC segment leading to improved product mix. EBITDA margins stood at 6.4%, up 150ps YoY, backed by higher gross margins and operating leverage. Depreciation grew 42.2% YoY to INR 452mn on account of elevated Capex spends (FY24E: INR 3.5-3.8bn) and finance costs increased due to higher debt and increased borrowing costs. Net loss for the 2QFY24 stood at INR69mn.
- Strong growth guidance for Mobility and Electronics; NWC levels to normalise:** Revenue growth guidance for FY24 remains strong for Mobility/Electronics segments at 25%/35%. Amber has guided for doubling the revenue in both these segments by FY26 (on FY24 base) led by new product additions. The RAC segment remains subdued and is likely to grow at single digit in FY24. However, channel inventories have normalised and primary sales are expected to pick-up with the onset of the current festive season. Management however indicated a surplus capacity situation in the RAC industry over next 2-3 years. NWC was higher at 52 days in Sept-23 as against 39 days in Sept-22 due to unwinding of payables and liabilities and have been guided to normalise at 20-25 days by Mar-24.
- Maintain BUY; with revised TP of INR3,215:** We forecast sales/EPS CAGR of 19%/39% over FY23-26E, as we expect strong ramp up in the electronics and mobility segments leading to improved capacity utilisation and operating leverage. With earnings growth being a key driver, we expect ROE to improve to 16.3% by FY26E as compared to a modest 8.2% in FY23. The stock trades at 31.2x/22.3x FY25E/FY26E EPS. Maintain BUY with a revised TP of INR 3,215 as we roll forward to 30x Sept'25E EPS of INR 107 from 30x Mar'25 EPS earlier.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	42,064	69,271	78,399	96,285	115,821
Sales Growth (%)	38.8	64.7	13.2	22.8	20.3
EBITDA	2,754	4,180	5,275	6,756	8,374
EBITDA Margin (%)	6.5	6.0	6.7	7.0	7.2
Adjusted Net Profit	1,092	1,573	1,801	2,982	4,215
Diluted EPS (INR)	32.4	46.7	53.4	88.5	125.1
Diluted EPS Growth (%)	33.5	44.1	14.5	65.6	41.4
ROIC (%)	7.3	10.0	10.0	12.4	15.5
ROE (%)	6.5	8.6	9.0	13.3	16.3
P/E (x)	86.2	59.8	52.3	31.2	22.3
P/B (x)	5.4	4.9	4.5	3.9	3.4
EV/EBITDA (x)	35.5	24.2	19.7	15.2	11.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1

Source: Company data, JM Financial. Note: Valuations as of 23/Oct/2023

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,215
Upside/(Downside)	15.1%
Previous Price Target	2,600
Change	23.7%

### Key Data – AMBER IN

Current Market Price	INR2,794
Market cap (bn)	INR94.1/US\$1.1
Free Float	59.7%
Shares in issue (mn)	33.7
Diluted share (mn)	33.7
3-mon avg daily val (mn)	INR624.8/US\$7.5
52-week range	3,150/1,762
Sensex/Nifty	64,572/19,282
INR/US\$	83.2

### Price Performance

%	1M	6M	12M
Absolute	-5.8	50.3	32.0
Relative*	-3.7	39.8	22.3

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

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

**Exhibit 1. Quarterly performance- Consolidated**

Y/E March (INR mn)	2QFY23	2QFY24	YoY (%)	1QFY24	QoQ (%)	2QFY24E	Var (%)	1HFY23	1HFY24	YoY (%)
Net Sales	7,504	9,271	23.5	17,020	-45.5	9,755	-5.0	25,761	26,291	2.1
Expenditure	7,138	8,675	21.5	15,701	-44.7	9,090	-4.6	24,403	24,376	-0.1
<b>EBITDA</b>	<b>366</b>	<b>596</b>	<b>62.6</b>	<b>1,319</b>	<b>-54.8</b>	<b>665</b>	<b>-10.4</b>	<b>1,359</b>	<b>1,915</b>	<b>40.9</b>
<b>EBITDA (%)</b>	<b>4.9</b>	<b>6.4</b>	<b>150bps</b>	<b>7.8</b>	<b>-130bps</b>	<b>6.8</b>	<b>-40bps</b>	<b>5.3</b>	<b>7.3</b>	<b>200bps</b>
Other income	122	127	4.7	193	-34.0	150	-15.0	250	321	28.1
Depreciation	318	452	42.2	433	4.5	430	5.2	640	885	38.4
EBIT	170	271	59.4	1,079	-74.9	385	-29.7	969	1,350	39.3
Interest	244	366	50.1	453	-19.2	400	-8.6	454	818	80.1
PBT before Eol	-74	-95	28.7	627	-115.1	-15	NA	515	532	3.3
PBT	-74	-95	28.7	627	-115.1	-15	NA	515	532	3.3
Tax	-50	-38	-23.9	161	-123.8	-4	NA	109	123	12.0
Tax rate (%)	68.3	40.4		25.7		25.4	NA	21.2	23.0	8.4
<b>PAT</b>	<b>-23</b>	<b>-57</b>	<b>142.0</b>	<b>466</b>	<b>-112.1</b>	<b>-11</b>	<b>NA</b>	<b>406</b>	<b>410</b>	<b>1.0</b>
<b>EPS (Rs)</b>	<b>-0.7</b>	<b>-1.7</b>	<b>142.0</b>	<b>13.8</b>	<b>-112.1</b>	<b>-0.3</b>	<b>NA</b>	<b>12.0</b>	<b>12.2</b>	<b>1.0</b>
<b>Adj PAT</b>	<b>-30</b>	<b>-69</b>	<b>129.9</b>	<b>425</b>	<b>-116.3</b>	<b>-24</b>	<b>NA</b>	<b>391</b>	<b>387</b>	<b>-0.9</b>
<b>Adj EPS (Rs)</b>	<b>-0.9</b>	<b>-2.1</b>	<b>129.9</b>	<b>12.6</b>	<b>-116.3</b>	<b>-0.7</b>	<b>NA</b>	<b>11.6</b>	<b>11.5</b>	<b>-0.9</b>

Source: Company, JM Financial

**Exhibit 2. Cost break-up- Consolidated**

Y/E March (INR mn)	2QFY23	2QFY24	YoY (%)	1QFY24	QoQ (%)	2QFY24E	Var (%)	1HFY23	1HFY24	YoY (%)
COGS	5,924	7,206	21.6	14,047	-48.7	7,902	-8.8	21,559	21,252	-1.4
as a % of sales	78.9	77.7	-120bps	82.5	-480bps	81.0	-330bps	83.7	80.8	-290bps
Staff Cost	476	596	25.1	596	0.0	486	22.6	935	1,192	27.4
as a % of sales	6.3	6.4	10bps	3.5	290bps	5.0	140bps	3.6	4.5	90bps
Other Expenditure	737	873	18.5	1,058	-17.5	702	24.3	1,908	1,932	1.2
as a % of sales	9.8	9.4	-40bps	6.2	320bps	7.2	220bps	7.4	7.3	-10bps

Source: Company, JM Financial

**Exhibit 3. Segmental revenue-consolidated**

Y/E March (INR mn)	2QFY23	2QFY24	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)
Consumer Durable	4,052	5,470	35.0	13,320	-58.9	19,321	18,790	-2.7
as a % of sales	54.0	59.0		78.3		75.0	71.5	
Mobility	1,050	1,320	25.7	1,030	28.2	2,061	2,351	14.1
as a % of sales	14.0	14.2		6.1		8.0	8.9	
Electronics	2,401	2,480	3.3	2,670	-7.1	4,379	5,150	17.6
as a % of sales	32.0	26.8		15.7		17.0	19.6	
<b>Total</b>	<b>7,503</b>	<b>9,270</b>	<b>23.5</b>	<b>17,020</b>	<b>-45.5</b>	<b>25,761</b>	<b>26,291</b>	<b>2.1</b>

Source: Company, JM Financial

## Key conference call takeaways:

- **RAC industry** expected to grow in single digit: The company expects RAC industry to grow in single digit in FY24 given weak 1H with expected recovery in 3Q/4Q24. Amber to growth faster than the industry aided by its components strategy.
- **Consumer durable division** (including RACs and components) reported growth of 35% YoY to INR5.5bn largely led by RAC finished goods segment (40% of the revenue at INR3.7bn),
- **Mobility division** reported growth of 26% YoY to INR1.3bn with margins at 23.5% and Electronics division reported growth of just 3% to INR2.5bn given weak demand in the motor segments.
- **Net working capital and debt position:** Net debt as of 1H24 stood at INR9.6bn vs INR6.6bn in Sept'22 and company expects this to come down in the range of INR6.5-6.8bn by FY24. Working capital days for Sept'23 stood at 58 days vs 39 days last year due to settlement of creditors even as inventories were still to get liquidated. NWC expected to normalise by year end with channel inventories normalising.
- **To double revenue in electronics division by FY26 (FY24 guidance: +35%):** Amber anticipates to double the revenue base in the segment in the next 2-3 years with addition of new segments like hearables and wearables, telecom products and EV automobiles. Amber also targets to foray into defence and aerospace segments.
- **Expects to double revenue in mobility division by FY26 (FY24 guidance: +25%):** Caters to 4-5% of BOM for Rly passenger coaches. Signed ToT with a Taiwanese and a Canadian company for doors and gangways. This has increased capability to 10% of BOM and targets to reach to 25%-30% in coming years.
- **Margins:** The commentary on margins remained largely positive led by addition of new products/segments in the electronics and mobility divisions and push on component supplies in the consumer durables segment.
- **JV with Nexbase (Noise) for manufacturing smart wearables:** ILJin (70% stake) and Nexbase have partnered to form a 50:50 JV to undertake the manufacturing wearables & and other smart electronics products. JV to set up plant in Noida and is an exclusive tie-up. JV (not consolidated line by line) expects to do INR 10bn revenue in FY25
- **Capex:** Overall Capex for 1H24 stood at INR1.5bn and Amber plans to incur a total Capex in the range of INR3.5bn-3.8bn in FY24.

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	42,064	69,271	78,399	96,285	115,821	
Sales Growth	38.8%	64.7%	13.2%	22.8%	20.3%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>42,064</b>	<b>69,271</b>	<b>78,399</b>	<b>96,285</b>	<b>115,821</b>	
Cost of Goods Sold/Op. Exp	35,297	58,678	65,430	80,271	96,304	
Personnel Cost	1,500	2,116	2,520	2,999	3,615	
Other Expenses	2,514	4,298	5,174	6,258	7,528	
<b>EBITDA</b>	<b>2,754</b>	<b>4,180</b>	<b>5,275</b>	<b>6,756</b>	<b>8,374</b>	
EBITDA Margin	6.5%	6.0%	6.7%	7.0%	7.2%	
EBITDA Growth	24.9%	51.8%	26.2%	28.1%	23.9%	
Depn. & Amort.	1,079	1,391	1,827	1,998	2,122	
EBIT	1,674	2,789	3,448	4,759	6,252	
Other Income	332	527	619	669	702	
Finance Cost	464	1,118	1,549	1,396	1,301	
PBT before Excep. & Forex	1,542	2,197	2,518	4,031	5,653	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,542	2,197	2,518	4,031	5,653	
Taxes	429	559	640	1,024	1,436	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	21	65	78	98	122	
Reported Net Profit	1,092	1,573	1,801	2,910	4,095	
<b>Adjusted Net Profit</b>	<b>1,092</b>	<b>1,573</b>	<b>1,801</b>	<b>2,982</b>	<b>4,215</b>	
Net Margin	2.6%	2.3%	2.3%	3.1%	3.6%	
Diluted Share Cap. (mn)	33.7	33.7	33.7	33.7	33.7	
<b>Diluted EPS (INR)</b>	<b>32.4</b>	<b>46.7</b>	<b>53.4</b>	<b>88.5</b>	<b>125.1</b>	
Diluted EPS Growth	33.5%	44.1%	14.5%	65.6%	41.4%	
Total Dividend + Tax	0	0	0	0	126	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	3.8	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	1,543	2,197	2,518	4,031	5,653	
Depn. & Amort.	1,079	-391	1,827	1,998	2,122	
Net Interest Exp. / Inc. (-)	160	740	929	728	599	
Inc (-) / Dec in WCap.	-51	-582	-2,767	-1,470	-1,606	
Others	302	1,782	0	0	0	
Taxes Paid	-539	-539	-640	-1,024	-1,436	
<b>Operating Cash Flow</b>	<b>2,495</b>	<b>3,206</b>	<b>1,869</b>	<b>4,262</b>	<b>5,332</b>	
Capex	-4,077	-6,535	-3,500	-2,000	-2,000	
Free Cash Flow	-1,583	-3,329	-1,631	2,262	3,332	
Inc (-) / Dec in Investments	-2,907	1,647	0	0	0	
Others	0	0	0	0	0	
<b>Investing Cash Flow</b>	<b>-6,984</b>	<b>-4,888</b>	<b>-3,500</b>	<b>-2,000</b>	<b>-2,000</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-476	0	0	0	-126	
Inc / Dec (-) in Loans	6,031	1,928	-1,500	-1,500	-1,500	
Others	0	0	-929	-728	-599	
<b>Financing Cash Flow</b>	<b>5,555</b>	<b>1,928</b>	<b>-2,429</b>	<b>-2,228</b>	<b>-2,226</b>	
<b>Inc / Dec (-) in Cash</b>	<b>1,065</b>	<b>246</b>	<b>-4,061</b>	<b>35</b>	<b>1,106</b>	
Opening Cash Balance	4,561	2,986	5,594	1,534	1,568	
Closing Cash Balance	5,626	5,594	1,534	1,568	2,675	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	17,342	19,088	20,889	23,870	27,959	
Share Capital	337	337	337	337	337	
Reserves & Surplus	17,005	18,751	20,552	23,533	27,622	
Preference Share Capital	0	0	0	0	0	
Minority Interest	387	452	530	628	750	
Total Loans	10,318	13,437	11,937	10,437	8,937	
Def. Tax Liab. / Assets (-)	954	947	947	947	947	
<b>Total - Equity &amp; Liab.</b>	<b>29,002</b>	<b>33,925</b>	<b>34,303</b>	<b>35,883</b>	<b>38,593</b>	
Net Fixed Assets	16,334	22,719	24,392	24,394	24,272	
Gross Fixed Assets	19,294	27,720	31,220	33,220	35,220	
Intangible Assets	1,457	1,425	1,425	1,425	1,425	
Less: Depn. & Amort.	5,473	6,556	8,383	10,381	12,502	
Capital WIP	1,056	130	130	130	130	
Investments	2,254	1,934	1,934	2,006	2,126	
Current Assets	30,508	37,750	38,907	47,732	58,206	
Inventories	8,408	10,913	13,747	17,147	20,626	
Sundry Debtors	13,149	17,631	20,405	25,060	30,145	
Cash & Bank Balances	5,626	5,594	1,534	1,568	2,675	
Loans & Advances	1,567	1,136	746	1,481	2,284	
Other Current Assets	1,758	2,476	2,476	2,476	2,476	
Current Liab. & Prov.	20,095	28,478	30,930	38,250	46,011	
Current Liabilities	17,021	23,039	27,493	34,029	40,934	
Provisions & Others	3,074	5,439	3,437	4,221	5,077	
Net Current Assets	10,413	9,272	7,977	9,482	12,194	
<b>Total - Assets</b>	<b>29,002</b>	<b>33,925</b>	<b>34,303</b>	<b>35,883</b>	<b>38,593</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	2.6%	2.3%	2.3%	3.1%	3.6%	
Asset Turnover (x)	1.7	2.2	2.3	2.7	3.1	
Leverage Factor (x)	1.5	1.7	1.7	1.6	1.4	
RoE	6.5%	8.6%	9.0%	13.3%	16.3%	

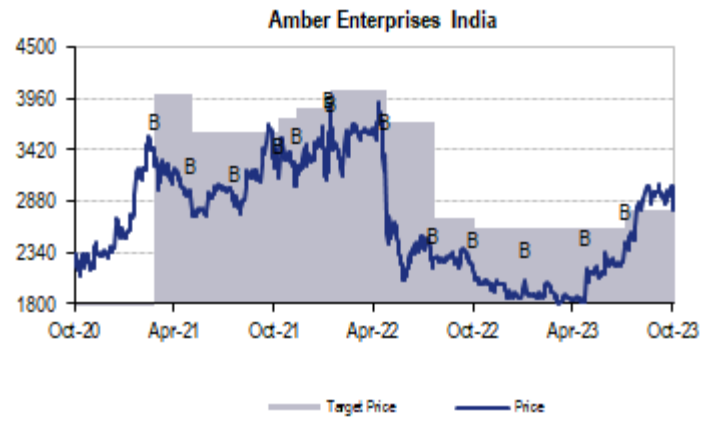
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	514.7	566.5	620.0	708.4	829.8	
ROIC	7.3%	10.0%	10.0%	12.4%	15.5%	
ROE	6.5%	8.6%	9.0%	13.3%	16.3%	
Net Debt/Equity (x)	0.1	0.3	0.4	0.3	0.1	
P/E (x)	86.2	59.8	52.3	31.2	22.3	
P/B (x)	5.4	4.9	4.5	3.9	3.4	
EV/EBITDA (x)	35.5	24.2	19.7	15.2	11.9	
EV/Sales (x)	2.3	1.5	1.3	1.1	0.9	
Debtor days	114	93	95	95	95	
Inventory days	73	58	64	65	65	
Creditor days	158	129	137	139	139	

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

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

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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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\* REITs refers to Real Estate Investment Trusts.

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