

July 28, 2024

RESULT REPORT Q1 FY25 | Sector: Consumer Durables

Amber Enterprises Ltd

Multiple levers for growth; upgrade to ADD

Result Synopsis

AMBER's Q1FY25 performance was in line with slight miss on the margin. Strong revenue growth was on back of favorable summer demand, while strategy of increasing mix of components resulted in EBITDA margin expansion. Expansion of product portfolio like Tower Air conditioners, Window Top Throw Inverter Series, Tropical high efficiency split air conditioners and Cassette Air Conditioners led to growth in RAC. On the electronics side diversification into new business of defense, aerospace Auto and consumer electronics has resulted in strong growth. Considering strong growth prospects and current order-book management has increased the revenue growth guidance upwards in the electronics division from 35% to 45%. Management is confident of strong revenue growth in medium term on huge import substitution opportunities and expectation of the component PLI scheme from the government. Our FY25 and FY26 revenue estimates have been upgraded by 2.3% and 4.7% respectively, with EBITDA estimates increasing in the similar proportion. We upgrade the stock to ADD with PT of Rs4,908 valuing it at 42X FY26 EPS. There are multiple levers for the growth and company has made significant investments in components and Railways which will drive future growth.

We believe AMBER's focus on enhancing its capabilities on the components side, its JV with Titagarh wagons for railways will bode well for the company. Further, acquisition of Ascent circuit will result in increased PCBA manufacturing for the electronics universe. We now estimate Amber's Revenue/EBITDA/PAT to grow at 25%/32%/68% CAGR over FY24-26E.

Result Highlights

- Quarter summary** – Amber delivered in line performance with the slight miss on the margin front. Revenue growth stood at 41% aided by favorable summer season coupled with new products and customer addition.
- Margins** – Gross margins and EBITDA margins have seen improvement of 30bps and 42bps respectively on yoy basis Gross margin at 17.8% has been higher both on yoy and sequential basis on better revenue mix.
- Guidance** – Management is guiding strong 25% revenue growth for the company on consolidated basis, while electronics segment is expected to now grow at 45% vs the earlier expectation of ~35%. Margins are expected to improve on better revenue mix.
- Return ratio** – The company expected return ratios to move higher and is expecting RoCE to improve by 300bps and in longer run it expects RoCE to move towards 19%.

Exhibit 1: Actual vs estimates

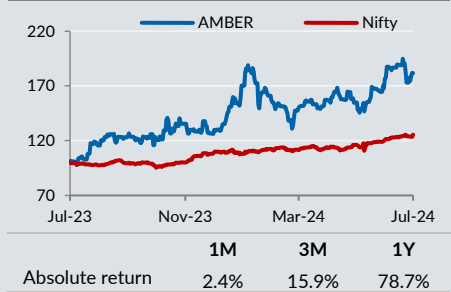
Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	24,013	23,742	22,240	1.1	8.8	Strong revenue growth has been on back of favorable summer season
EBITDA	1,962	2,023	1,730	-3.1	13.4	
EBITDA Margin (%)	8.2	8.5	7.7	-30 bps	50 bps	
Adjusted PAT	803	898	740	-10.6	8.5	

Reco	: ADD
CMP	: Rs 4,380
Target Price	: Rs 4,908
Potential Return	: +12.1%

Stock data (as on Jul 26, 2024)

Nifty	24835
52 Week h/l (Rs)	4888 / 2193
Market cap (Rs/USD mn)	147932 / 1767
Outstanding Shares (mn)	34
6m Avg t/o (Rs mn):	690
Div yield (%):	-
Bloomberg code:	AMBER IN
NSE code:	AMBER

Stock performance



Shareholding pattern (As of Mar'24 end)

Promoter	40.3%
FII+DII	41.8%
Others	17.9%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	4,908	4,388

Δ in earnings estimates

	FY25e	FY26e
EPS (New)	77.1	116.9
EPS (Old)	73.7	108.5
% change	4.6%	7.7%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	67,293	86,710	105,479
YoY Growth	-2.9	28.9	21.6
EBITDA	4919	6763	8544
YoY Growth	17.7	37.5	26.3
PAT	1418	2597	3938
YoY Growth	-13.4	83.1	51.6
ROE	7.1	11.8	15.6
EPS	42.1	77.1	116.9
P/E	104.1	56.8	37.5
BV	612.7	689.8	808.3
EV/EBITDA	32.6	24.2	19.1

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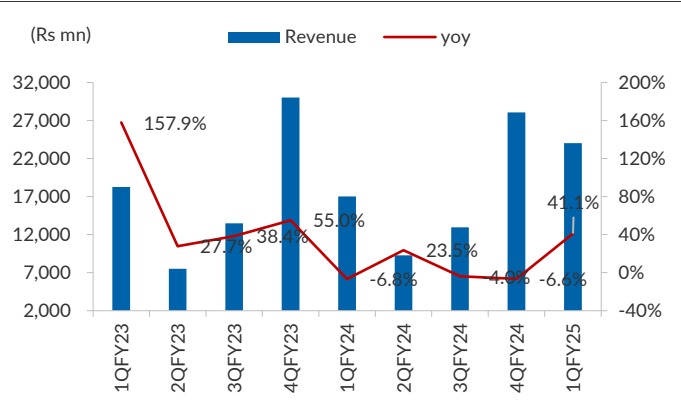
Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	y/y %	q/q %	FY24	FY23	y/y %
Sales	17,020	9,271	12,948	28,055	24,013	41.1	(14.4)	67,293	69,271	(2.9)
EBITDA	1319	596	785	2219	1962	48.7	(11.6)	4,919	4,180	17.7
EBITDA Margin %	7.8	6.4	6.1	7.9	8.2			7.3	6.0	
Depreciation	432.9	452.2	465.6	514.6	549.4	26.9	6.8	1,865	1,391	34.1
EBIT	886	143	319	1704	1412	59.3	(17.1)	3,054	2,789	9.5
EBIT Margin %	5.2	1.5	2.5	6.1	5.9			4.5	4.0	
Interest charges	453	366	369	483	518	14.5	7.3	1,670	1,118	49.3
Other Income	193.1	127.5	52.1	180.4	206.8	7.1	14.7	553	527	5.0
PBT	627	-95	3	1402	1101	75.6	(21.5)	1,937	2,197	(11.8)
Tax	161	-38	8	388	298	85.0	(23.3)	519	559	(7.2)
Effective Tax Rate (%)	25.7	40.4	283.7	27.7	27.0			26.8	25.4	
PAT	456	-69	-5	1014	803	76.0	(20.8)	1,396	1,573	(11.2)
PAT Margin %	2.7	-0.7	0.0	3.6	3.3			2.1	2.3	
EPS (Rs)	13.5	-2.1	-0.1	30.1	23.8	76.0	(20.8)	41	47	(11.2)

Source: Company, YES Sec

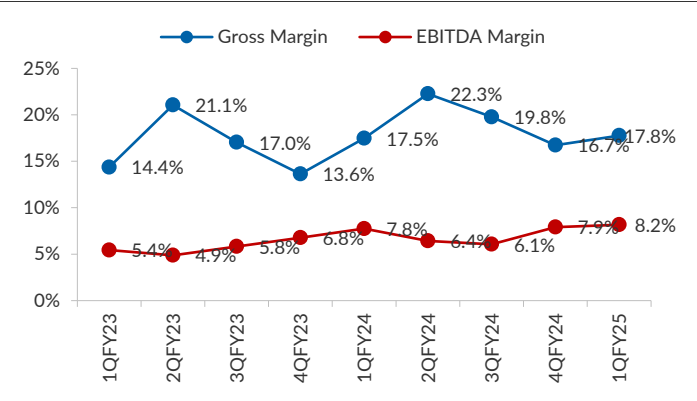
CHARTS

Exhibit 3: Favourable summer has resulted in strong revenue growth



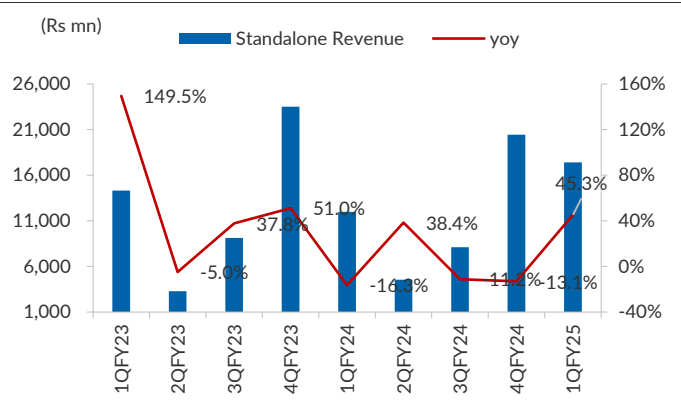
Source: Company, YES Sec

Exhibit 4: Gross margin continues to remain healthy



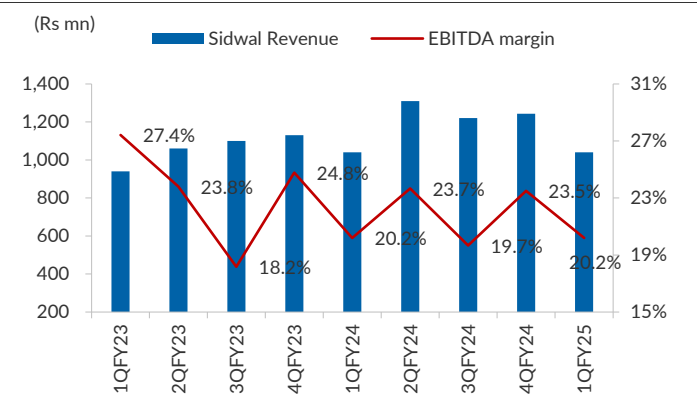
Source: Company, YES Sec

Exhibit 5: New product launches and addition of new customers has led to outperform industry



Source: Company, YES Sec

Exhibit 6: Delays in some of the metro and Vande Bharat project resulted in revenue decline



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **RAC industry** – RAC industry grew ~35% for 1HCY24, Amber grew 50% in its RAC division driven by new products like tower AC and window top throw inverter series. Industry volume should be 13-14mn units by 2024 end. RAC has now even started to penetrate in villages where RAC was not present
- **Industry inventory** – Industry inventory has been at the minimal level which will result in channel filling in Q2 and Q3
- **Electronics segment growth guidance revised upwards** – Considering strong performance of electronics segment the company has increased the revenue growth guidance in electronics segment from earlier 35% to 45%
- **Railways** – Railways revenue has impacted due to delay in Mumbai metro project and delay in 200 Vande Bharat express project due to change in coach composition.
- **Electronics margins** – Electronics margins have improved as the company has backward integrated into PCB with recent acquisition of Accent electronics which is high margin business and recent anti-dumping duty on PCB up to 6 layer has also helped and would result in faster growth going forward.
- **Accent revenue** - Accent revenue for Q1 stood at Rs310mn and operating EBITDA margin is ~18-20%. Current PCB market stands at Rs370bn and is expected to reach Rs800bn by FY30 of which still ~80 is imported, hence there is strong scope for import substitution.
- **Components PLI scheme**– The company is expecting components PLI scheme post which company will expand its electronics components manufacturing post the PLI scheme for components
- **Going forward** – The company expects Q3 to be much better as inventory filling by channel will start as current channel inventory is at minimal level
- **Sidwal** – The company expects flattish revenue for Sidwal as some of the projects have got delayed and will be spilled over to the next financial year. Order book for Sidwal stands at Rs2.1bn units
- **Working Capital** – NWC stood at 14 days vs 35 days in 1QFY24
- **Exports** – Amber has received development orders for train HVAC in US and Europe, post which there will be firm orders
- **RAC rating table change** – New RAC BEE rating will be implemented from 1st Jan 2026. This may impact inventory filling in Q3FY26 and not in current year
- **Net debt** – Net Debt at the end of Q1 stood at Rs9.25bn

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Exhibit 7: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	337	337	337	337	337
Reserves	17,005	18,751	20,307	22,903	26,899
Net worth	17,342	19,088	20,644	23,240	27,236
Debt	10,318	13,437	14,332	15,864	14,864
Deferred tax liab (net)	983	978	1,378	1,378	1,378
Other non current liabilities	1,197	2,114	4,383	4,378	4,413
Total liabilities	29,841	35,617	40,736	44,860	47,890
Fixed Asset	15,441	20,994	27,493	30,205	31,939
Investments	2,259	1,939	2,178	2,178	2,178
Other Non-current Assets	2,942	3,052	3,771	4,260	4,693
Net Working Capital	6,213	6,400	5,976	8,774	9,505
Inventories	8,408	10,913	8,408	12,258	14,912
Sundry debtors	13,149	17,631	15,693	21,143	25,719
Loans and Advances	18	19	22	29	35
Sundry creditors	17,021	23,039	21,671	27,668	33,657
Other current liabilities	2,228	3,719	3,430	4,364	5,269
Cash & equivalents	2,986	3,232	1,319	(556)	(466)
Total Assets	29,841	35,617	40,736	44,860	47,849

Source: Company, YES Sec

Exhibit 8: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	42,064	69,271	67,293	86,710	105,479
Operating profit	2,754	4,179	4,919	6,763	8,544
Depreciation	1,079	1,391	1,865	2,128	2,352
Interest expense	464	1,118	1,670	1,848	1,635
Other income	332	527	553	683	705
Profit before tax	1,543	2,197	1,937	3,470	5,262
Taxes	429	559	519	873	1,324
Minorities and other	-	-	-	-	-
Adj. profit	1,113	1,638	1,418	2,597	3,938
Exceptional items	-	-	-	-	-
Net profit	1,113	1,638	1,418	2,597	3,938

Source: Company, YES Sec

Exhibit 9: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	2,007	3,315	3,607	5,318	6,897
Depreciation	1,079	1,391	1,865	2,128	2,352
Tax paid	(429)	(559)	(519)	(873)	(1,324)
Working capital Δ	(973)	(187)	424	(2,798)	(731)
Other operating items					
Operating cashflow	1,684	3,960	5,377	3,776	7,193
Capital expenditure	(4,643)	(6,944)	(8,365)	(4,840)	(4,086)
Free cash flow	(2,959)	(2,984)	(2,988)	(1,064)	3,107
Equity raised	112	108	138	0	58
Investments	(1,703)	320	(239)	-	-
Debt financing/disposal	6,824	3,119	895	1,531	(1,000)
Interest paid	(464)	(1,118)	(1,670)	(1,848)	(1,635)
Dividends paid	-	-	-	-	-
Net Δ in cash	1,115	246	(1,913)	(1,875)	90

Source: Company, YES Sec

Exhibit 10: Du-pont analysis

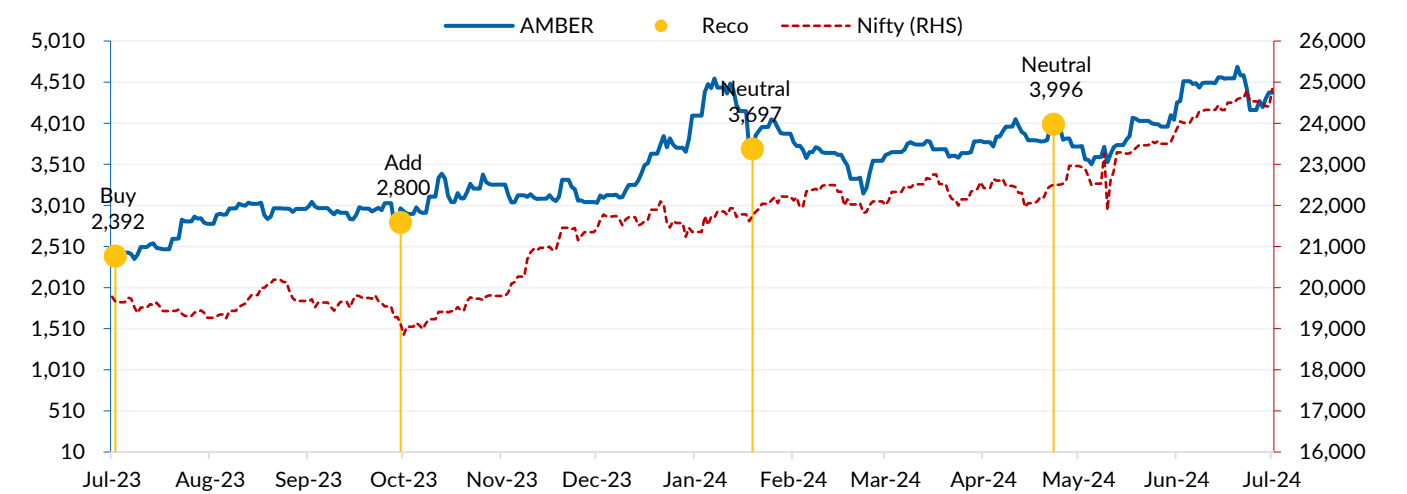
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.72	0.75	0.73	0.75	0.75
Interest burden (x)	0.77	0.66	0.54	0.65	0.76
EBIT margin (x)	0.05	0.05	0.05	0.06	0.07
Asset turnover (x)	0.99	1.24	1.05	1.21	1.29
Financial leverage (x)	2.54	3.06	3.23	3.26	3.25
RoE (%)	6.7	9.0	7.1	11.8	15.6

Exhibit 11: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	38.8	64.7	(2.9)	28.9	21.6
Op profit growth	25.0	51.8	17.7	37.5	26.3
EBIT growth	24.6	65.2	8.8	47.5	29.7
Net profit growth	36.5	47.1	(13.4)	83.1	51.6
Profitability ratios (%)					
OPM	6.5	6.0	7.3	7.8	8.1
EBIT margin	4.8	4.8	5.4	6.1	6.5
Net profit margin	2.6	2.4	2.1	3.0	3.7
RoCE	8.5	11.0	10.7	14.4	17.0
RoNW	6.7	9.0	7.1	11.8	15.6

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoA	2.6	2.9	2.2	3.6	4.8
Per share ratios					
EPS	33.0	48.6	42.1	77.1	116.9
Dividend per share	-	-	-	-	-
Cash EPS	65.1	89.9	97.4	140.2	186.7
Book value per share	514.7	566.5	612.7	689.8	808.3
Valuation ratios					
P/E	132.6	90.1	104.1	56.8	37.5
P/CEPS	67.3	48.7	45.3	31.2	23.5
P/B	8.5	7.7	7.1	6.4	5.4
EV/EBIDTA	56.3	37.8	32.6	24.2	19.1
Payout (%)					
Dividend payout	-	-	-	-	-
Tax payout	27.8	25.4	26.8	25.2	25.2
Liquidity ratios					
Debtor days	114.1	92.9	85.1	89.0	89.0
Inventory days	73.0	57.5	45.6	51.6	51.6
Creditor days	147.7	121.4	117.5	116.5	116.5

Recommendation Tracker



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9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
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Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL 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

Analyst signature

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL 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). YSIL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSIL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSIL 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 YSIL by SEBI/Stock Exchanges.