

HOLD
 TP: Rs 4,200 | ▼ 4%

AMBER ENTERPRISES

Consumer Durables

27 July 2024

Strong quarter; margin expansion sustainable

- Q1 sees 41% YoY topline growth and 140bps EBITDA margin expansion from improved product mix
- Extreme summer fuels 45% surge in consumer durables and 46% rise in electronics through strong RAC demand
- We raise FY25/FY26 EPS estimates by 6%/5%. We roll over valuation to Jun'26E and raise TP to Rs 4,200. Upgrade to HOLD

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Strong quarter: AMBER's topline grew by 41% YoY to Rs 24bn in Q1FY25, driven by the nationwide heatwave and strong performance in the Consumer Durables segment. EBITDA surged to Rs 2.2bn, with margins expanding by 140bps due to a shift towards more margin-accretive products. Operating margin improved by 170bps to 6.9%, likely as a result of a favourable change in the product mix and increased contributions from components. APAT stood at Rs 747mn.

Strong growth in Consumer Durables and Electronics; mobility declines: AMBER's business segments showcased strong performance across the board. Consumer Durables segment did well, driven by a notable increase in room air conditioner (RAC) components, which benefited from the heatwave across the country, resulting in 46% YoY growth and revenues of Rs 19.4bn. The Electronics division's revenue grew 45% YoY to Rs 3.8bn, supported by robust growth in PCBA and PCB segments. However, Mobility division faced challenges, falling 9% to Rs 950mn due to project delays that impacted its performance during the quarter.

JVs and strategic partnerships to boost growth: The joint venture for washing machine Resojet is strengthening the company's position in consumer durables, with mass production set to begin in the second half of the year. Four customers have been onboarded, and trials are underway, with full production expected by Q3. The Electronics division also gained credibility through the acquisition of Ascent Circuits and an MoU with Courier Circuits, enhancing its capability to produce various PCBs and substrates. AMBER increased its stake in ILJIN from 70% to 90.2% this quarter.

Upgrade to HOLD: Following AMBER's strong Q1 performance and management's optimistic outlook on a robust order book and improved EBITDA margin, we raise our EPS estimates for FY25/FY26 by 6%/5%. Valuing the stock at a P/E of 31x (from 29x), a 20% discount to its 5Y average, we roll forward valuations to Jun'26 and raise our TP to Rs 4,200 from Rs 3,500. Upgrade to HOLD.

Key changes

Target	Rating
▲	▲

Ticker/Price	AMBER IN/Rs 4,380
Market cap	US\$ 1.8bn
Free float	60%
3M ADV	US\$ 8.7mn
52wk high/low	Rs 4,888/Rs 2,337
Promoter/FPI/DII	40%/24%/14%

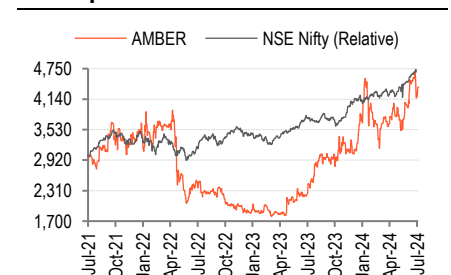
Source: NSE | Price as of 26 Jul 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	67,293	87,837	122,769
EBITDA (Rs mn)	4,919	6,360	8,900
Adj. net profit (Rs mn)	1,329	2,342	4,204
Adj. EPS (Rs)	39.4	69.5	124.8
Consensus EPS (Rs)	39.4	74.0	120.0
Adj. ROAE (%)	6.7	10.8	16.9
Adj. P/E (x)	111.1	63.0	35.1
EV/EBITDA (x)	30.0	23.2	16.6
Adj. EPS growth (%)	(15.5)	76.3	79.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Revenue	24,013	17,020	41.1	28,055	(14.4)
EBITDA	2,208	1,319	67.3	2,219	(0.5)
EBITDA Margin (%)	9.2	7.8	140bps	7.9	130bps
Depreciation	549	433	-	515	-
Interest	764	453	-	483	-
Other Income	207	193	-	180	-
PBT	1,101	627	75.6	1,402	(21.5)
Tax	298	161	-	388	-
Adjusted PAT	747	456	63.7	990	(24.6)
Exceptional item	-	-	-	0	-
Reported PAT	747	456	63.7	990	(24.6)
Adj. PAT Margin (%)	3.1	2.7	40bps	3.5	(40bps)
EPS (Rs)	23.8	13.8	72.3	30.1	(20.8)

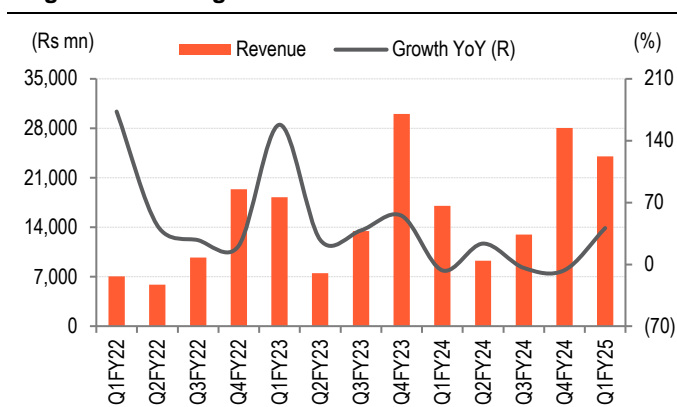
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Revenue									
Mobility	950	1,050	1,100	1,130	1,040	1,320	1,220	1,226	950
Growth YoY (%)	428	110	75	38	9	26	11	9	(9)
Electronics	2,080	2,410	2,610	4,150	2,670	2,480	2,410	4,838	3,882
Growth YoY (%)	478	503	226	69	28	3	(8)	17	45
Consumer Durables	15,230	4,040	10,970	24,760	13,310	5,470	9,320	22,318	19,437
Growth YoY (%)	133	(19)	34	54	(13)	35	(15)	(10)	46
EBIT									
Mobility	260	250	200	280	210	310	240	222	205
EBIT Margin (%)	27.4	23.8	18.2	24.8	20.2	23.5	19.7	18.1	21.6
Electronics	90	80	130	210	110	130	120	335	310
EBIT Margin (%)	4.3	3.3	5.0	5.1	4.1	5.2	5.0	6.9	8.0
Consumer Durables	960	170	550	1,560	1,060	210	460	1,657	1,447
EBIT Margin (%)	6.3	4.2	5.0	6.3	8.0	3.8	4.9	7.4	7.4

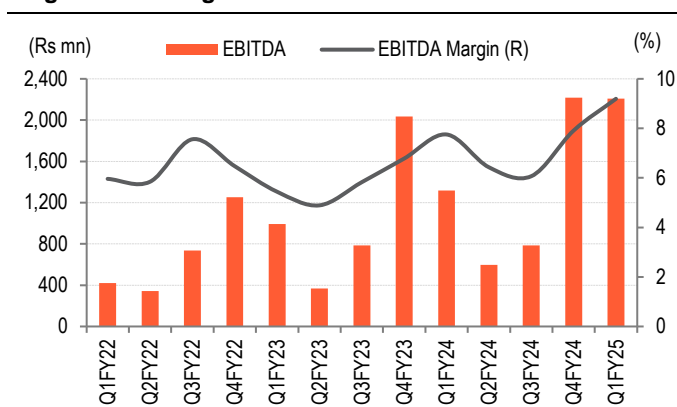
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



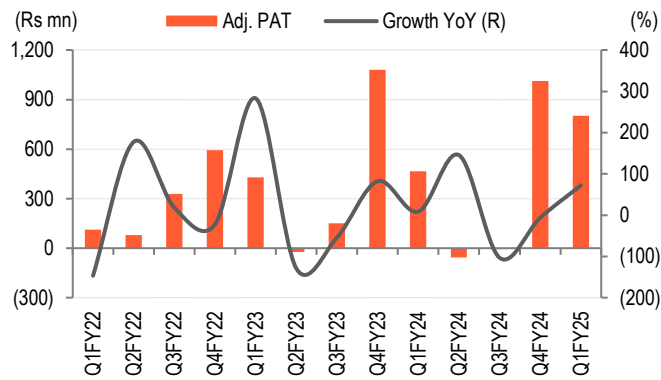
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



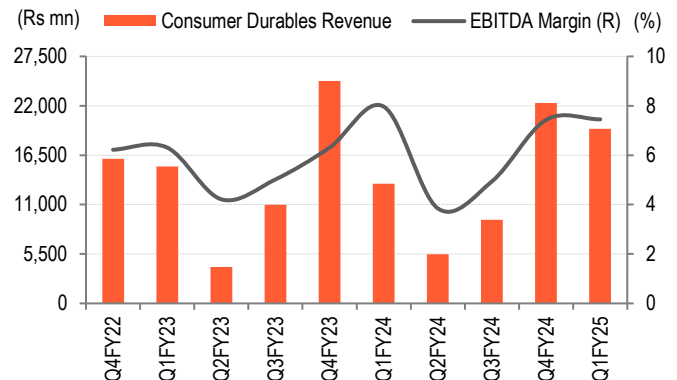
Source: Company, BOBCAPS Research

Fig 5 – PAT trend



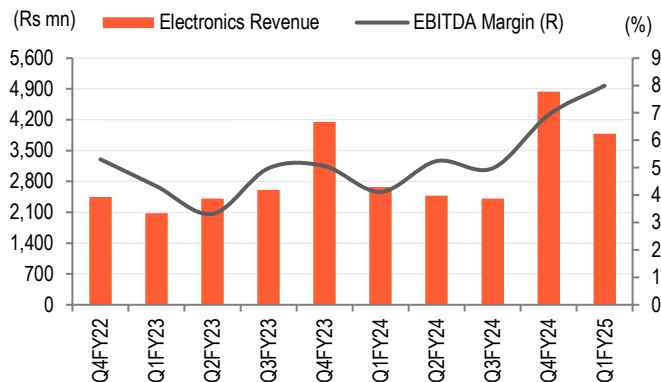
Source: Company, BOBCAPS Research

Fig 6 – Consumer durables business growth



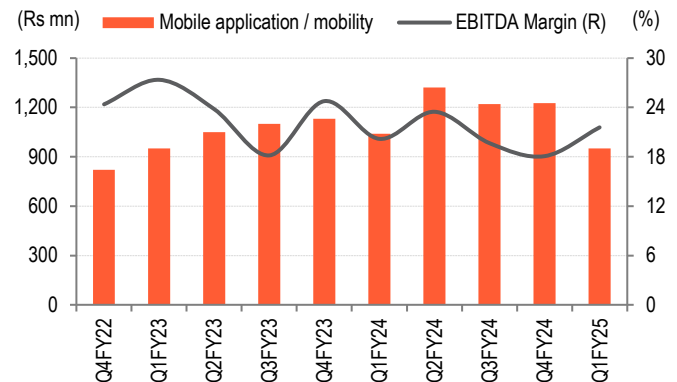
Source: Company, BOBCAPS Research

Fig 7 – Electronics business growth



Source: Company, BOBCAPS Research

Fig 8 – Mobile application / mobility growth



Source: Company, BOBCAPS Research

Earnings call highlights

Consumer Durables

- Product line:** The Consumer Durables division is organised into three main verticals. The first vertical focuses on room air conditioners and their components. The second vertical covers non-room air conditioner components, including those for telecom, smart metres, IT servers, refrigerators, microwaves, washing machines, water purifiers, and automobiles. The third vertical features washing machines, specifically fully automatic front-load and top-load models, which is a recent addition to the product line.
- Air conditioning industry sees record growth:** Due to extreme summer conditions this year, the air conditioning industry has seen unprecedented demand, with growth exceeding 35% in the first half of the year. Driven by favourable weather and strong secondary sales, the RAC business achieved 50% growth, while the non-RAC components vertical grew by 39%. Consequently, the division realised an overall blended growth rate of 44%.
- Growth drivers:** The major drivers behind this growth included unprecedented industry expansion, the acquisition of new customers, increased wallet share from

existing customers, and the diversification of the business into sectors beyond consumer durables.

- **New products:** The company expanded its product portfolio by introducing new offerings during the quarter and became India's first B2B player to provide Odium solutions in products such as tower air conditioners, Window Top Throw Inverter series, tropical high-efficiency split air conditioners, and cassette air conditioners. The company's continuous R&D efforts give it a competitive edge in delivering first-to-market solutions, and it will continue to pursue this strategy while further diversifying beyond air conditioners.
- **JV boosts consumer durables; mass production set for Q3:** The joint venture for washing machine Resojet is further strengthening the company's position in the consumer durables sector. The company is on track to meet its guidance, with mass production expected to begin in the second half of the year. Four customers have already been onboarded, and trials are underway, with mass production anticipated to start by the third quarter.
- **Industry guidance:** According to management, the industry experienced a growth rate of 35% to 36% in the first half of the year. Given that around 10mn air conditioners were sold last year, if this growth rate persists, the industry is projected to reach about 13mn to 14mn units in sales by the end of the fourth quarter.

Electronics

- **Quarter gone by:** AMBER's strategic acquisitions drove 45% revenue growth during the quarter. The division's EBITDA improved significantly, rising from approximately 3% in 2018 to 7.7% in Q1FY25. The company is confident that EBITDA will reach between 7.75% and 8% by the end of the year.
- **Printed Circuit Board Assembly segment:** In the PCBA segment, the company's journey, which began with adapting to the shift from fixed-speed to inverter air conditioners, has now expanded to offer solutions across various sectors, including appliances, consumer electronics, wearables, telecom, smart metres, and automobiles. The company also announced receipt of its first purchase order for defence products within these segments.
- **Printed Circuit Board market share:** Currently, the company holds a market share of about 26% to 27% in the PCB board sector and is successfully maintaining this position.
- **Expanding capabilities with strategic partnerships:** The division has gained further credibility with the inclusion of PCBs through the acquisition of Ascent Circuits and an MoU with Courier Circuits. These partnerships have enabled AMBER to manufacture single-sided, double-sided, multi-layer RFPCBs, flex HDI, and semiconductor substrates. The acquisitions and MoU have broadened the company's capabilities, allowing it to serve prominent customers in automotive components, telecom, consumer electronics (domestic and multinational), defence, medical, energy solutions, and aerospace.
- **Raises stake in ILJIN:** In this quarter, the company increased its stake in ILJIN from 70% to 90.2%.

- **Guidance enhanced:** Given the current order book, the earlier revenue growth guidance for the EMS division has been revised from 35% to over 45%.

Railway Subsystem and defence

- **Project delays impact division performance:** This division faced a sluggish quarter primarily due to several project delays. The Bengaluru Metro project is delayed by about nine months, while the Mumbai Metro project is behind schedule due to a shortage of subsystems from rolling stock companies. The 200 Vande Bharat Express project is delayed by eight to nine months due to changes in the coach composition from 16 to 24 per train.
- **Production delays and material lifting issues:** Recent announcements by the Railways Ministry to shift focus to non-AC coaches this year have further delayed the production of coaches. This shift also impacted the lifting of materials from the company's factories, contributing to the division's performance challenges.
- **Strengthened order book and future outlook:** Despite the delays, the company enhanced its order book by winning additional contracts, increasing visibility to around Rs 20.8bn. The company maintains its earlier guidance of doubling the division's revenue within the next three years.
- **Company finalises location for Yujin India JV; product trials set to begin in Q4:** The company announced that it has shortlisted the location for Yujin India, its recent joint venture with South Korea's Yujin Machinery, focused on couplers, gears, and pantographs. Orders for the plant and machinery have already been placed. Product trials under this joint venture are expected to commence in India by the fourth quarter of this fiscal year.

Other highlights

- **Sidwal facility construction and product trials:** The construction of the new greenfield facility at Sidwal is progressing rapidly, with trials for new product categories, including doors and gangways, expected to start in the first quarter of next year. Mass production is projected to begin by the fourth quarter of the next financial year.
- **Developmental order and global expansion:** After four years, the company is nearing the final stage of securing a developmental order for air conditioners from US and European rolling stock companies. The development process is expected to take 2.5 years, after which global opportunities for Sidwal are anticipated to expand.
- **Defence segment growth and strategic acquisitions:** The defence segment is gaining momentum, with a stronger order book and expansion of product offerings. Strategic acquisitions across various business divisions have bolstered the company's market position and its ability to offer comprehensive solutions. Leveraging government initiatives like Make in India and Atmanirbhar Bharat, the company is focused on reducing import reliance and capitalising on emerging market opportunities.
- **Pricing actions:** No pricing actions have been taken as of this quarter, and management does not see any further product price hikes.

Valuation methodology

Following AMBER's strong Q1 performance and management's optimistic outlook on a robust order book and improved EBITDA margin, we have increased our FY25/FY26 EPS estimates by 6%/5%. Valuing the stock at a P/E of 31x (from 29x), which is a 20% discount to its 5-year average, and adjusting valuations to Jun'26, we have raised our TP to Rs 4,200 from Rs 3,500. Consequently, we upgrade our recommendation to HOLD from SELL.

Fig 9 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	87,837	122,769	153,176	87,801	122,722	NA	0.0	0.0	NA
EBITDA	6,360	8,900	10,905	6,180	8,650	NA	2.9	2.9	NA
PAT	2,342	4,204	5,594	2,208	4,017	NA	6.1	4.6	NA
EPS (Rs)	69.5	124.8	166.0	65.5	119.2	NA	6.1	4.6	NA
EBITDA Margin (%)	7.2	7.2	7.1	7.0	7.0	NA	20bps	20bps	NA

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- Better-than-expected margins resulting from changed product mix, and
- better-than-anticipated growth in newer verticals.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Total revenue	69,271	67,293	87,837	122,769	153,176
EBITDA	4,179	4,919	6,360	8,900	10,905
Depreciation	1,391	1,865	2,181	2,343	2,305
EBIT	2,788	3,054	4,178	6,556	8,600
Net interest inc./(exp.)	(1,118)	(1,670)	(1,624)	(1,647)	(1,993)
Other inc./(exp.)	527	553	664	796	956
Exceptional items	0	0	0	0	0
EBT	2,197	1,937	3,218	5,706	7,563
Income taxes	559	519	810	1,436	1,904
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	(23)	0	0	0
Reported net profit	1,572	1,329	2,342	4,204	5,594
Adjustments	0	0	0	0	0
Adjusted net profit	1,572	1,329	2,342	4,204	5,594

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Accounts payables	23,039	21,671	35,616	49,780	62,110
Other current liabilities	3,778	3,525	4,726	6,605	8,241
Provisions	0	0	0	0	0
Debt funds	13,437	14,332	12,494	16,469	19,929
Other liabilities	3,091	5,761	7,361	10,082	12,451
Equity capital	337	337	337	337	337
Reserves & surplus	18,751	20,307	22,548	26,651	32,143
Shareholders' fund	19,088	20,644	22,885	26,987	32,480
Total liab. and equities	62,433	65,932	83,082	109,924	135,211
Cash and cash eq.	5,594	6,913	12,687	24,960	35,508
Accounts receivables	17,631	15,693	21,420	29,284	36,945
Inventories	10,913	8,408	12,407	16,340	21,011
Other current assets	4,227	2,531	3,304	4,617	5,761
Investments	0	0	0	0	0
Net fixed assets	17,891	20,919	20,738	20,395	20,090
CWIP	130	243	318	444	554
Intangible assets	4,698	7,997	7,997	7,997	7,997
Deferred tax assets, net	0	0	0	0	0
Other assets	1,350	3,226	4,210	5,885	7,342
Total assets	62,433	65,931	83,081	109,923	135,210

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Cash flow from operations	3,206	9,648	9,171	9,479	8,388
Capital expenditures	(6,535)	(3,977)	(2,000)	(2,000)	(2,000)
Change in investments	1,337	(2,625)	0	0	0
Other investing cash flows	310	(3,743)	541	921	801
Cash flow from investing	(4,888)	(10,345)	(1,459)	(1,079)	(1,199)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	3,025	352	(1,838)	3,975	3,460
Interest expenses	0	0	0	0	0
Dividends paid	(1,097)	(1,567)	(101)	(101)	(101)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	1,928	(1,216)	(1,939)	3,874	3,359
Chg in cash & cash eq.	246	(1,913)	5,774	12,273	10,548
Closing cash & cash eq.	5,594	6,913	12,687	24,960	35,508

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
Reported EPS	46.7	39.4	69.5	124.8	166.0
Adjusted EPS	46.7	39.4	69.5	124.8	166.0
Dividend per share	0.0	0.0	3.0	3.0	3.0
Book value per share	566.5	612.7	679.2	801.0	964.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
EV/Sales	2.1	2.2	1.7	1.2	1.0
EV/EBITDA	35.3	30.0	23.2	16.6	13.5
Adjusted P/E	93.9	111.1	63.0	35.1	26.4
P/BV	7.7	7.1	6.4	5.5	4.5

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	71.6	68.6	72.8	73.7	74.0
Interest burden (PBT/EBIT)	78.8	63.4	77.0	87.0	87.9
EBIT margin (EBIT/Revenue)	4.0	4.5	4.8	5.3	5.6
Asset turnover (Rev./Avg TA)	3.9	3.2	4.2	6.0	7.6
Leverage (Avg TA/Avg Equity)	1.0	1.1	1.0	0.8	0.7
Adjusted ROAE	8.6	6.7	10.8	16.9	18.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	64.7	(2.9)	30.5	39.8	24.8
EBITDA	51.8	17.7	29.3	39.9	22.5
Adjusted EPS	44.0	(15.5)	76.3	79.5	33.1
Profitability & Return ratios (%)					
EBITDA margin	6.0	7.3	7.2	7.2	7.1
EBIT margin	4.0	4.5	4.8	5.3	5.6
Adjusted profit margin	2.3	2.0	2.7	3.4	3.7
Adjusted ROAE	8.6	6.7	10.8	16.9	18.8
ROCE	7.9	7.5	10.0	13.6	14.6
Working capital days (days)					
Receivables	93	85	89	87	88
Inventory	58	46	52	49	50
Payables	121	118	148	148	148
Ratios (x)					
Gross asset turnover	3.6	2.6	3.0	3.9	4.6
Current ratio	1.1	1.0	1.0	1.1	1.1
Net interest coverage ratio	2.5	1.8	2.6	4.0	4.3
Adjusted debt/equity	0.7	0.7	0.5	0.6	0.6

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

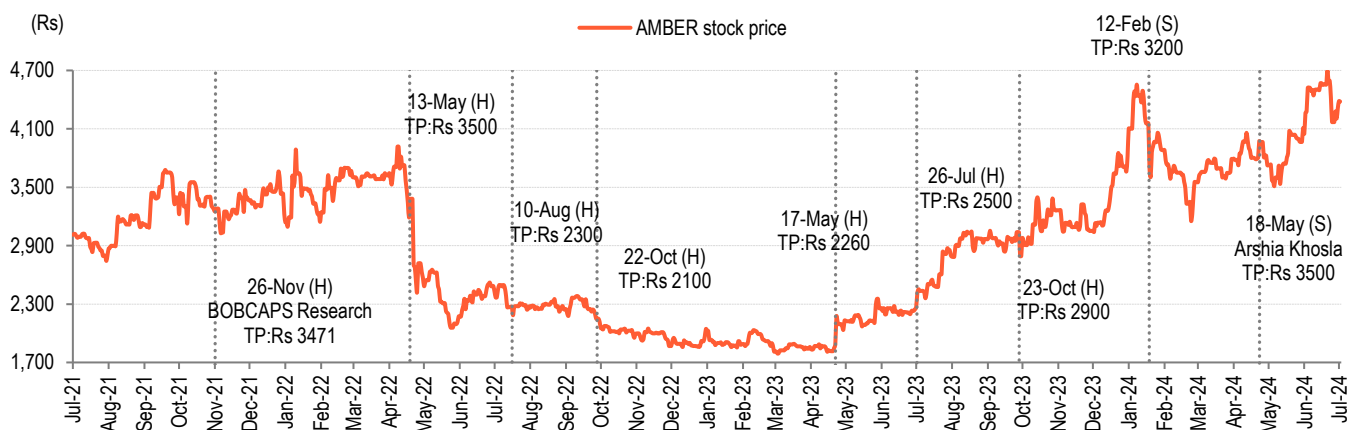
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): AMBER ENTERPRISES (AMBER IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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