

HOLD

TP: Rs 6,100 | ▼ 5%

AMBER ENTERPRISES

Consumer Durables

24 October 2024

Healthy growth to continue

- Q2 achieved 82% YoY topline growth with 30bps EBITDAM expansion, although gains were tempered by the shift in product mix
- The consumer durables segment surged 98% YoY to Rs 10.8bn, driven by prolonged summers and channel filling
- We maintain estimates for FY25 and raise FY26/FY27 by 4% each. We now value AMBER at 40x; upon rollover TP is Rs 6,100

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Topline surges; margins set to improve: AMBER's topline grew 82% YoY in Q2FY25 to Rs 16.9bn, surpassing our expectations. This robust performance was fueled primarily by the doubling of revenue in the CD and EMS segments. EBITDA margin expanded by 30bps to 6.8%, though gains were somewhat limited by a shift in the product mix towards finished goods. We expect improved operating leverage and a more premium product mix to further strengthen margin performance. PAT turned around significantly to Rs 192mn, from a net loss of Rs 69mn in Q2FY24.

Strong growth in consumer durables: AMBER delivered strong performance across its business segments in Q2FY25. The CD segment surged 98% YoY to Rs 10.8bn, driven by prolonged summers and channel filling, with RAC and non-RAC components growing 104% and 68%, respectively. Margins expanded by 110bps to 4.9%, and with lower channel inventories management expects further growth in Q3/Q4FY25. Over the next five years, the CD division's growth will be supported by increasing RAC volumes, new client additions in tower AC, cassette AC, and commercial AC, export opportunities, and diversification into the washing machine market.

Electronics surge; Mobility faces delays: AMBER's Electronics revenue nearly doubled to Rs 4.9bn in Q2FY25, with EBIT margin rising by 250bps to 7.7%, driven by new customer additions in Consumer Electronics. The Ascent Circuit plant expansion and Korea Circuit JV will strengthen its bare PCB offerings, while management maintains a 45% YoY revenue growth forecast for Electronics for FY25. The Mobility division saw a 6% revenue decline due to project delays in the Mumbai Metro and Vande Bharat projects, although a strong Rs 20.8bn order book positions the company for revenue growth in the coming years.

Maintain HOLD: Post AMBER's strong Q2 performance and management's positive outlook, supported by a robust order book and improved EBITDA margin, we maintain our estimates for FY25 EPS and raise them for FY26/FY27 by 4% each. We value AMBER at a P/E of 40x (vs 31x), in line with its 5Y average, and roll forward our valuations to Sep'26 and raise our TP to Rs 6,100 (from Rs 4,200).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AMBER IN/Rs 6,408
Market cap	US\$ 2.6bn
Free float	60%
3M ADV	US\$ 31.1mn
52wk high/low	Rs 6,788/Rs 2,721
Promoter/FPI/DII	40%/24%/14%

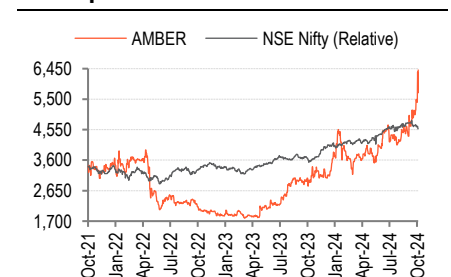
Source: NSE | Price as of 23 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	67,293	87,835	121,087
EBITDA (Rs mn)	4,919	6,359	9,100
Adj. net profit (Rs mn)	1,329	2,342	4,368
Adj. EPS (Rs)	39.4	69.5	129.6
Consensus EPS (Rs)	39.4	74.0	130.0
Adj. ROAE (%)	6.7	10.8	17.5
Adj. P/E (x)	162.5	92.2	49.4
EV/EBITDA (x)	43.9	34.0	23.7
Adj. EPS growth (%)	(15.5)	76.2	86.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)	Bob Cap Est. Q2FY25E	Variance (%)
Revenue	16,847	9,271	81.7	24,013	(29.8)	40,860	26,291	55.4	11,588	45.4
EBITDA	1,137	596	90.9	1,962	(42.0)	3,099	1,915	61.8	789	44.2
EBITDA Margin (%)	6.8	6.4	30bps	8.2	(140bps)	8	7	30bps	6.8	(0.8)
Depreciation	566	452		549		1,116	885			
Interest	486	366		518		1,005	818			
Other Income	178	127		207		385	321			
PBT	263	(95)	N/M	1,101	N/M	1,364	532	156.3		
Tax	26	(38)		298		324	123			
Adjusted PAT	192	(69)	N/M	724	N/M	916	387	136.8	(22)	N/M
Exceptional item	-	-		0		0	0			
Reported PAT	192	(69)	N/M	724	N/M	916	387	136.8		
Adj. PAT Margin (%)	1.1	(0.7)	N/M	3.0	N/M	2	1	80bps		
EPS (Rs)	7.0	(1.7)	N/M	23.8	N/M	31	12	153.8		

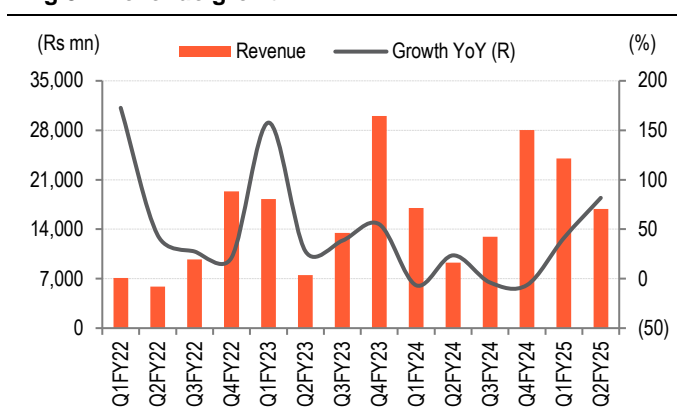
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Revenue										
Mobility	950	1,050	1,100	1,130	1,040	1,320	1,220	1,226	950	1,236
Growth YoY (%)	427.8	110.0	74.6	37.8	9.5	25.7	10.9	8.5	(8.7)	(6.3)
Electronics	2,080	2,410	2,610	4,150	2,670	2,480	2,410	4,838	3,882	4,923
Growth YoY (%)	477.8	502.5	226.3	69.4	28.4	2.9	(7.7)	16.6	45.4	98.5
Consumer Durables	15,230	4,040	10,970	24,760	13,310	5,470	9,320	22,318	19,437	10,848
Growth YoY (%)	132.9	(18.8)	33.9	53.9	(12.6)	35.4	(15.0)	(9.9)	46.0	98.3
EBIT										
Mobility	260	250	200	280	210	310	240	222	205	217
EBIT Margin (%)	27.4	23.8	18.2	24.8	20.2	23.5	19.7	18.1	21.6	17.6
Electronics	90	80	130	210	110	130	120	335	310	381
EBIT Margin (%)	4.3	3.3	5.0	5.1	4.1	5.2	5.0	6.9	8.0	7.7
Consumer Durables	960	170	550	1,560	1,060	210	460	1,657	1,447	530
EBIT Margin (%)	6.3	4.2	5.0	6.3	8.0	3.8	4.9	7.4	7.4	4.9

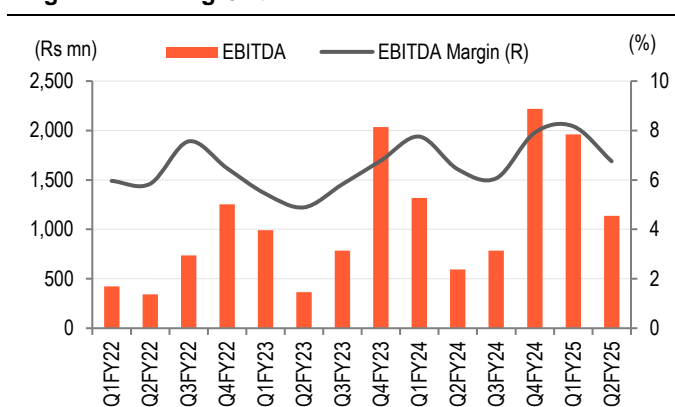
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



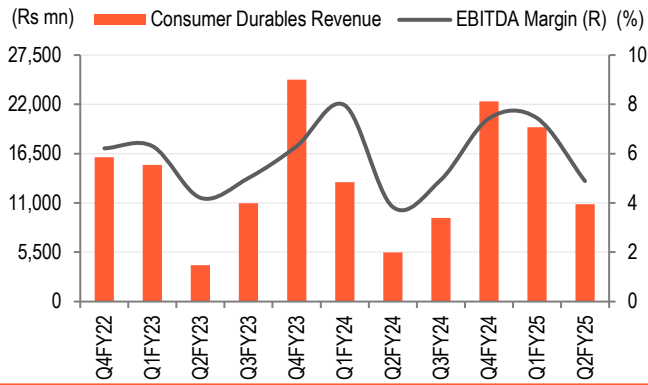
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



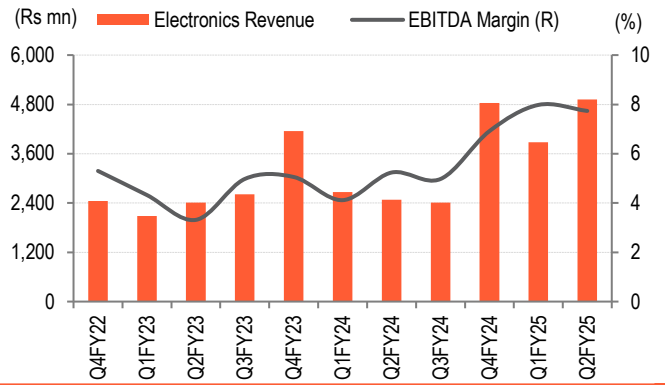
Source: Company, BOBCAPS Research

Fig 5 – Consumer durables business growth



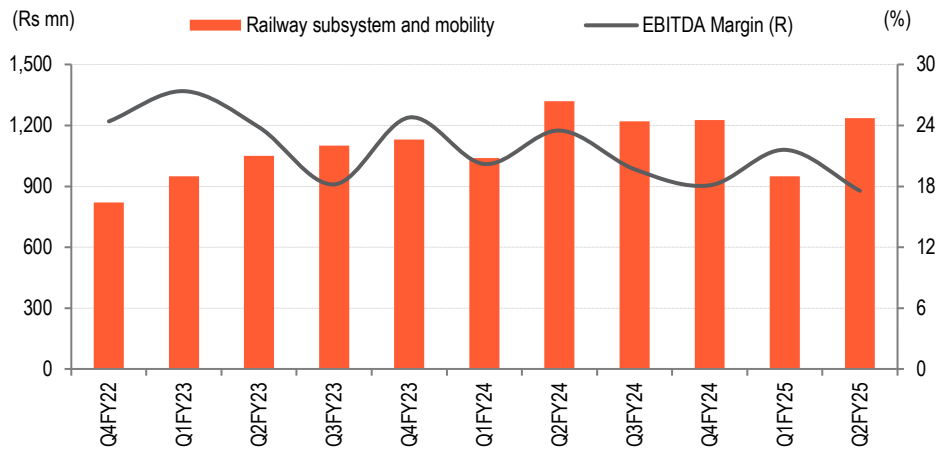
Source: Company, BOBCAPS Research

Fig 6 – Electronics business growth



Source: Company, BOBCAPS Research

Fig 7 – Railway subsystem and mobility



Source: Company, BOBCAPS Research

Valuation methodology

Following AMBER's strong Q2 performance and management's positive outlook, supported by a robust order book and improved EBITDA margin, we maintain our FY25 EPS estimates and raise them by 4% each for FY26/FY27. Valuing the stock at a P/E of 40x (from 31x), in line with its five-year average, we have rolled forward our valuations to Sep'26 and increased our target price to Rs 6,100 from Rs 4,200. We maintain a HOLD rating.

Fig 8 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	87,835	121,087	151,065	87,837	122,769	153,176	(0.0)	(1.4)	(1.4)
EBITDA	6,359	9,100	11,208	6,360	8,900	10,905	(0.0)	2.2	2.8
PAT	2,342	4,368	5,838	2,342	4,204	5,594	(0.0)	3.9	4.4
EPS (Rs)	69.5	129.6	173.3	69.5	124.8	166.0	(0.0)	3.9	4.4
EBITDA Margin (%)	7.2	7.5	7.4	7.2	7.2	7.1	0bps	30bps	30bps

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	FY24A	FY25E	FY26E	FY27E
Total revenue	69,271	67,293	87,835	121,087	151,065
EBITDA	4,179	4,919	6,359	9,100	11,208
Depreciation	1,391	1,865	2,181	2,343	2,305
EBIT	2,788	3,054	4,178	6,757	8,903
Net interest inc./(exp.)	(1,118)	(1,670)	(1,624)	(1,628)	(1,969)
Other inc./(exp.)	527	553	664	796	956
Exceptional items	0	0	0	0	0
EBT	2,197	1,937	3,218	5,925	7,890
Income taxes	559	519	810	1,491	1,986
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	4,368	5,838
Adjustments	0	0	0	0	0
Adjusted net profit	1,572	1,329	2,342	4,368	5,838

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	23,039	21,671	35,615	49,098	61,254
Other current liabilities	3,778	3,525	4,726	6,515	8,127
Provisions	0	0	0	0	0
Debt funds	13,437	14,332	12,494	16,278	19,689
Other liabilities	3,091	5,761	7,361	9,951	12,287
Equity capital	337	337	337	337	337
Reserves & surplus	18,751	20,307	22,547	26,814	32,552
Shareholders' fund	19,088	20,644	22,884	27,151	32,888
Total liab. and equities	62,433	65,932	83,080	108,993	134,245
Cash and cash eq.	5,594	6,913	12,686	24,803	35,528
Accounts receivables	17,631	15,693	21,419	28,883	36,436
Inventories	10,913	8,408	12,406	16,116	20,722
Other current assets	4,227	2,531	3,303	4,554	5,682
Investments	0	0	0	0	0
Net fixed assets	17,891	20,919	20,738	20,395	20,090
CWIP	130	244	319	440	549
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	5,804	7,241
Total assets	62,433	65,932	83,080	108,993	134,245

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	3,206	9,648	9,171	9,559	8,625
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	876	790
Cash flow from investing	(4,888)	(10,345)	(1,459)	(1,124)	(1,210)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	3,025	352	(1,838)	3,784	3,411
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)	3,682	3,310
Chg in cash & cash eq.	246	(1,913)	5,773	12,118	10,725
Closing cash & cash eq.	5,594	6,913	12,686	24,803	35,528

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	46.7	39.4	69.5	129.6	173.3
Adjusted EPS	46.7	39.4	69.5	129.6	173.3
Dividend per share	0.0	0.0	3.0	3.0	3.0
Book value per share	566.5	612.7	679.2	805.8	976.1

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	3.1	3.2	2.5	1.8	1.4
EV/EBITDA	51.7	43.9	34.0	23.7	19.3
Adjusted P/E	137.3	162.5	92.2	49.4	37.0
P/BV	11.3	10.5	9.4	8.0	6.6

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	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	87.7	88.6
EBIT margin (EBIT/Revenue)	4.0	4.5	4.8	5.6	5.9
Asset turnover (Rev./Avg TA)	3.9	3.2	4.2	5.9	7.5
Leverage (Avg TA/Avg Equity)	1.0	1.1	1.0	0.8	0.7
Adjusted ROAE	8.6	6.7	10.8	17.5	19.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	64.7	(2.9)	30.5	37.9	24.8
EBITDA	51.8	17.7	29.3	43.1	23.2
Adjusted EPS	44.0	(15.5)	76.2	86.5	33.7
Profitability & Return ratios (%)					
EBITDA margin	6.0	7.3	7.2	7.5	7.4
EBIT margin	4.0	4.5	4.8	5.6	5.9
Adjusted profit margin	2.3	2.0	2.7	3.6	3.9
Adjusted ROAE	8.6	6.7	10.8	17.5	19.4
ROCE	7.9	7.5	10.0	14.0	15.1
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	4.5
Current ratio	1.1	1.0	1.0	1.1	1.1
Net interest coverage ratio	2.5	1.8	2.6	4.2	4.5
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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BUY – Expected return >+15%

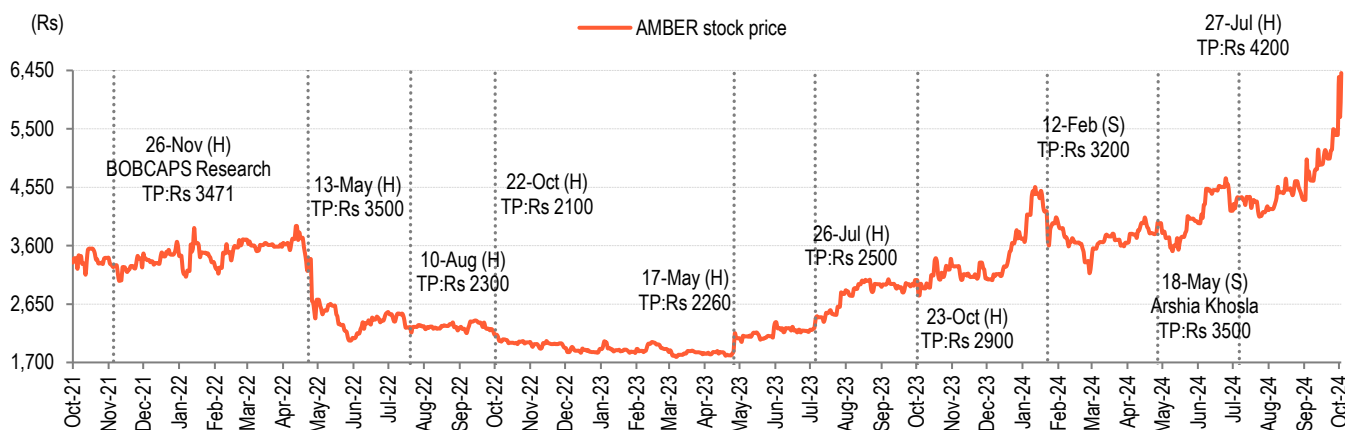
HOLD – Expected return from -6% to +15%

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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