

India

ADD (no change)

Consensus ratings*:	Buy 19	Hold 5	Sell 1
Current price:	Rs2,794		
Target price:	Rs3,760		
Previous target:	Rs3,760		
Up/downside:	34.6%		
InCred Research / Consensus:	34.1%		
Reuters:	AMBER IN		
Bloomberg:	US\$1,132m		
Market cap:	Rs94,137m		
Average daily turnover:	US\$7.0m		
	Rs582.8m		
Current shares o/s:	33.7m		
Free float:	22.8%		

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.8)	25.2	30.0
Relative (%)	(3.7)	29.3	19.4

Major shareholders	% held
Promoters	40.3
FII	24.2
DII	12.7

Amber Enterprises

Strong operating performance in 2Q

- 2Q EBITDA soared 62% YoY to Rs596m, 6.5% above our estimate but 17% below consensus estimate. EBITDA margin improved by 154bp YoY to 6.4%.
- The mobility business is expanding its footprint and is likely to increase the Bill of Materials (BoM) from ~5% to 20% over the next few years.
- The structural shift is towards the mobility and electronics businesses to drive the growth. We retain our ADD rating on the stock with a Rs3,760 target price.

Higher depreciation and interest cost impact earnings

Amber Enterprises posted a healthy 2QFY24 revenue growth of 23.5% YoY at Rs9.3bn, largely in line with our estimate of Rs9.2bn but 7% below consensus estimate of Rs9.9bn. Raw material expenses were up 22% YoY as the company saw a positive change in its overall inventory. EBITDA jumped 62% YoY to Rs596m, 6.5% above our estimate of Rs559m but 17% below consensus estimate. The EBITDA margin improved by 154bp YoY to 6.4%. Depreciation grew 42% YoY to Rs452m, while interest cost jumped 50% YoY due to higher debt and capex. The company incurred a net loss of Rs57m against a loss of Rs23m YoY compared to our estimated PAT of Rs41m and consensus estimate of Rs67m.

Healthy growth likely in mobility business going ahead

The mobility business under Sidwal is expanding its footprint and is likely to increase the Bill of Materials (BoM) from ~5% currently to 20% over the next few years. Modernization of railways and Vande Bharat trains, and the setting up of new lines in new cities provide huge growth opportunities. Sidwal has received its first global order, supporting the Amber 3.0 Strategy. The order book of Sidwal stands at Rs11.4bn. The company aims to double the revenue of the mobility segment in the next two years.

New products, client addition to drive growth

Amber Enterprises has recently entered into a joint venture with a brand called 'Noise'. Management has given guidance of a 35% growth in the electronics segment for FY24F, with the EBITDA margin at 6.5-7%. Moreover, Amber Enterprises has forayed into the electric vehicle or EV space through its electronics segment.

Maintain our positive view on the stock with an ADD rating

The room air-conditioner or RAC industry has demonstrated flattish and single-digit growth over the past one year. The company is confident of outpacing the industry in terms of growth. Amber Enterprises is well-positioned to take advantage of the tailwinds from the Make in India and PLI schemes. Moreover, its presence in the mobility and electronics segments is likely to boost revenue growth over the next few years. We believe the benefits of a structural shift towards the components business from core RAC manufacturing is likely to lead to further margin expansion for Amber Enterprises. We retain our ADD rating on the stock with a target price of Rs3,760, valuing it at 35x Sep 2025F EPS. Weak macroeconomic scenario and supply chain are the key downside risks.

Analyst(s)



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Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	42,064	69,271	80,729	93,858	107,792
Operating EBITDA (Rsm)	2,754	4,179	5,160	6,356	7,502
Net Profit (Rsm)	1,092	1,572	2,230	3,171	4,069
Core EPS (Rs)	32.4	46.7	66.2	94.1	120.8
Core EPS Growth	33.8%	44.0%	41.9%	42.2%	28.3%
FD Core P/E (x)	86.21	59.88	42.21	29.69	23.13
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	36.03	24.51	19.51	15.50	12.72
P/FCFE (x)	61.02	65.47	57.58	56.40	64.63
Net Gearing	26.5%	40.1%	28.3%	15.9%	2.9%
P/BV (x)	5.43	4.93	4.48	3.88	3.31
ROE	6.5%	8.6%	11.1%	14.0%	15.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results snapshot

Rs m	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY24	1HFY23	YoY (%)	Incred Estimates	Diff (%)
Revenue	9,271	7,504	23.5%	17,020	-46%	26,290	25,762	2.1%	9,182	1.0%
Raw material costs	7,206	5,924	21.6%	14,047	-49%	21,252	21,560	-1.4%		
Employee expenses	596	476	25.1%	596	0%	1,192	935	27.4%		
Other expenses	873	737	18.5%	1,058	-17%	1,932	1,908	1.2%		
Total expenses	8,675	7,138	21.5%	15,701	-45%	24,375	24,403	-0.1%		
EBITDA	596	367	62.4%	1,319	-55%	1,915	1,359	40.9%	559	6.5%
Depreciation	452	318	42.2%	433	5%	885	640	38.3%		
EBIT	143	49	194.9%	887	-84%	1,030	720	43.2%		
Other income	127	122	4.6%	193	-34%	321	250	28.1%		
Finance costs	366	244	50.1%	453	-19%	818	454	80.1%		
PBT	-95	-73	29.5%	627	-115%	533	515	3.3%		
Taxes	-38	-50	-23.9%	161	-124%	122	109	11.9%		
PAT	-57	-23	146.9%	467	-112%	410	406	1.0%		
Non-controlling interest	13	7	87.7%	10	34%	23	15	47.4%		
PAT after minority interest	-69	-30	133.2%	457	-115%	388	391	-0.8%	41	-269.9%

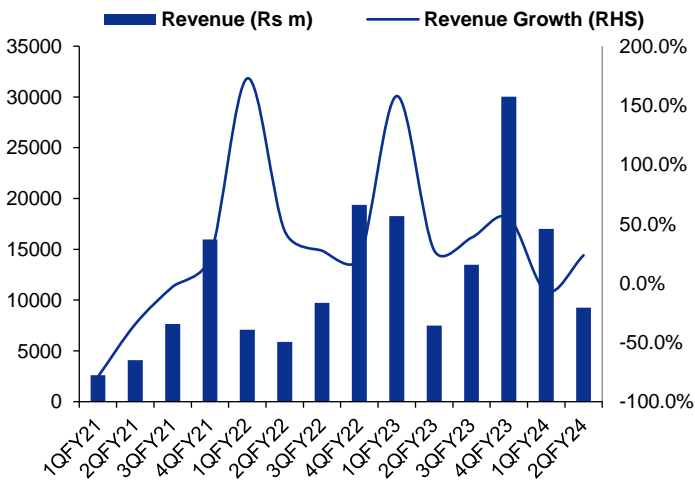
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis

Margin Analysis	2QFY24	2QFY23	YoY bp chg	1QFY24	QoQ (bp)	1HFY24	1HFY23	YoY (%)
Raw material costs	77.7%	78.9%	-122	82.5%	-480	80.8%	83.7%	-285
Other expenses	9.4%	9.8%	-40	6.2%	320	7.3%	7.4%	-6
Personnel costs	6.4%	6.3%	8	3.5%	293	4.5%	3.6%	90
EBIDTA Margin	6.4%	4.9%	154	7.8%	-133	7.3%	5.3%	201
EBIT margin	1.5%	0.6%	90	5.2%	-366	3.9%	2.8%	113
PAT margin (%)	-0.6%	-0.3%	-30	2.7%	-335	1.6%	1.6%	-2
Effective tax rate (%)	40.4%	68.7%	(2,835)	25.6%	1476	23.0%	21.2%	176

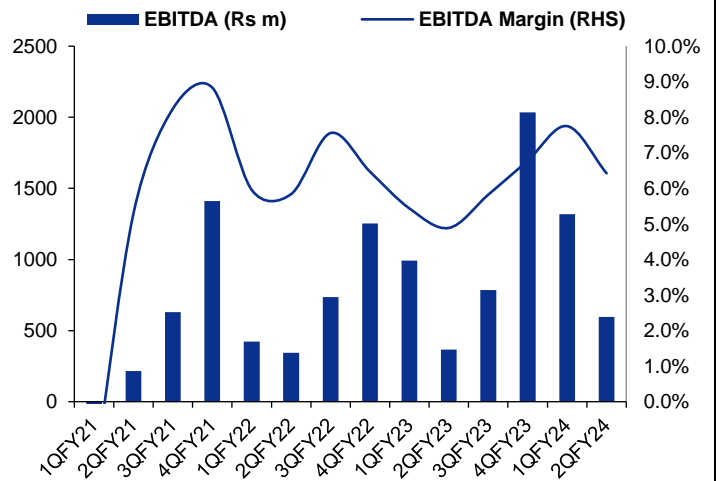
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 3: Revenue rises by 24% YoY



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 4: EBITDA margin stands at 6.4%

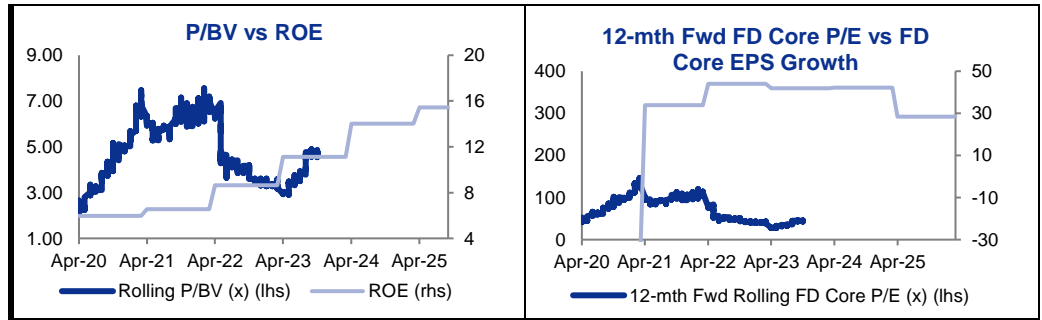


SOURCE: COMPANY REPORTS, INCRED RESEARCH

Conference-call highlights

- Amber Enterprises continues to focus on backward integration in the components space, and commands a market share of 29.4% in the RAC manufacturing market.
- The company has changed its segmental break-up for the quarter and will report its figures in three divisional formats henceforth, namely consumer durables, electronics and mobility. Revenue of the consumer durables segment was up 35% YoY at Rs5.5bn, contributing ~59% to revenue. Electronics and mobility segments witnessed a growth of 3.3% and 25.6%, respectively. Management stated that there is a multi-fold growth opportunity across segments in the coming quarters.
- **Railway sub-systems & mobility division:** With the acquisition of Sidwal a few years ago, Amber Enterprises has established itself as the market leader in the mobility HVAC business. It is also expanding into the railway sub-systems space with the addition of products like doors, gangways and pantry systems, which is set to increase the BoM from ~5% currently to 20% over the next few years. Modernization of railways and Vande Bharat trains, and the setting up of new rail lines in new cities provide huge growth opportunities. Sidwal has been a part of the recently inaugurated RRTS (Regional Rapid Transit System), where it provides HVAC systems. Sidwal has received its first global order, supporting the Amber 3.0 Strategy. The order book of Sidwal stands at Rs11.4bn. The company aims to double the revenue of the mobility segment in the next two years.
- **Electronics division:** Amber Enterprises has recently formed a joint venture with the brand 'Noise', which will engage in the manufacturing, assembling and designing of wearables, hearables and other smart electronics products. Management has given guidance of a 35% growth in the electronics segment for FY24F, with the EBITDA margin at 6.5-7%. Moreover, Amber Enterprises has forayed into the EV space through its electronics segment. Revenue is expected to double in the next two years.
- **Production-linked incentive or PLI scheme:** Management said that during the first year, the company received PLI benefits worth Rs160m. For FY24F, it expects PLI benefits in the range of Rs280-300m.
- **Capex:** For FY24F, management gave capex guidance of Rs3.5-3.8bn. While the company will invest across segments, mobility and electronics will have a major share of the investments. For FY24F, RoCE is expected to be 16%+ and over the next two-to-three years, the company is confident of achieving RoCE of 19-21%. Amber Enterprises also plans to enter high-margin areas such as aerospace & defence and medical technology segments in the next few years. It continues to focus on new customer additions and new applications.
- **Debt:** Net debt in 1HFY23 stood at Rs9.6bn vs. Rs6bn YoY. Management gave a debt target of Rs6.8bn by FY24F.
- Working capital days stood at 52 days vs. 39 days YoY, which is likely to normalize by 4QFY24F.
- The RAC segment has demonstrated flattish to single-digit growth over the past one year. The company is confident of outpacing the industry in terms of growth.

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	42,064	69,271	80,729	93,858	107,792
Gross Profit	6,815	10,021	13,320	15,487	17,786
Operating EBITDA	2,754	4,179	5,160	6,356	7,502
Depreciation And Amortisation	(1,079)	(1,391)	(1,509)	(1,657)	(1,783)
Operating EBIT	1,675	2,788	3,651	4,698	5,719
Financial Income/(Expense)	(464)	(1,118)	(1,100)	(972)	(845)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	332	527	526	617	681
Profit Before Tax (pre-EI)	1,543	2,197	3,077	4,343	5,555
Exceptional Items					
Pre-tax Profit	1,543	2,197	3,077	4,343	5,555
Taxation	(429)	(559)	(775)	(1,093)	(1,398)
Exceptional Income - post-tax					
Profit After Tax	1,113	1,638	2,303	3,250	4,157
Minority Interests	(21)	(66)	(72)	(80)	(87)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,092	1,572	2,230	3,171	4,069
Recurring Net Profit	1,092	1,572	2,230	3,171	4,069
Fully Diluted Recurring Net Profit	1,092	1,572	2,230	3,171	4,069

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	1,543	2,197	3,077	4,343	5,555
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(62)	(582)	1,484	250	(1,367)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,079	1,391	1,509	1,657	1,783
Other Operating Cashflow	(77)	(379)	(526)	(617)	(681)
Net Interest (Paid)/Received	464	1,118	1,100	972	845
Tax Paid	(539)	(539)	(775)	(1,093)	(1,398)
Cashflow From Operations	2,408	3,205	5,870	5,512	4,736
Capex	(4,137)	(6,622)	(4,261)	(2,960)	(2,460)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,759)	1,734	526	617	681
Cash Flow From Investing	(6,896)	(4,888)	(3,735)	(2,343)	(1,780)
Debt Raised/(repaid)	6,031	3,120	(500)	(1,500)	(1,500)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(476)	(1,192)	(1,067)	(972)	(845)
Cash Flow From Financing	5,555	1,928	(1,567)	(2,472)	(2,345)
Total Cash Generated	1,066	246	568	697	612
Free Cashflow To Equity	1,543	1,438	1,635	1,669	1,457
Free Cashflow To Firm	(4,953)	(2,800)	1,035	2,197	2,112

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	5,626	5,594	6,857	7,497	9,109
Total Debtors	13,149	17,631	22,118	25,715	29,532
Inventories	8,408	10,913	15,482	18,000	20,672
Total Other Current Assets	2,497	4,221	4,604	5,042	5,507
Total Current Assets	29,680	38,360	49,061	56,254	64,820
Fixed Assets	11,847	18,020	20,710	21,987	22,674
Total Investments	1,056	23			
Intangible Assets	4,487	4,698	4,760	4,786	4,776
Total Other Non-Current Assets	2,054	1,332	1,473	1,672	1,884
Total Non-current Assets	19,444	24,073	26,943	28,445	29,335
Short-term Debt	6,995	7,671	7,671	7,171	6,671
Current Portion of Long-Term Debt					
Total Creditors	17,021	23,039	32,319	37,575	43,154
Other Current Liabilities	2,228	3,719	4,312	5,004	5,735
Total Current Liabilities	26,244	34,429	44,303	49,751	55,560
Total Long-term Debt	3,323	5,766	5,266	4,266	3,266
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	660	1,497	1,485	1,485	1,485
Total Non-current Liabilities	3,983	7,263	6,751	5,751	4,751
Total Provisions	1,169	1,201	1,200	1,232	1,269
Total Liabilities	31,396	42,893	52,253	56,734	61,580
Shareholders Equity	17,342	19,088	21,021	24,271	28,428
Minority Interests	387	452	452	452	452
Total Equity	17,729	19,540	21,473	24,724	28,881

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	38.8%	64.7%	16.5%	16.3%	14.8%
Operating EBITDA Growth	25.0%	51.8%	23.5%	23.2%	18.0%
Operating EBITDA Margin	6.5%	6.0%	6.4%	6.8%	7.0%
Net Cash Per Share (Rs)	(139.27)	(232.76)	(180.45)	(116.94)	(24.58)
BVPS (Rs)	514.70	566.51	623.89	720.35	843.73
Gross Interest Cover	3.61	2.49	3.32	4.83	6.77
Effective Tax Rate	27.8%	25.4%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	103.43	81.09	89.86	93.01	93.54
Inventory Days	80.62	59.51	71.46	77.97	78.41
Accounts Payables Days	156.31	123.39	149.87	162.76	163.69
ROIC (%)	5.4%	6.9%	8.4%	10.2%	11.8%
ROCE (%)	6.7%	8.9%	10.5%	13.0%	14.9%
Return On Average Assets	3.4%	4.4%	4.5%	4.9%	5.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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