



India

HOLD (previously ADD)

Consensus ratings*: Buy 20 Hold 4 Sell 2

Current price: Rs6,408
 Target price: ▲ Rs6,880
 Previous target: Rs5,000
 Up/downside: 7.4%
 InCred Research / Consensus: 29.3%

Reuters:
 Bloomberg: AMBER IN
 Market cap: US\$2,573m
 Rs216,352m
 Average daily turnover: US\$27.5m
 Rs2313.8m
 Current shares o/s: 33.7m
 Free float: 17.9%

*Source: Bloomberg

Key changes in this note

- We raise FY25F-27F revenue estimates by 7%-7.2% and PAT estimates by 4.5%-8.2%, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	28.3	52.4	129.4
Relative (%)	36.1	53.0	84.9

Major shareholders	% held
Government of Singapore	3.3
Kotak Small Cap	4.9
HSBC Small Cap	2.0

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Amber Enterprises

Robust performance; downgrade to HOLD

- 2Q EBITDA grew 91% YoY to Rs1.13bn, 46% above our estimate & 36% above the Bloomberg consensus estimate, while EBITDA rose by 33bp YoY to 6.8%.
- Management expects another strong year for the RAC industry in FY25F with a volume of 13m units, (9.5-10m in FY24), retaining 25% FY25F growth target.
- In the last three months, it rose ~50% after our rating upgrade to ADD, trading at ~70x FY25F EPS. Thus, we downgrade to HOLD with a higher Rs6,880 TP.

Strong revenue-led growth continues

Amber Enterprises (Amber) reported another robust quarter with its 2QFY25 revenue at Rs16.8bn, up 82% YoY, ~40% above our/Bloomberg or BB consensus estimates. Revenue was driven by the consumer durables (up 98% YoY) and electronics segments (up 99% YoY). EBITDA grew 91% YoY to Rs1.13bn, 46% above our estimate and 36% above the BB consensus estimate, while EBITDA expanded by 33bp YoY to 6.8%. PAT came in at Rs210m, against a net loss of Rs69m in 2QFY24, led by higher revenue.

Maintains guidance at 25% despite strong growth in 1HFY25

Management expects a strong year for the room air-conditioner or RAC industry in FY25F, with a volume of 13m units vs. 9.5-10m units in FY24. Despite the strong 1HFY25 performance with a 55% revenue growth, management maintained its 25% growth guidance for FY25F and the company, in our view, is likely to over-deliver on its guidance. The company expects a significant improvement in RoCE, which is likely to touch 15% by the end of FY25F. Over the next three years, the company aims to double its revenue. After providing PCBA solutions for inverter ACs, Amber has now expanded its offerings.

New strategic initiatives

Recently, Amber started Ascent Circuits' new manufacturing plant in Hosur (Tamil Nadu), which will add annual capacity of up to 8,40,000 sq.m in two phases. It also inked a joint venture with Korea Circuits to foray into advanced PCB manufacturing for HDI, flex, and semiconductor substrates. Moreover, with new customers being added, new product launches like the addition of tower ACs and cassette Acs, and foray into the global market, the company is confident that it will grow higher than the industry's ~30% growth.

Downgrade its rating to HOLD because of rich valuation

Amber continues to leverage favourable government initiatives like 'Make in India' and 'Atmanirbhar Bharat' to reduce the dependence on imports. We raise our FY25F-27F revenue estimates by 7%-7.2% & PAT estimates by 4.5%-8.2% factoring in the healthy 2Q results, healthy growth in RAC business & new initiatives. The stock has rallied ~50% since we upgraded our rating on it to ADD in the last three months & now trades at ~70x FY25F/50x FY26F EPS. Therefore, we downgraded it to HOLD (from ADD) with a higher target price of Rs6,880 (Rs5,000 earlier) valuing it at 45x (from 35x) Sep 2026F EPS. Subdued summer season and weak execution in new ventures are key downside risks. Strong summer season and faster execution are key upside risks.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	69,271	67,292	88,829	104,815	121,436
Operating EBITDA (Rsm)	4,179	4,918	7,739	8,767	10,504
Net Profit (Rsm)	1,572	1,373	3,103	4,507	5,792
Core EPS (Rs)	46.7	40.7	92.1	133.8	171.9
Core EPS Growth	44.0%	(12.7%)	126.0%	45.2%	28.5%
FD Core P/E (x)	137.34	157.26	69.57	47.90	37.28
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)	53.65	45.51	28.90	25.27	20.92
P/FCFE (x)	141.57	6,005.37	70.41	50.36	54.61
Net Gearing	40.1%	35.1%	29.7%	17.7%	9.8%
P/BV (x)	11.31	10.46	9.09	7.64	6.34
ROE	8.6%	6.9%	14.0%	17.3%	18.6%
% Change In Core EPS Estimates			13.99%	22.91%	8.15%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- **Overview:** Amber reported a strong 2QFY25 performance, with its revenue growing 82% YoY. The company posted a profit of Rs210m, recovering from a loss of Rs60m in the same period last year. Consumer durables and electronics EMS divisions nearly doubled in revenue terms YoY while railway sub-systems & defence divisions faced slight pressure. The company is focusing on diversifying and expanding into new markets. The strong performance of its RAC segment was attributed to a prolonged summer season and low channel inventory.
- **Guidance:** Despite a strong 1HFY25 performance with a 55% revenue growth, management maintained its 25% growth guidance for FY25F and we feel it is likely to surpass the guidance. The company expects a significant improvement in RoCE, touching 15% by the end of this financial year. Over the next three years, the company aims to double its revenue.
- **Strategic initiatives:** Recently, the company conducted a ceremony for Ascent Circuits' new manufacturing plant at Hosur in Tamil Nadu, which will add annual capacity of up to 8,40,000 sq.m in two phases. It has also entered into a joint venture with Korea Circuits to foray into advanced PCB manufacturing for HDI, flex, and semiconductor substrates. Moreover, with new customers being added, new product launches like the addition of tower ACs and cassette ACs, and the foray into the global market, management is confident that Amber will grow higher than the industry's growth of ~30%.
- **Segments:**
 - *Consumer durables division:* The division, which includes RAC, non-RAC components, and fully automatic washing machines, witnessed a growth of 95% in revenue. The RAC segment alone grew by 104%, and operating EBITDA margin remained at 7.4%
 - *Electronics EMS division:* Revenue from the division almost doubled, driven by the growth in PCB assembly business and expanding into new segments like consumer electronics, telecom, wearables, smart meters, and defence equipment. The operating EBITDA of this division grew by 187%.
 - *Railway sub-systems & defence:* This division reported a muted performance with a 6% decline in revenue due to the delay in Indian Railways' projects. However, Amber remains optimistic about future growth, citing a strong order book and ongoing product development initiatives, such as its joint venture with Yujin Machinery for couplers, gears, and pantographs.
- **Gross margin:** Management stated that gross margin was lower because of product mix shift, with more finished goods sold, which typically have a lower margin compared to components.
- **Capex guidance:** The company expects a capex of ~Rs3.5bn excluding Ascent Circuits & Korea Circuits.
- **PCB market opportunity:** Management highlighted the massive potential of the PCB market in India, which is expected to grow from Rs320bn currently to Rs800bn by FY30F. With 85% of the PCBs still being imported, Amber aims to capitalize on this opportunity through its JV with Korea Circuits.
- **Subsidies and incentives:** The Indian government is offering substantial incentives for PCB manufacturing, including subsidies for plant and machinery, logistics, and GST. Amber is leveraging these incentives to reduce its effective capex outlay and improve asset turnover in its PCB business.
- **Expansion timeline:** The JV with Korea Circuits is expected to start contributing to revenue by FY27F, while the new Ascent Circuits' plant should be operational by Sep 2025F, adding significant capacity to Amber's electronics division.
- **Net debt:** It is expected to increase to Rs7-8bn in FY25F.

Figure 1: Quarterly results snapshot

Rs m	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	16,847	9,271	81.7	24,013	-30	40,860	26,290	55.4
Raw material costs	13,457	7,206	86.7	19,747	-32	33,203	21,252	56.2
Employee expenses	768	596	28.9	764	0	1,532	1,192	28.6
Other expenses	1,485	873	70.1	1,540	-4	3,025	1,932	56.6
Total expenses	15,710	8,675	81.1	22,051	-29	37,761	24,375	54.9
EBITDA	1,137	596	90.9	1,962	-42	3,099	1,915	61.8
Depreciation	566	452	25.2	549	3	1,116	885	26.1
EBIT	571	143	298.1	1,412	-60	1,983	1,030	92.5
Other income	178	127	39.8	207	-14	385	321	20.1
Finance costs	486	366	33.0	518	-6	1,005	818	22.8
PBT	263	-95		1,101	-76	1,364	533	156.0
Taxes	26	-38		298	-91	324	122	164.7
PAT	236	-57		803	-71	1,039	410	153.4
Non-controlling interest	27	13		56	-52	56	56	
PAT after minority interest	210	-69		747	-72	984	354	177.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin Analysis	2QFY25	2QFY24	YoY bp chg	1QFY25	QoQ (bp)	1HFY25	1HFY24	YoY bp chg
Raw material costs	79.9%	77.7%	215	82.2%	-236	81.3%	80.8%	42
Other expenses	8.8%	9.4%	-60	6.4%	240	7.4%	7.3%	6
Personnel costs	4.6%	6.4%	-187	3.2%	138	3.8%	4.5%	-78
EBIDTA margin	6.8%	6.4%	33	8.2%	-142	7.6%	7.3%	30
EBIT margin	3.4%	1.5%	184	5.9%	-249	4.9%	3.9%	94
PAT margin (%)	1.4%	-0.6%	201	3.3%	-194	2.5%	1.6%	98
Effective tax rate (%)	10.1%	40.4%	(3,030)	27.0%	-1697	23.8%	23.0%	78
Gross margin	20.1%	22.3%	(215)	17.8%	236	18.7%	19.2%	(42)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Actuals vs. our/consensus estimates (Rs m)

Vs. InCred	2QFY25A	2QFY25F	Variation
Revenue	16,847	11,995	40.5%
EBITDA	1,137	780	45.8%
Margin	6.8%	6.5%	25bp
PAT	210	52	303.1%
Vs. Consensus	2QFY25A	2QFY25C	Variation
Revenue	16,847	12,048	39.8%
EBITDA	1,137	839	35.6%
Margin	6.8%	7.0%	-21bp
PAT	210	35	497.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Segment-wise revenue and EBITDA performance (Rs m)

Segments	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	17,008	9,270	83	24,269	-30	41,277	26,290	57
Consumer Durables	10,848	5,470	98	19,437	-44	30,285	18,790	61
Electronics	4,923	2,480	99	3,882	27	8,805	5,150	71
Railway Sub-System & Mobility	1,236	1,320	-6	950	30	2,186	2,350	-7
EBITDA	1,129	650	74	1,962	-42	3,091	2,030	52
Consumer Durables	530	210	153	1,447	-63	1,978	1,270	56
Electronics	381	130	193	310	23	691	240	188
Railway Sub-System & Mobility	217	310	-30	205	6	422	520	-19
EBITDA Margin	6.6%	7.0%	-37.6bp	8.1%	-145.1bp	7.5%	7.7%	-23.3bp
Consumer Durables	4.9%	3.8%	105bp	7.4%	-255.7bp	6.5%	6.8%	-22.9bp
Electronics	7.7%	5.2%	250bp	8.0%	-24.5bp	7.9%	4.7%	319bp
Railway Sub-System & Mobility	17.6%	23.5%	-593.4bp	21.6%	-403.8bp	19.3%	22.1%	-282.2bp

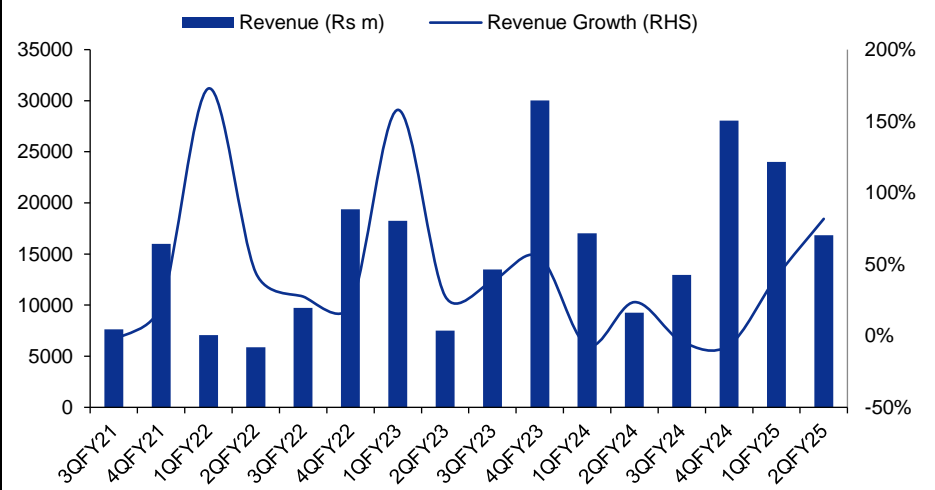
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Earnings revision summary

Rs m	New			Old			Change		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	88,829	1,04,815	1,21,436	83,018	97,661	1,13,257	7.0%	7.3%	7.2%
EBITDA	7,739	8,767	10,504	6,768	8,535	10,017	14.3%	2.7%	4.9%
PAT	3,103	4,507	5,792	2,969	4,270	5,355	4.5%	5.6%	8.2%

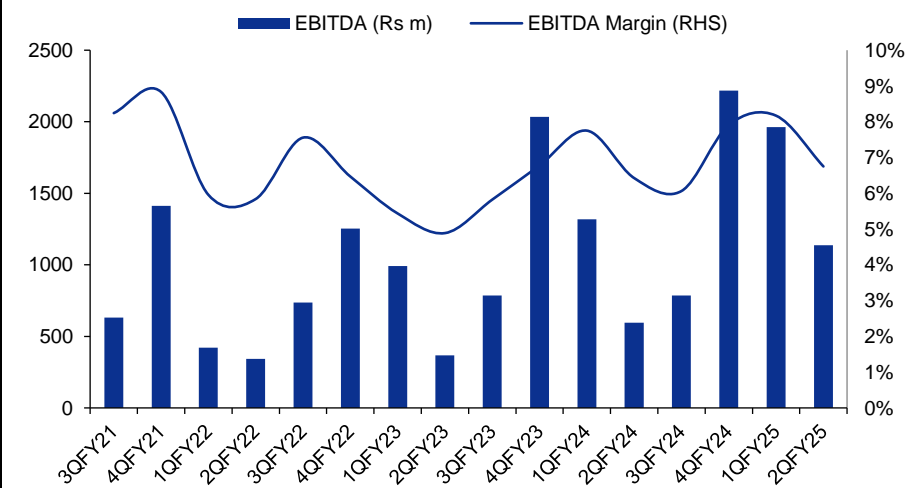
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: Quarterly revenue trend



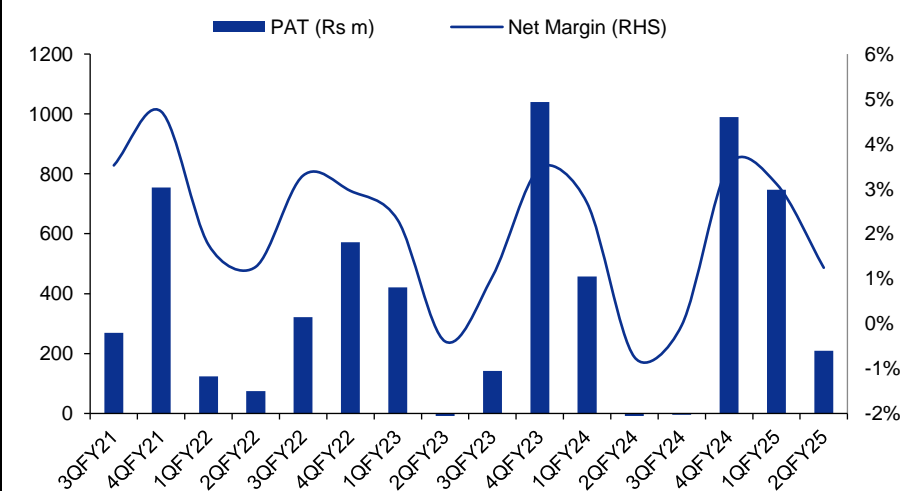
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly EBITDA trend



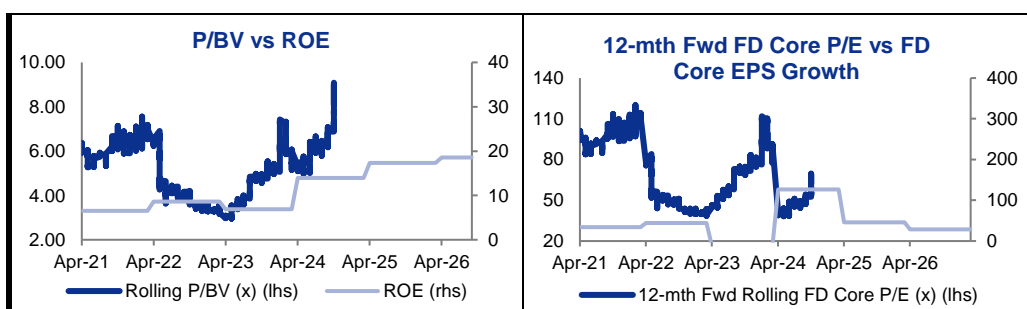
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly PAT trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	69,271	67,292	88,829	104,815	121,436
Gross Profit	10,021	12,293	16,922	18,867	22,101
Operating EBITDA	4,179	4,918	7,739	8,767	10,504
Depreciation And Amortisation	(1,391)	(1,865)	(2,424)	(1,882)	(2,016)
Operating EBIT	2,788	3,053	5,315	6,885	8,488
Financial Income/(Expense)	(1,118)	(1,670)	(1,929)	(1,472)	(1,371)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	527	553	808	717	739
Profit Before Tax (pre-EI)	2,197	1,937	4,194	6,131	7,856
Exceptional Items					
Pre-tax Profit	2,197	1,937	4,194	6,131	7,856
Taxation	(559)	(519)	(1,008)	(1,533)	(1,964)
Exceptional Income - post-tax					
Profit After Tax	1,638	1,418	3,186	4,598	5,892
Minority Interests	(66)	(45)	(83)	(91)	(100)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,572	1,373	3,103	4,507	5,792
Recurring Net Profit	1,572	1,373	3,103	4,507	5,792
Fully Diluted Recurring Net Profit	1,572	1,373	3,103	4,507	5,792

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	2,197	1,937	4,194	6,131	7,856
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(582)	5,032	(274)	(360)	(2,377)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,391	1,865	2,424	1,882	2,016
Other Operating Cashflow	(1)	(108)			
Net Interest (Paid)/Received	740	1,384	1,121	755	632
Tax Paid	(539)	(461)	(1,008)	(1,533)	(1,964)
Cashflow From Operations	3,205	9,648	6,456	6,875	6,163
Capex	(6,535)	(3,977)	(1,701)	(1,088)	(689)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,734	(6,225)	(522)	(598)	(680)
Cash Flow From Investing	(4,801)	(10,202)	(2,222)	(1,686)	(1,369)
Debt Raised/(repaid)	3,120	589	(1,168)	(901)	(841)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,192)	(1,806)	(2,199)	(1,700)	(1,561)
Cash Flow From Financing	1,928	(1,216)	(3,367)	(2,601)	(2,401)
Total Cash Generated	333	(1,770)	867	2,588	2,393
Free Cashflow To Equity	1,525	36	3,067	4,288	3,954
Free Cashflow To Firm	(2,713)	(2,223)	2,305	3,717	3,424

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	5,594	6,913	5,960	7,170	8,052
Total Debtors	17,631	15,693	23,120	27,281	31,607
Inventories	10,913	8,408	14,602	17,804	22,624
Total Other Current Assets	4,221	2,541	2,793	3,070	3,374
Total Current Assets	38,360	33,555	46,475	55,325	65,657
Fixed Assets	18,020	21,163	23,030	24,301	25,192
Total Investments	23	1,109	998	898	808
Intangible Assets	4,698	7,997	8,370	8,780	9,230
Total Other Non-Current Assets	1,332	2,108	2,202	2,307	2,424
Total Non-current Assets	24,073	32,377	34,600	36,286	37,655
Short-term Debt	7,671	7,657	7,157	6,857	6,557
Current Portion of Long-Term Debt					
Total Creditors	23,039	21,671	35,067	42,150	48,987
Other Current Liabilities	3,719	3,430	3,539	3,609	3,704
Total Current Liabilities	34,429	32,758	45,763	52,616	59,248
Total Long-term Debt	5,766	6,675	6,008	5,407	4,866
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,497	3,660	3,284	2,956	2,660
Total Non-current Liabilities	7,263	10,335	9,292	8,363	7,527
Total Provisions	1,201	1,677	1,754	1,859	1,972
Total Liabilities	42,893	44,770	56,809	62,838	68,747
Shareholders Equity	19,088	20,644	23,747	28,254	34,046
Minority Interests	452	518	518	518	518
Total Equity	19,540	21,162	24,265	28,772	34,564

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	64.7%	(2.9%)	32.0%	18.0%	15.9%
Operating EBITDA Growth	51.8%	17.7%	57.4%	13.3%	19.8%
Operating EBITDA Margin	6.0%	7.3%	8.7%	8.4%	8.7%
Net Cash Per Share (Rs)	(232.76)	(220.20)	(213.83)	(151.18)	(100.05)
BVPS (Rs)	566.51	612.68	704.79	838.56	1,010.46
Gross Interest Cover	2.49	1.83	2.76	4.68	6.19
Effective Tax Rate	25.4%	26.8%	24.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	81.09	90.38	79.74	87.76	88.50
Inventory Days	59.51	64.11	58.40	68.81	74.28
Accounts Payables Days	123.39	148.36	144.00	163.96	167.44
ROIC (%)	6.9%	7.0%	11.2%	13.6%	15.2%
ROCE (%)	8.9%	8.6%	14.0%	16.9%	18.8%
Return On Average Assets	4.4%	4.2%	6.3%	6.6%	7.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.