

May 17, 2023

**RESULT REPORT Q4 FY23** | Sector: Consumer Durables

# Amber Enterprises Ltd

## Wallet share continues to increase; maintain BUY

### Result Synopsis

AMBER delivered better than expected revenue growth while missing the margin estimates. Business from new customers has resulted in higher-than-expected revenue growth. There was strong demand across the business segments with subsidiaries faring better. Growth in subsidiaries was enhanced by new customer additions and increase in wallet share from the existing customers. The company's market share in RAC and its components has increased to 29% in FY23 vs 26% in FY22. Amber is witnessing increased traction in new businesses like wearables and hearables this coupled with new opportunities in the telecom communication equipment space should arguer well for the company going forward. We have increased revenue estimates, by 5% each for FY24 and FY25 on back of increasing wallet share from the existing customers and new customer addition. We however continue to maintain our positive stance; considering major capex cycle is behind and return ratios will start improving. We maintain BUY on the stock with revised PT of Rs2,614.

We believe AMBER's focus on enhancing its capabilities on the components side is bearing fruits as it is able to increase wallet share from its existing customer despite multiple brands setting up own manufacturing. Further, entry into newer segments of wearables, hearables, telecom products and exports will give further boost to the revenues. We now estimate Amber's Revenue/EBITDA/PAT to grow at 13%/26%/46% CAGR over FY23-25E. We continue with our positive stance on stock; and maintain BUY on the stock with revised PT of Rs2,614 valuing the company at 30x one year forward.

### Result Highlights

- Quarter summary** – Amber delivered better than expected revenue growth with components side of the business delivering far superior growth on back of new customer additions and entry into new geographies and product categories.
- New customer additions** – New customer additions have been strong, and company is able to increase wallet share from existing customers by increasingly supplying the components to brands that have started its own manufacturing.
- RAC industry** –RAC industry saws FY23 ending on the strong note with volume of 8.4mn units. The company expects muted Q1 as weather has been erratic and there has been high channel inventory for RAC. Amber expects RAC industry to grow by 12-14% in FY24 vs earlier expectation of 15-18% growth.
- Capex** – Company has incurred capex of Rs6.9bn in FY23 and expects capex of Rs3.5-3.75bn for F24. Major capex cycle for company is behind and it expects return ratios to improve going forward.

### Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	30,026	25,520	21,310	17.7	40.9	Business from new customers have resulted in higher than estimated revenue.
EBITDA	2,035	1,952	1,580	-4.1	28.8	
EBITDA Margin (%)	6.8	7.6	7.4	-80 bps	-60 bps	
Adjusted PAT	1,040	931	720	-10.5	44.4	

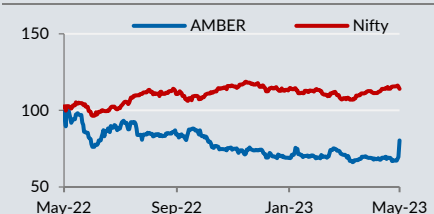
Source: Company, YES Sec

Reco	: <b>BUY</b>
CMP	: Rs 2,171
Target Price	: Rs 2,614
Potential Return	: +20.4%

### Stock data (as on May 17, 2023)

Nifty	18181
52 Week h/l (Rs)	3195/1763
Market cap (Rs/USD mn)	63418/776
Outstanding Shares (mn)	34
6m Avg t/o (Rs mn):	149
Div yield (%):	NA
Bloomberg code:	AMBER IN
NSE code:	AMBER

### Stock performance



	1M	3M	1Y
Absolute return	16.9%	16.0%	-19.0%

### Shareholding pattern (As of Mar'23 end)

Promoter	40.3%
FII+DII	37.5%
Others	22.2%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	2,614	2,564

### Δ in earnings estimates

	FY24e	FY25e
EPS (New)	74.5	99.8
EPS (Old)	72.2	98.8
% change	3.2%	1.0%

### Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenue	69,271	79,217	88,729
YoY Growth	64.7	14.4	12.0
EBIDTA	4179	5387	6610
YoY Growth	51.8	28.9	22.7
PAT	1572	2509	3364
YoY Growth	44.0	59.6	34.1
ROE	8.6	12.3	14.4
EPS	46.7	74.5	99.8
P/E	46.5	29.2	21.7
BV	566.5	643.1	745.3
EV/EBITDA	20.0	15.7	12.7

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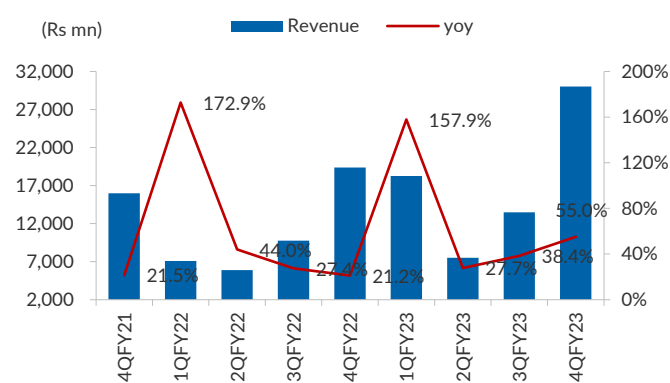
## Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	y/y %	q/q %	FY23	FY22	y/y %
Sales	19,367	18,258	7,504	13,483	30,026	55.0	122.7	69,271	42,064	64.7
EBITDA	1253	993	367	785	2035	62.4	159.2	4180	2754	51.8
EBITDA Margin %	6.5	5.4	4.9	5.8	6.8			6.0	6.5	
Depreciation	302.4	321.5	318.0	363.2	388.4	28.5	7.0	1,391	1,079	28.9
EBIT	951	671	49	422	1647	73.2	290.2	2789	1675	66.5
EBIT Margin %	4.9	3.7	0.6	3.1	5.5			4.0	4.0	
Interest charges	186	211	244	289	375	101.7	29.5	1,118	464	140.8
Other Income	93.8	128.5	121.8	89.4	186.9	99.3	109.1	527	332	58.5
PBT	859	589	-73	222	1459	69.9	556.9	2197	1543	42.4
Tax	266	160	-50	71	378	42.3	429.9	559	429	30.1
Effective Tax Rate (%)	30.9	27.1	68.8	32.1	25.9			25.4	27.8	
PAT	572	421	-30	142	1040	81.7	634.8	1623	1121	44.8
PAT Margin %	3.0	2.3	-0.4	1.0	3.5			2.3	2.7	
EPS (Rs)	17.0	12.5	-0.9	4.2	30.9	81.7	634.8	48.2	33.3	44.8

Source: Company, YES Sec

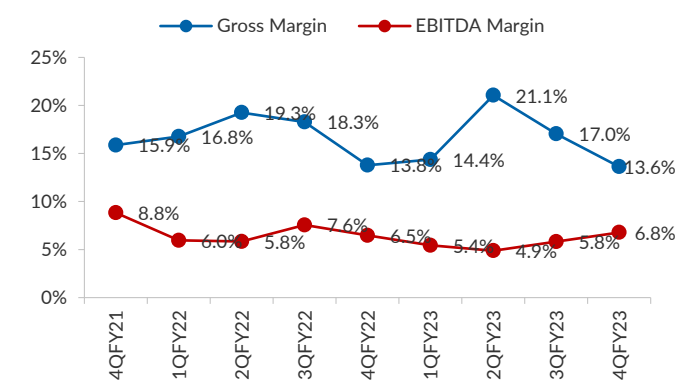
## CHARTS

**Exhibit 3: Revenue growth was led by strong growth in components and new customer addition**



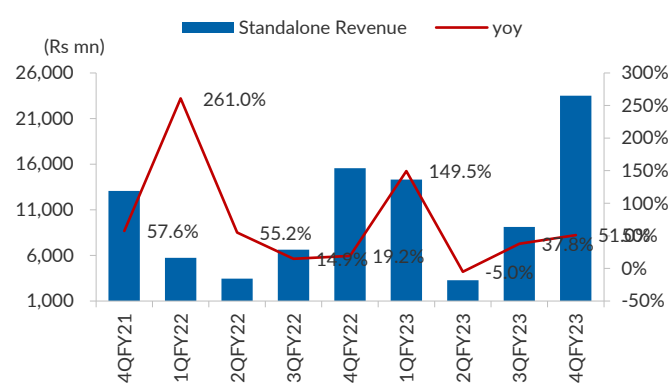
Source: Company, YES Sec

**Exhibit 4: Change in mix has resulted in lower gross margin**



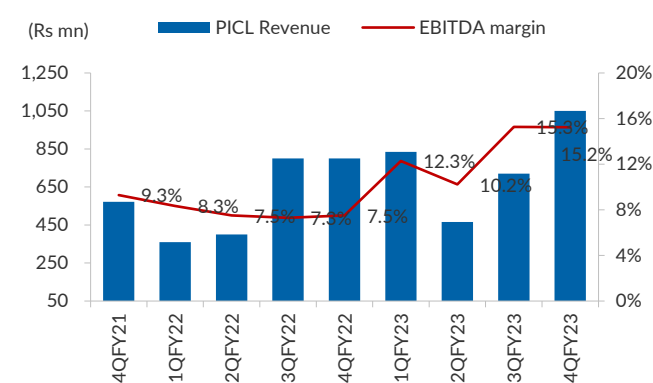
Source: Company, YES Sec

**Exhibit 5: Conversion of gas charging customer into AC customer has resulted in strong growth**



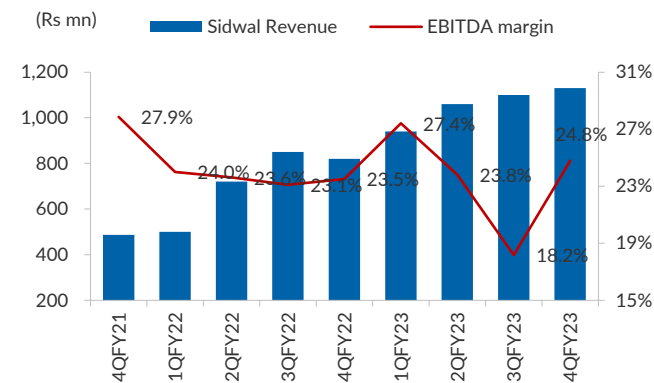
Source: Company, YES Sec

**Exhibit 6: PICL continues to see improved performance**



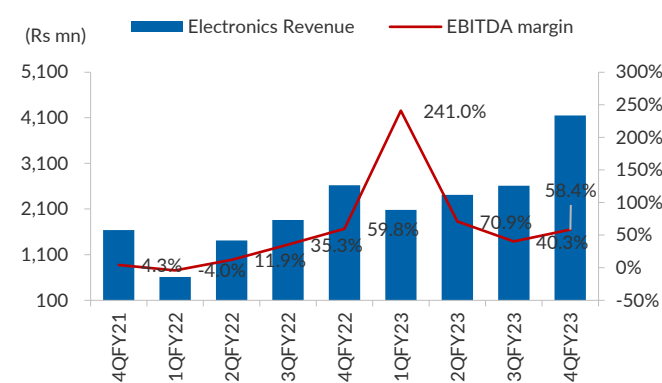
Source: Company, YES Sec

**Exhibit 7: Sidwal continues with its steady revenue growth**



Source: Company, YES Sec

**Exhibit 8: Electronics segments growth has been on back of new customer addition**



Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- **RAC industry** – Indian RAC market stood at 8.4mn units in FY23 and healthy growth is expected to continue. **Currently witnessing muted Q1 on account of erratic weather conditions.**
- **Market share** – market share for Amber stood at 29.4% vs 26.6% in FY22. Amber continues to focus on increasing wallet share from existing customers. Sheet metals market share is more than 30% and for motors it is around 25%.
- **Customer acquisition** – The company has converted gas charging customer into the air-conditioning customers. Each division has added new customers. All the new customer that have been added have given business in Q4.
- **Sidwal** – The company has entered into pantry system of Vande Bharat express thereby increasing share from the railways. The company has order book of more than Rs700cr. Vande bharat, Metro coaches are significant new opportunities for Amber.
- **Entry into new segments** – The company has entered adjacencies like pantry systems for railways and done technology transfer to enter into automatic doors and gangway.
- **Electronics** – Company have seen strong growth in wearables and hearables and have done pilot for communication components.
- **Inventory** – **Demand is muted unseasonal rains has led to high channel inventory. Expect industry to grow in 10-15% vs earlier expectation of 17-18%.**
- **Margins** – Margins would not be right way to judge as it depends on the commodity prices and many of the components are pass through for Amber.
- **Capex** – Company has incurred capex of Rs6.98bn for FY23. Company expects FY24 capex to be in range of Rs3.5bn to 3.75bn. With the current capex base company can do revenue Rs90bn.
- **Exports** – **Exports are growing steadily as it is a long drawn process as it requires approvals**
- **Net debt** – **The current Net debt stands at Rs5.88bn.** The company expects Net debt to reduce by Rs1.5-2bn.
- **Price hikes** – There has not been any price hikes as commodity prices have stabilized.
- **PLI** – The company has crossed threshold both in terms of capex as well incremental sales and PLI incentive would accrue in current quarter.
- **ESOPS** – ESOPS expense for 9FY23 stood at Rs270mn and for FY24 it is expected to be ~180-190mn.
- **RoCE** – RoCE expansion will continue as company is not expected to do large capex going forward. This along with control in working capital and product mix change will lead to improvement in RoCE and FCF generation.

## FINANCIALS

**Exhibit 9: Balance Sheet**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	337	337	337	337	337
Reserves	15,780	17,005	18,751	21,332	24,776
Net worth	16,117	17,342	19,088	21,669	25,113
Debt	3,495	10,318	13,437	11,937	11,937
Deferred tax liab (net)	790	983	978	978	978
Other non current liabilities	620	1,197	2,114	2,136	2,153
Total liabilities	21,021	29,841	35,617	36,720	40,180
Fixed Asset	11,877	16,334	20,994	23,354	24,797
Investments	556	1,061	27	27	27
Other Non-current Assets	1,477	2,049	3,052	3,451	3,832
Net Working Capital	5,240	7,411	8,381	9,346	10,063
Inventories	7,163	8,408	10,982	12,559	14,067
Sundry debtors	10,690	13,149	17,631	20,162	22,584
Loans and Advances	219	18	19	21	24
Sundry creditors	13,169	17,021	23,039	25,971	28,985
Other current liabilities	1,728	2,228	3,719	4,254	4,764
Cash & equivalents	1,871	2,986	3,162	541	1,460
Total Assets	21,021	29,841	35,617	36,720	40,180

Source: Company, YES Sec

**Exhibit 10: Income statement**

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	30,305	42,064	69,271	79,217	88,729
Operating profit	2,203	2,754	4,179	5,387	6,610
Depreciation	923	1,079	1,391	1,595	1,762
Interest expense	410	464	1,118	993	955
Other income	331	332	527	663	726
Profit before tax	1,201	1,543	2,197	3,462	4,619
Taxes	369	429	559	881	1,175
Minorities and other	17	21	66	72	80
Adj. profit	816	1,092	1,572	2,509	3,364
Exceptional items	-	-	-	-	-
Net profit	816	1,092	1,572	2,509	3,364

Source: Company, YES Sec

## Exhibit 11: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	1,611	2,007	3,315	4,455	5,574
Depreciation	923	1,079	1,391	1,595	1,762
Tax paid	(369)	(429)	(559)	(881)	(1,175)
Working capital Δ	(790)	(2,170)	(970)	(965)	(717)
Other operating items					
Operating cashflow	1,375	486	3,177	4,204	5,444
Capital expenditure	(1,624)	(5,536)	(6,051)	(3,955)	(3,205)
Free cash flow	(248)	(5,050)	(2,874)	249	2,239
Equity raised	4,017	133	174	72	80
Investments	(531)	(505)	1,034	-	-
Debt financing/disposal	(180)	6,824	3,119	(1,500)	-
Interest paid	(410)	(464)	(1,118)	(993)	(955)
Dividends paid	-	-	-	-	-
Net Δ in cash	1,171	1,115	177	(2,622)	920

Source: Company, YES Sec

## Exhibit 12: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	0.68	0.71	0.72	0.72	0.73
Interest burden (x)	0.75	0.77	0.66	0.78	0.83
EBIT margin (x)	0.05	0.05	0.05	0.06	0.06
Asset turnover (x)	0.93	0.99	1.24	1.22	1.26
Financial leverage (x)	2.37	2.54	3.06	3.18	3.01
RoE (%)	6.0	6.5	8.6	12.3	14.4

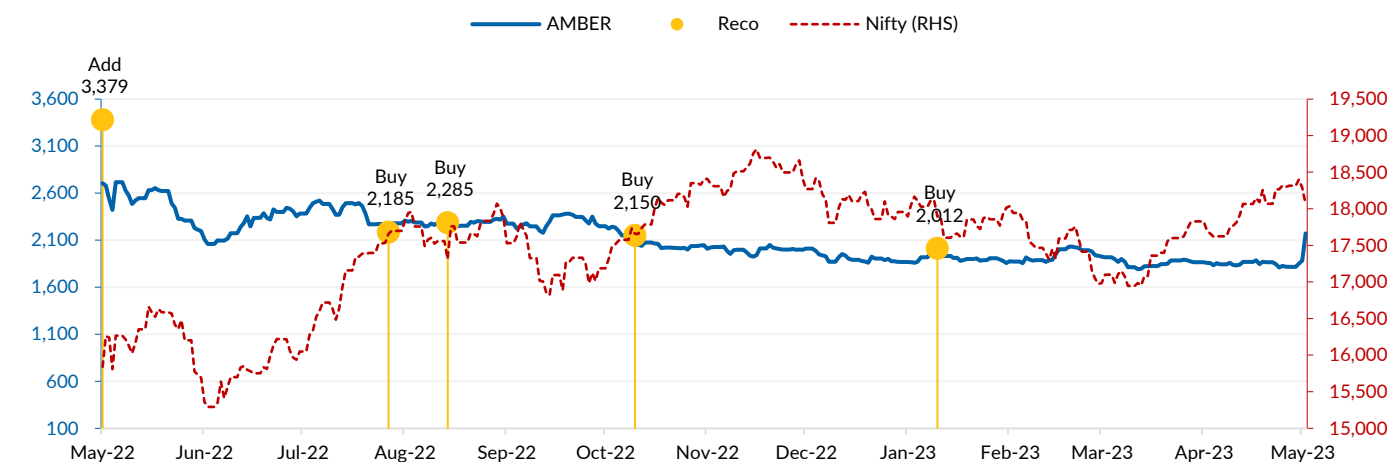
## Exhibit 13: Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
<b>Growth matrix (%)</b>					
Revenue growth	(23.5)	38.8	64.7	14.4	12.0
Op profit growth	(28.8)	25.0	51.8	28.9	22.7
EBIT growth	(30.8)	24.6	65.2	34.4	25.1
Net profit growth	(48.5)	33.8	44.0	59.6	34.1
<b>Profitability ratios (%)</b>					
OPM	7.3	6.5	6.0	6.8	7.5
EBIT margin	5.3	4.8	4.8	5.6	6.3
Net profit margin	2.7	2.6	2.3	3.2	3.8
RoCE	9.3	8.5	11.0	13.5	15.8
RoNW	6.0	6.5	8.6	12.3	14.4

# Amber Enterprises Ltd

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
RoA	2.5	2.6	2.8	3.9	4.8
<b>Per share ratios</b>					
EPS	24.2	32.4	46.7	74.5	99.8
Dividend per share	-	-	-	-	-
Cash EPS	51.6	64.4	87.9	121.8	152.2
Book value per share	478.3	514.7	566.5	643.1	745.3
<b>Valuation ratios</b>					
P/E	89.7	67.0	46.5	29.2	21.7
P/CEPS	42.1	33.7	24.7	17.8	14.3
P/B	4.5	4.2	3.8	3.4	2.9
EV/EBIDTA	33.9	29.2	20.0	15.7	12.7
<b>Payout (%)</b>					
Dividend payout	-	-	-	-	-
Tax payout	30.7	27.8	25.4	25.4	25.4
<b>Liquidity ratios</b>					
Debtor days	128.8	114.1	92.9	92.9	92.9
Inventory days	86.3	73.0	57.9	57.9	57.9
Creditor days	158.6	147.7	121.4	119.7	119.2

## Recommendation Tracker



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**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

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