MIRAE ASSET Sharekhan

Stock Update

Result Update

Amber Enterprises India Ltd

Multiple growth levers at play

Capital Goods	Sharekhan code: AMBER

Reco/View: **Buy**	↔	CMP: **Rs. 6,973**	Price Target: **Rs. 8,142**	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

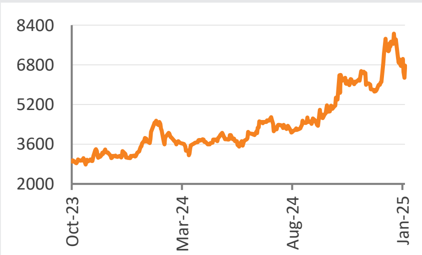
Company details

Market cap:	Rs. 23,495 cr
52-week high/low:	Rs. 8,167 / 2,991
NSE volume: (No of shares)	18.29 lakh
BSE code:	540902
NSE code:	AMBER
Free float: (No of shares)	18.2 cr

Shareholding (%)

Promoters	39.7
FII	28.6
DII	19.1
Others	12.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-6.6	9.9	54.7	51.5
Relative to Sensex	-3.7	13.9	61.0	44.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Company posted strong set of performance with revenue growth of 65% (vs expectations of 49%) led by the consumer durables (67% growth y-o-y) and Electronics (96% y-o-y) segments.
- Operating profits doubled to Rs 159 crore on humongous revenue growth and a 138 bps improvement in margins.
- Overall outlook remains healthy across business segments. Management guided for 2x revenue growth in 3 years.
- We maintain a Buy rating, factoring in the long-term revenue growth triggers across segments with a revised PT of Rs. 8,142. At CMP, the stock trades at a valuation of 67x/45x/32x its FY2025E/FY2026E/FY2027E EPS.

Over the past 3-4 years, Amber has diversified business from standalone RAC segment to electronics and railway segments which is now reaping fruits for the company. Each segment will contribute meaningfully to revenues and bottomline in 2-3 years. Q3FY25 revenues rose 65% led by robust growth across segments. Consumer durables segment grew by 67% supported by strong RAC demand owing to channel filling amid upcoming summer. The RAC and non-RAC segments grew by 71%/43% respectively. In the RAC segment, the company has rope in a large MNC client for full ODM/OEM solutions. The washing machines business in JV with Resojet is expected to enter into mass production by H1FY26. The electronics segment grew by 96% led by strong order execution and further cushioned by antidumping duty on PCB's. Management raised the guidance to a growth of 55% for FY25 from 45% earlier. Railway sub-systems and mobility segment had a moderate decline in revenues due to a delay in metro and rail projects across regions but management is confident and expects the segment to contribute significantly in 2026. Management sees a solution to metro and Vande Bharat train issues from the government's side. Consolidated EBITDA margins improved by 138 bps to 7.4% from 6.1% leading the EBITDA growth of 102% to reach Rs 159crore. Overall, PAT turned around at Rs 37 crore as against a loss in comparable quarter last year.

Key positives

- Consumer durables and electronics segments clocked robust growth. RAC segment grew by 71% whereas non-RAC grew by 43%.
- It converted a large MNC company from gas charging to full stack ODM/OEM solutions. Onboarded new customers under the light commercial AC business.
- Construction of Hosur plant expansion under Ascent Electronics has been started and the plant would be operational by H22026.

Key negatives

- Railway sub-systems & mobility division saw a decline in revenues as the focus majorly remained on non-AC coaches and due to delay in Railway projects across regions.

Management Commentary

- RAC industry momentum continued, supported by channel filling amid upcoming summer. The JV with Resojet for manufacturing washing machines is expected to enter mass production in H2 2026. Amber will outpace the growth of industry in the RAC segment
- Overall capex is planned at Rs 1,200 crores planned across segments.
- Management is confident of doubling revenues in the next 3 years.
- Electronics segment's revenues growth guidance has been raised to 55% from 45% earlier.

Revision in earnings estimates – We revisit our estimates for FY25/26 and FY27 factoring in the bright outlook the RAC industry tailwinds and significant contribution from Electronics & Mobility segment.

Our Call

Valuation – Retain Buy with a revised PT of Rs. 8,142: Amber is well placed to capture incremental demand accruing from components ecosystem development. Management remains optimistic about growth in components (including mobility, electronics, and non-RAC components), new customer additions as well as exports in the next 3-4 years. Further, traction in the high growth sectors such as railways could augur well for Amber. Moreover, in the long term, under penetration of RACs, rising temperatures in India, changing lifestyle patterns and increasing contribution from Tier-II, Tier-III, IV cities would drive the RAC industry's growth and benefit Amber indirectly, driving demand for AC components. We build in a revenue/PAT CAGR of ~37%/~75% (FY2024-FY2027E). We maintain a Buy rating with a revised PT of Rs. 8,142 based on 37x of FY2027E EPS.

Key Risks

1) Higher share of exports to total revenue exposes the company to currency risk. 2) Seasonal nature of the RAC industry.

Valuation (Consolidated)

Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	6,927	6,729	10,295	13,384	17,131
Operating Profit Margin (%)	6.0	7.3	7.5	7.7	7.8
PAT	157	139	351	522	741
Growth (%)	44.5	(11.4)	151.9	48.8	42.1
EPS (Rs.)	46.7	41.3	104.1	154.9	220.0
P/E (x)	149.5	168.7	67.0	45.0	31.7
EV/EBITDA (x)	58.1	49.1	31.4	23.6	17.9
RoCE (%)	10.3	10.5	16.6	19.7	23.8
RoE (%)	8.7	7.1	16.1	20.4	23.8

Source: Company; Mirae Asset Sharekhan estimates

Q3FY2025 investor update and conference call highlights

- **Guidance:** Management guides to double revenues in the next three years. The growth would be majorly contributed by the Electronics segment and then supported by consumer durables and Railways business.
- **Electronics:** The company began this division for the sale of inverter ACs, but it now has diversified it into providing solutions for home appliances, consumer electronics, wearables, hearables, telecom, and automobile segments. The expansion of Ascent electronics and JV with Korea circuits will be the key growth drivers. Bare PCB market is estimated to be Rs. 32,000 crore and expected to reach Rs 50,000 crore by 2030 with 90% imports, which Amber can leverage upon for end use in IT, mobiles, semiconductors, etc. Management has increased its guidance to grow by 55% for FY25 from 45% earlier. Management expects an incentive scheme to be introduced by government in coming months after which Amber would open up its strategy and capex to be laid out to manufacture HDI and flexboards.
- **Railway subsystems and mobility:** The order book here stood at Rs. 2,000 crore. Though the revenues for Q3FY25 had a moderate decline, the management is confident to revive the segment by H2 2026 with margins back to its normal level of 20-22%. Amber has bagged big HVAC order for metro project in this quarter. Construction is progressing well for Sidwal Greenfield facility and expected to operationalise by Q2FY26. Defence projects are gaining huge traction. The company has started receiving orders for new products such as doors, gangways and other railway subsystems, which will help the company generate more revenues from existing customers.
- **Consumer durables:** The management expects the RAC industry to grow by atleast 25% for FY25 and looks to outpace the industry growth. Converted a large MNC player from Gas charging to full ODM solutions. The washing machines business with Resojet is expected to ramp up for mass production by H2 2026. Amber highlighted it can triple its RAC division over the next three years on industry growth, components (70% of BOM; ex compressor) and expansion in ductable ACs.

Quarterly Results (Consolidated) — Rs cr

Particulars	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Q-o-Q (%)
Net Sales	**2,133**	**1,295**	**64.8**	**1,685**	**26.6**
Operating Profit	**159**	**79**	**102.3**	**118**	**34.6**
Depreciation	59	47	26.2	57	3.1
Interest	54	37	45.6	49	9.5
Other Income	16	5	206.7	13	22.9
PBT	**62**	**0.3**	**NA**	**25.0**	**149.4**
Tax	16.2	0.8	NA	3.0	441.2
Adjusted PAT	**37.1**	**-0.5**	**NA**	**21.0**	**76.6**
Adjusted EPS (Rs.)	**11.0**	**-0.1**	**NA**	**6.2**	**76.6**
Margins			**BPS**		**BPS**
OPM (%)	7.4	6.1	138	7.0	44
NPM (%)	1.74	-0.04	178	1.25	49

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – Demand outlook encouraging, healthy growth prospects

The AC industry is set to grow strongly, given strong pent-up demand post the two-year lull. Further, increasing disposable incomes, upgrade in lifestyles and rising temperatures are the structural growth drivers. Moreover, owing to a shift in manufacturing bases outside China and the government's incentives to enhance manufacturing through the Make in India initiative, there are enormous opportunities for well-integrated players such as Amber. Enhanced capacities and a wider range of product offerings and customer penetration are likely to drive the company's performance in addition to a healthy demand outlook for the electronics outsourcing industry.

■ Company Outlook – Long runway for growth

Amber is well-placed to capture incremental demand accruing from the indigenisation of both fully built-up units and components ecosystem development through lower imports. The company will also be a key beneficiary of PLI schemes for ACs and components. The company is expanding capacity through two greenfield projects, one in Supa, Pune, and the other in Chennai. The management remains optimistic about export prospects for both fully built-up units and components that can potentially emerge in 3-4 years. Overall, the outlook remains positive, with the management confident of capturing opportunities with better volume offtake despite short-term challenges, such as tepid volume growth in FY2024 and margin pressure in some components.

■ Valuation – Retain Buy with a revised PT of Rs. 8,142

Amber is well placed to capture incremental demand accruing from components ecosystem development. Management remains optimistic about growth in components (including mobility, electronics, and non-RAC components), new customer additions as well as exports in the next 3-4 years. Further, traction in the high growth sectors such as railways could augur well for Amber. Moreover, in the long term, under penetration of RACs, rising temperatures in India, changing lifestyle patterns and increasing contribution from Tier-II, Tier-III, IV cities would drive the RAC industry's growth and benefit Amber indirectly, driving demand for AC components. We build in a revenue/PAT CAGR of ~37%/~75% (FY2024-FY2027E). We maintain a Buy rating with a revised PT of Rs. 8,142 based on 37x of FY2027E EPS.

One-year forward P/E (x) band

Source: Company; Mirae Asset Sharekhan Research

About company

Incorporated in 1990, Amber has emerged as a market leader in the Indian room AC OEM/ODM industry. The company's comprehensive product portfolio includes room AC (indoor and outdoor units as well as window ACs) and reliable critical components, which have a long approval cycle. The company is one of the largest manufacturers and suppliers of critical components such as heat exchangers, PCBs, motors, sheet metal, case liner etc. of RAC and other consumer durables such as refrigerators and washing machines. Amber has emerged as a market leader in the Indian RAC OEM/ODM industry with more than 70% market share and 26.5% market share in the overall RAC market in FY2023. The company has 15 manufacturing facilities strategically located close to customers, enabling faster turnaround. The company also has a high degree of backward integration coupled with strong R&D capabilities, resulting in a high proportion of ODM. The company has been serving a majority of customers for over five years and has a marquee customer base as eight out of the top 10 RAC brands are its clients.

Investment theme

Amber has a market leadership position in the OEM/ODM segment for branded room ACs. Moreover, the opportunity size seems to be increasing as OEM players are now more focused on the innovation and marketing side of the business and relying on outsourcing for manufacturing their products. We believe enormous growth opportunities would come across going forward, owing to global players shifting their manufacturing base outside China and the Government of India to enhance manufacturing through Make in India initiative by providing incentives. Further, Amber remains a strong beneficiary from the recently announced PLI schemes for AC and components. A healthy demand outlook for the electronic outsourcing industry and enhanced capacity, increased product offerings, and customer penetration are likely to drive the company's performance.

Key Risks

- Lower demand offtake due to economic slowdown might impact revenue growth momentum and raw-material price volatility and forex rate fluctuation can impact profitability.
- Lack of diversified revenue base in terms of product categories and high revenue concentration with few customers pose a threat to revenue.

Additional Data

Key management personnel

Jasbir Singh	Executive Chairperson and CEO
Daljit Singh	Executive Managing Director
Sudhir Goyal	Chief Financial Officer
Konica Yadav	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset Management Co	4.63
2	Vanguard Group Inc/The	2.21
3	Goldman Sachs Group Inc/The	2.05
4	Motilal Oswal Asset Management Co	2.00
5	Sundaram Asset Management Co Ltd	1.89
6	FundRock Management Co SA	1.88
7	Republic of Singapore	1.77
8	L&T Mutual Fund Trustee Ltd/India	1.76
9	DSP Investment Managers Pvt Ltd	1.24
10	Blackrock Inc	1.05

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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