

Amber Enterprises India Ltd.

Sensex: 50638

CMP: INR 2770

Target Price: INR 2890

Air Conditioner

On a consolidated basis, Revenue rose 22% YoY to INR 15984mn with RACs contributing 60% of the revenue & Components and Mobility business forming the rest. Channel inventory during the quarter returned to normalcy. Gross margins dropped 80bps (led by unprecedented increase in input costs) to 15.9% however EBITDAM rose 100bps to 8.8%. Though in % terms, gross margins reflect drop, in terms of per unit of RAC unit sold the company has maintained gross margins by passing on price increase to the tune of 10/12% during the quarter. PBT & PAT rose 66% & 22% to INR 1165mn & 765mn respectively. Revenue from subsidiaries rose 9% YoY to INR 2921mn. On a standalone basis, Revenue rose 25% YoY to INR 13063mn. 2.1mn units of RACs were sold during FY21 compared to 3mn units a year ago. EBITDAM rose 120bps to 8.5% despite fall in Gross Margin to the tune of 200bps to 13.7%. PBT & PAT rose 82% & 15% to INR 942mn & 606mn respectively. CAPEX is guided to be of INR 2.9bn cumulatively for setting up Pune, Maharashtra & South Indian manufacturing facilities. Sidwal's order book stood at INR 3.5bn to be executed over 18 to 24 months. Import ban on Refrigerant filled Air Conditioners have created opportunities for domestic manufacturers and Amber has already added 6 new customers since the announcement of notification.

Consolidated revenues up 22% YoY to INR 15984mn

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Consolidated Gross margins dropped 80bps whereas EBITDA margin rose 100bps

At a consolidated level, Gross margins dropped 80bps (led by unprecedented increase in input costs) to 15.9% however EBITDAM rose 100bps to 8.8%. Though in % terms, gross margins reflect drop, in terms of per unit of RAC unit sold the company has maintained gross margins by passing on price increase to the tune of 10/12% during the quarter. PBT & PAT rose 66% & 22% to INR 1165mn & 765mn respectively. On a standalone basis, EBITDAM rose 120bps to 8.5% despite fall in Gross Margin to the tune of 200bps to 13.7%. PBT & PAT rose 82% & 15% to INR 942mn & 606mn respectively. Cumulative EBITDA margin of subsidiaries rose 80bps to 10.4%.

Outlook & Valuation

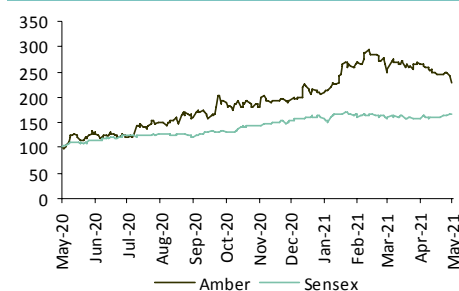
FY22 revenue are estimated to be impacted adversely with significant loss in Q1 that is peak season for RAC business on account of ongoing lockdowns due to second wave of COVID-19. Over the long term, however, recent ban on import of RACs as well as GOI's push for Atmanirbhar Bharat should act as a big enabler for RAC industry as electronics imports constitute 3rd largest segment in India. Even recent shift to China+1 strategy taking place from domestic OEMs to reduce lead time to source RACs should be a big boost for players like Amber. We fine tune estimates in the light of the company having lost peak quarter & headwinds in terms of steep increase in input costs on profitability. We estimate revenue & PAT CAGR of 46% & 83% respectively during FY21-23 & maintain HOLD with a revised price target of INR 2890 (35x23E EPS).

Key Risks:

- Continued Steep increase in input costs.
- Lockdown impacted by second wave of COVID-19 getting prolonged.

Shareholding (%)	Mar-21
Promoters	40.2
FII's	28.1
DII's	7.6
Others	24.1

Relative Price Performance



Key Data	
BSE Code	540902
NSE Symbol	AMBER
Bloomberg Code	AMBER IN
Reuters Code	AMBE.BO
Shares Outstanding (mn)	33.7
Face Value	10
Mcap (INR bn)	93.3
52 Week H/L	3665/1165
2W Avg. Vol, NSE (000's)	45.1
Beta	0.62

(INR mn Cons.)	FY20	FY21E	FY22E	FY23E
Net Sales	39628.0	30305.0	45143.3	64615.3
Growth (%)	44.0	-23.5	49.0	43.1
EBITDAM (%)	7.8	7.3	8.5	9.1
Adj. PAT	1642.0	832.0	1627.0	2785.7
Growth (%)	73.6	-49.3	95.6	71.2
Adj. EPS (INR)	52.2	24.7	48.3	82.7
P/E(x)	53.1	112.2	57.4	33.5
EV/EBITDA	28.9	42.8	25.0	16.7
EV/Sales	2.3	3.1	2.1	1.5
ROACE (%)	15.2	6.9	11.3	16.4
ROAE (%)	15.5	6.1	9.7	15.2

Quarterly performance

INR mn	Q4FY21	Q4FY20	Q3FY21	% Chg (YoY)	% Chg (QoQ)
Revenue	15984	13152	7647	21.5	109.0
RM cost	13449	10962	6231	22.7	115.8
Employee Cost	297	306	273	-2.9	8.8
Other Expenses	826	864	513	-4.4	61.0
Total Expenditure	14572	12132	7017	20.1	107.7
EBITDA	1412	1020	630	38.4	124.1
Depreciation	227	220	235	3.2	-3.4
Other Income	85	-0.2	90	-42600.0	-5.6
EBIT	1270	799.8	485	58.8	161.9
Interest	105	98	86	7.1	22.1
PBT	1165	701.8	399	66.0	192.0
Tax	400	72	120	455.6	233.3
Profit After Tax	765	629.8	279	21.5	174.2
	34.3%	10.3%	30.1%		
Equity	336.9	314.5	336.9		
Face Value	10	10	10		
EPS	22.7	20.0	8.3	13.4	174.2
	34.3%	10.3%	30.1%		
% of Sales				bps	bps
RM Cost	84.1%	83.3%	81.5%	79.2	265.7
Employee Expenses	1.9%	2.3%	3.6%	-46.9	-171.2
Other Expenses	5.2%	6.6%	6.7%	-140.2	-154.1
				0.0	0.0
EBITDAM Excl Other Income (%)	8.8%	7.8%	8.2%	107.8	59.5
PATM (%)	4.8%	4.8%	3.6%	-0.3	113.8

Financials

Income Statement

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Net Sales	39628.0	30305.0	45143.3	64615.3
<i>Net Sales Growth(%)</i>	44.0	-23.5	49.0	43.1
Cost of Goods Sold	33017.0	25135.0	37239.8	53174.1
Employee Cost	1063.0	1021.0	1315.2	1759.9
Other Optg. Exps.	2455.0	1947.0	2758.2	3788.1
Total Optg. Exps.	36535.0	28103.0	41313.2	58722.1
EBITDA(excl OI)	3093.0	2202.0	3830.1	5893.2
<i>EBITDA Growth(%)</i>	45.3	-28.8	73.9	53.9
<i>EBITDA Margins(%)</i>	7.8	7.3	8.5	9.1
Dep./Amortization	848.0	923.0	1384.2	1766.1
EBIT	2245.0	1279.0	2445.9	4127.2
<i>EBIT Margins(%)</i>	5.7	4.2	5.4	6.4
Interest Expense	419.0	410.0	468.5	713.3
Other Income	82.0	331.0	151.1	216.8
EBT	1908.0	1200.0	2128.5	3630.7
Tax Expenses	266.0	368.0	501.5	845.0
PAT	1642.0	832.0	1627.0	2785.7
<i>PAT Growth(%)</i>	73.6	-49.3	95.6	71.2
<i>PAT Margins (%)</i>	4.1	2.7	3.6	4.3

Key Ratios

Y/E	FY20	FY21E	FY22E	FY23E
Per Share Data (INR)				
Adj.EPS	52.2	24.7	48.3	82.7
CEPS	79.2	52.1	89.4	135.1
DPS	3.9	0.0	0.0	0.0
BVPS	358.8	476.0	521.4	563.0
Return Ratios(%)				
RoACE	15.2	6.9	11.3	16.4
RoANW	15.5	6.1	9.7	15.2
Liquidity Ratios				
Net Debt/Equity	0.2	0.1	0.1	0.3
Interest Coverage Ratio	5.4	3.1	5.2	5.8
Current Ratio	1.4	1.5	1.4	1.5
Quick Ratio	0.9	1.0	0.9	1.0
Efficiency Ratios				
Asset Turnover Ratio	2.4	1.4	2.0	2.3
Inventory Days	60	86	64	64
Debtor Days	79	129	90	89
Creditor Days	102	159	106	106
Valuation Ratios				
P/E(x)	53.1	112.2	57.4	33.5
P/BV(x)	7.7	5.8	5.3	4.9
P/CEPS(x)	35.0	53.2	31.0	20.5
Dividend Yield(%)	0.1	0.0	0.0	0.0
EV/Net Sales(x)	2.3	3.1	2.1	1.5
EV/EBIDTA(x)	28.9	42.8	25.0	16.7

Balance Sheet

Y/E (INR mn)	FY20	FY21E	FY22E	FY23E
Source of Funds				
Share Capital	314.5	337.0	337.0	337.0
Reserves and Surplus	10970.0	15704.0	17234.2	18637.0
Total Networkth	11284.5	16041.0	17571.2	18974.0
Minority Interest	348.0	365.0	365.0	365.0
Long Term Borrowings	1388.0	1388.0	1388.0	1388.0
Short Term Borrowings	1817.0	2102.0	2102.0	6207.0
Total Debt	3205.0	3490.0	3490.0	7595.0
Deferred Tax Liability	679.0	770.0	770.0	770.0
Other Non-Current Liabilities	842.0	256.0	256.0	256.0
Total Liability	16358.5	20922.0	22452.2	27960.0
Application of Funds				
Net Block	11058.0	11434.0	13333.8	15051.8
CWIP	118.0	433.0	263.0	273.0
Investments	129.0	1710.0	1710.0	1710.0
Other Non-Current Assets	346.9	300.0	300.0	300.0
Current Assets	17358.0	21968.0	22365.5	32569.2
Current Liabilities	12652.0	14923.0	15520.2	21944.0
Net Current Assets	4706.0	7045.0	6845.4	10625.2
Total Assets	16357.9	20922.0	22452.2	27960.0

Cash Flow

Y/E	FY20	FY21E	FY22E	FY23E
EBT	1908.0	1136.3	2031.7	3489.0
Less: Other Income/Exceptionals	82.0	331.0	151.1	216.8
Add: Depreciation	848.0	923.0	1384.2	1766.1
Add: Interest paid	419.0	410.0	468.5	713.3
Direct Tax Paid	-266.0	-368.0	-501.5	-845.0
Change in Working Capital	-189.0	-642.0	-1181.4	-2527.1
Others	204.5	137.9	0.0	0.0
Cash Flow from operations (a)	2842.5	1266.2	2050.4	2379.4
Change in Fixed Assets	-3526.6	-1868.7	-3114.0	-3494.0
Change in Investments	8.0	-1581.0	0.0	0.0
Other	-65.4	254.7	0.0	0.0
Cash Flow from Investing (b)	-3584.0	-3195.0	-3114.0	-3494.0
Change in Equity	-97.0	3988.2	0.0	-1241.2
Debt Raised/(Repaid)	1573.0	-284.0	0.0	4105.0
Dividend paid	-122.0	0.0	0.0	0.0
Interest Paid	-419.0	-410.0	-468.5	-713.3
Others Paid	82.0	331.0	151.1	216.8
Cash Flow from Financing (c)	1017.0	3625.2	-317.4	2367.3
Net Change in Cash (a+b+c)	275.5	1696.4	-1381.0	1252.7
Opening Cash	928.0	1203.0	2900.0	1519.0
Closing Cash	1203.0	2900.0	1519.0	2771.7

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