

Amber Enterprises India

Performance Update

(` cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq
Revenue	996	602	65	971	3
EBITDA	93	55	70	102	(9)
OPM (%)	9.4	9.1	24bp	10.5	117bp
Reported PAT	49	29	68	62	(21)

Source: Company, Angel Research

For 1QFY2020, Amber Enterprises Ltd (Amber) posted strong set of numbers given both on top-line and bottom-line front. Revenue grew by ~65% yoy to `996cr. On the bottom-line front, Amber reported PAT growth of ~68% on back of strong volume growth and improvement in operating performance.

Growth led by AC Components Division: The company's top-line grew by ~65% yoy to `996cr on the back of strong volume growth (mainly due to addition of new customers, Industry Growth & increased demand by exiting customer due to increase in custom duty hike)

Strong volume growth boosted the overall profitability: On the bottom-line front, Amber reported PAT growth of ~68% on back of strong volume growth and improvement in operating performance.

Outlook and Valuation: We expect Amber Ltd. to report net profit (reported) CAGR of ~27% to ~`152cr over FY2019-21E on the back of topline growth of ~20% in the same period. **Considering the Pick-up in Ac demand and in synergies benefits from its new acquisitions, we maintain BUY on the stock with a revised target Price of `1,061.**

Key Financials

Y/E March (` cr)	FY2018	FY2019	FY2020E	FY2021E
Net sales	2,128.1	2,752.0	3,433.7	3,988.0
% chg	28.8	29.3	24.8	16.1
Adj. Net profit	62.3	93.7	123.2	151.6
% chg	147.4	50.3	31.6	23.1
EBITDA margin (%)	8.6	7.7	8.5	8.6
EPS (`)	19.8	29.8	39.2	48.2
P/E (x)	41.4	27.5	20.9	17.0
P/BV (x)	2.9	2.6	2.4	2.1
RoE (%)	7.0	9.5	11.3	12.5
RoCE (%)	13.5	12.4	15.1	16.5
EV/Sales (x)	13.5	13.1	9.3	7.7
EV/EBITDA (x)	1.2	1.0	0.8	0.7

Source: Company, Angel Research Note

BUY

CMP	`820
Target Price	`1,061
Investment Period	12 months

Stock Info

Sector	Consumer Durable
Market Cap (` cr)	2,570
Net Debt (` cr)	188
Beta	0.9
52 Week High / Low	825/507
Avg. Daily Volume	1,099
Face Value (`)	2
BSE Sensex	37,319
Nifty	11,030
Reuters Code	AMBER.BO
Bloomberg Code	AMBER.IN

Shareholding Pattern (%)

Promoters	38.8
MF / Banks / Indian	18.1
FII / NRIs / OCBs	10.9
Indian Public/Others	32.2

Abs.(%)	3m	1yr	3yr
Sensex	(0.40)	(1.80)	31.7
Amber	9.30	(11.80)	-

Historical share price chart



Source: Company, Angel Research

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Exhibit 1: 2QFY2019 Performance

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq	FY2019	FY2018	% chg
Net Sales	996	602	65.4	971	2.5	2,188	1,923	13.8
Consumption of RM	846.5	502	68.6	810	4.5	1,832	1,610	13.8
(% of Sales)	85.0	83.4		83.4	40.4	83.7	83.7	
Staff Costs	13	11	9.9	11	13.6	40.4	38.9	4.0
(% of Sales)	1.3	1.9		1.1		1.8	2.0	
Other Expenses	43	34	29.2	48	(9.7)	127.6	102.8	24.2
(% of Sales)	4.4	5.6		4.9		5.8	5.3	
Total Expenditure	902	547	64.9	869	3.9	2,000	1,752	14.2
Operating Profit	93	55	69.7	102	(8.9)	188	171	10.0
OPM	9.4	9.1		10.5		8.6	8.9	
Interest	8	3	165.6	5.2	48.5	15	47	(68.3)
Depreciation	15	12	21.0	13	11.1	50	43	14.9
Other Income	5	1		5		9	8	
PBT (excl. Ext Items)	76	41	85.1	89	(14.5)	133	89	49.1
Ext (Income)/Expense								
PBT (incl. Ext Items)	76	41	85.1	89	(14.5)	133	89	49.1
(% of Sales)	7.6	6.8		9.2		6.1	4.6	
Provision for Taxation	28	12		27		40	27	
(% of PBT)	36.2	29.8		30.9		30.4	30.5	
Reported PAT	49	29	68.3	62	(21.1)	93	62	49.2
PATM	4.9	4.8		6.3		4.2	3.2	
Minority Interest After NP								
Extra-ordinary Items								
Reported PAT	49	29	68	62	(21.1)	93	62	49.2

Source: Company, Angel Research

Outlook and Valuation

We expect Amber Ltd. to report net profit (reported) CAGR of ~27% to ~152% over FY2019-21E on the back of topline growth of ~20% in the same period. **Considering the Pick-up in Ac demand and in synergies benefits from its new acquisitions, we maintain BUY on the stock with a revised target Price of ₹1,061.**

Downside risks to our estimates

Client concentration: Amber's business is dependent on certain principal customers and the loss of or a significant reduction in purchases by such customers could adversely affect its business, financial condition, results of operations and future prospects

Downward trend in OEM/ODM business: In recent years, RAC brands have increasingly outsourced the manufacturing of their products to OEM/ODM players like Amber. However, there can be no assurance that they will continue to do so in the future.

Changing preferences, advancement in technology: The markets in which company's customers compete are characterized by consumers and their rapidly changing preferences, advancement in technology and other related factors including lower manufacturing costs. Hence, the company may be affected by any disruptions in the industry

Company Background

Amber Enterprises India Ltd. (Amber) is the market leader in the room air conditioners (RAC) outsourced manufacturing space in India. It is a one-stop solutions provider for the major brands in the RAC industry and currently serves eight out of the ten top RAC brands in India. Its growing manufacturing capabilities and scale put it in a sweet spot to capture the underpenetrated RAC market in India.

Standalone Profit & Loss Statement

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Total operating income	1,651.9	2,128.1	2,752.0	3,433.7	3,988.0
% chg	51.7	28.8	29.3	24.8	16.1
Total Expenditure	1,521.3	1,944.5	2,539.1	3,141.3	3,646.3
Raw Material	1,371.2	1,768.8	2,313.2	2,879.1	3,344.0
Personnel	43.7	49.8	58.8	73.3	87.7
Others Expenses	106.5	125.9	167.2	188.9	214.6
EBITDA	130.5	183.5	212.9	292.4	341.8
% chg	14.8	40.6	16.0	37.4	16.9
(% of Net Sales)	7.9	8.6	7.7	8.5	8.6
Depreciation & Amortisation	40.1	49.0	62.3	75.0	79.5
EBIT	90.4	134.5	150.6	217.4	262.3
% chg	9.1	48.8	11.9	44.4	20.7
(% of Net Sales)	5.5	6.3	5.5	6.3	6.6
Interest & other Charges	63.5	53.8	24.6	40.3	42.6
Other Income	8.8	8.7	10.0	10.0	10.0
(% of Sales)	0.5	0.4	0.4	0.3	0.3
Extraordinary Items	-	-	-	-	-
Share in profit of Associates	-	-	-	-	-
Recurring PBT	35.7	89.4	135.9	187.1	229.7
% chg	9.2	150.4	52.0	37.7	22.8
Tax	10.5	27.1	41.2	56.7	69.6
PAT (reported)	25.2	62.3	93.7	123.2	151.6
% chg	4.5	147.4	50.3	31.6	23.1
(% of Net Sales)	1.5	2.9	3.4	3.6	3.8
Basic & Fully Diluted EPS (₹)	8.0	19.8	29.8	39.2	48.2
% chg	4.5	147.4	50.3	31.6	23.1

Standalone Balance Sheet

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
SOURCES OF FUNDS					
Equity Share Capital	23.8	31.4	31.5	31.5	31.5
Reserves & Surplus	311.1	861.3	954.7	1,058.6	1,186.6
Shareholders Funds	334.9	892.8	986.1	1,090.1	1,218.0
Minority Interest	-	-	19.0	19.0	19.0
Total Loans	344.9	105.5	232.8	350.0	370.0
Other Liab & Prov	46.8	64.4	75.5	75.5	75.5
Total Liabilities	726.6	1062.7	1313.4	1585.8	1791.8
APPLICATION OF FUNDS					
Net Block	577.5	739.8	843.1	843.1	843.1
Capital Work-in-Progress	3.0	4.0	5.0	6.0	7.0
Investments	-	5.7	-	-	-
Current Assets	650.4	964.0	1,529.0	2,063.6	2,482.8
Inventories	267.7	395.6	560.6	699.5	812.4
Sundry Debtors	310.4	378.6	787.2	982.1	1,140.7
Cash	34.7	133.8	44.7	217.5	333.0
Loans & Advances	37.1	28.3	13.1	16.4	19.0
Other Assets	0.5	27.6	123.4	148.1	177.7
Current liabilities	560.0	665.8	1,058.7	1,320.9	1,534.2
Net Current Assets	90.4	298.2	470.3	742.7	948.7
Other Non Current Asset	58.6	19.1	-	-	-
Total Assets	726.6	1062.7	1313.4	1585.8	1791.8

Standalone Cashflow Statement

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Profit before tax	38.4	89.4	135.9	187.1	229.7
Depreciation	39.7	49.0	62.3	75.0	79.5
Change in Working Capital	(23.3)	(67.7)	(132.1)	(99.7)	(90.6)
Interest / Dividend (Net)	-	-	-	-	-
Direct taxes paid	(9.0)	(27.1)	(41.2)	(56.7)	(69.6)
Others	(52.7)	(38.8)	(11.2)	(9.4)	(12.8)
Cash Flow from Operations	98.5	82.4	36.1	115.2	161.8
(Inc.)/ Dec. in Fixed Assets	(82.0)	(162.2)	(103.4)	-	-
(Inc.)/ Dec. in Investments	0.8	-	-	-	-
Cash Flow from Investing	(89.7)	(162.2)	(103.4)	-	-
Issue of Equity	50.0	505.3	14.4	-	-
Inc./(Dec.) in loans	46.4	(239.4)	127.3	117.2	20.0
Others	97.6	63.6	162.3	59.5	66.3
Cash Flow from Financing	(1.2)	202.3	(20.6)	57.6	(46.3)
Inc./(Dec.) in Cash	7.6	122.5	(87.9)	172.9	115.5
Opening Cash balances	2.4	10.0	132.5	44.7	217.5
Closing Cash balances	10.0	132.5	44.7	217.5	333.0

Exhibit 2:

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Valuation Ratio (x)					
P/E (on FDEPS)	102.4	41.4	27.5	20.9	17.0
P/CEPS	21.6	10.5	7.2	5.6	4.6
P/BV	7.7	2.9	2.6	2.4	2.1
Dividend yield (%)	-	-	-		
EV/Sales	1.7	1.2	1.0	0.8	0.7
EV/EBITDA	21.9	13.5	13.1	9.3	7.7
EV / Total Assets	3.9	2.3	2.1	1.8	1.6
Per Share Data (₹)					
EPS (Basic)	8.0	19.8	29.8	39.2	48.2
EPS (fully diluted)	8.0	19.8	29.8	39.2	48.2
Cash EPS	37.9	77.9	113.5	147.1	176.9
Book Value	106.5	283.9	313.6	346.6	387.3
Returns (%)					
ROCE	13.3	13.5	12.4	15.1	16.5
Angel ROIC (Pre-tax)	13.9	15.9	11.9	16.5	19.4
ROE	7.5	7.0	9.5	11.3	12.5
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.9	3.8	4.2	5.2	6.0
Inventory / Sales (days)	59	68	74	74	74
Receivables (days)	69	65	104	104	104
Payables (days)	99	98	140	140	140
Working capital cycle (ex-cash) (days)	29	35	38	38	38

Source: Company, Angel Research

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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