

26<sup>th</sup> December 2023

## Amber Enterprises India Ltd. – BUY

**CMP** : Rs. 3,047  
**Target Price** : Rs. 3,975  
**Upside** : 30%+  
**Stop Loss** : Rs. 2,575 (Closing basis)

### Investment Thesis

- Amber Enterprises India Ltd (AMBER), is India's largest contract manufacturer of air conditioners and is primarily engaged in the manufacturing and assembly of Room Air Conditioners (RACs) and key functional and reliable RAC components. AMBER has focused on backward integration and forayed into induction motor manufacturing and Printed Circuit Board Assembly (PCBA) manufacturing. This has created a significant competitive advantage enabling AMBER to capture 29.4% market share as at the end of Q2FY24 in RAC industry.
- To create new growth avenues, AMBER has been actively expanding the operations in the Electronics Division (ED) and Railway Sub-systems & Mobility Division (Rail) as a part of AMBER 2.0 (ED) and AMBER 3.0 (Rail). This is also diversifying the business and improving the margin profile as ED and Rail businesses have meaningfully higher profitability.
- The focus on backward integration has provided AMBER to remain agile in a dynamic environment to provide end-to-end product development solutions to customers through original design manufacturing. Additionally, this has given margin stability in the long run.
- The ED has seen substantial traction growing to Rs. 515 crs in H1FY24 from Rs. 449 crs in H1FY23. Management expects ED to double in size in the next 2 years. AMBER is constantly on the lookout for partnerships with brands to achieve this objective.
- During Q2FY24, IL JIN Electronics (India) Private Limited a subsidiary of AMBER collaborated with "Noise" creating a 50% JV to manufacture, assemble and design its wearables & and other smart electronics products. This JV is expected to generate revenues of up to Rs. 500 crs at full capacity.
- SIDWAL, another subsidiary of AMBER, which is part Rail business manufactured HVAC system for Namoo Bharat -RRTS Delhi-Ghaziabad-Meerut corridor. The orderbook as at the end of Q2FY24 was Rs. 1,140. Like the ED business, management expects Rail business to double in two years.

### Financials

- The Revenue for H1FY24, rose to Rs. 2,629 crs from Rs. 2576 crs on the back strong growth in the ED and Rail Businesses. The consumer durables witnessed a 2.5% contraction as the RAC industry experienced a prolonged slowdown.

Particulars	FY21	FY22	FY23	FY24E	FY25E
Revenue (Rs in Crs)	3,063.6	4,239.6	6,979.8	8,312.5	9,559.4
EBITDA (Rs in Crs)	254.3	308.6	470.6	548.6	597.4
Adj. PAT (Rs in Crs)	83.3	111.3	163.8	207.3	243.5
Adj. EPS (Rs.)	24.2	32.4	46.7	61.5	72.3
PE Multiple (x)	137.1	108.8	39.1	65.5	55
RoE (%)	6.1	6.7	9.1	9.8	10.3

### Stock Data

Market Cap (Rs. Crs)	10,286
Market Cap (\$ Mn)	1,236
Shares O/S (in Mn)	33.69
Avg. Volume (3 month)	1,65,492
52-Week Range (Rs.)	3,480 / 1,762

### Shareholding Pattern

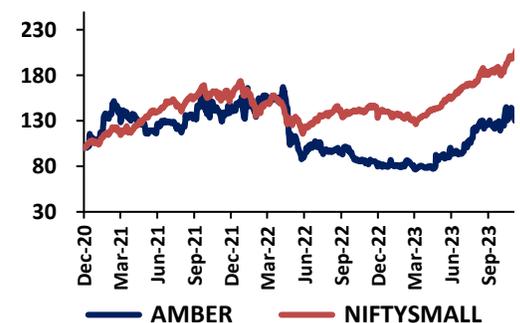
Promoters	40.31
FII's	29.69
Institutions	13.07
Others (incl. body corporate)	16.91

### Key Ratios

Div Yield (%)	NA
TTM PE (x)	65.5
ROE (%)	9.1
TTM EPS (Rs.)	164

### Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	-7.3	29.8	63.2
RELATIVE	-14.5	-8.3	1.5



- Rail contributed Rs. 31 crs of the consolidated EBITDA Rs. 65 crs of Q2FY24. Sequentially the EBITDA margin was down by 133 bps on account of the weakness in the consumer durable business, however, Y-o-Y margin was up by 154 bps at 6.4%.
- ED business continues to gain revenue share accounting for 20% of H1FY24 revenues up from 17% in H1FY23. The RAC finished good contributed 40% on a consolidated basis.

## Key Business Highlights

- Incorporated in 1990, AMBER is the country's largest contract manufacturer of RAC and RAC components. It has also diversified operation in the ED and Rail business to unlock new growth.
- The clientele of AMBER includes reputed RAC brands like Daikin, LG, Samsung, Toshiba, and Bluestar.
- AMBER has applied for the PLI scheme. The audit of the PLI scheme has started and the incentives are expected to commence from Q4FY24.
- Divisional Performance H1FY24:

Division	Revenue (Rs. Crs)	EBITDA (Rs. Crs)
Consumer Durables	1,744	114
Electronics	515	24
Railway Sub-systems	235	52

## Valuation

The Q2FY24 numbers for AMBER, were a mixed bag, on a consolidated basis, there was loss of Rs. 9.5 crs, on account of higher depreciation and slow growth in the consumer durables segment. However, the growth in ED and Rail was substantial. Additionally, the management is optimistic regarding the outlook of these segment and will be the drivers for growth in the coming quarters.

Hence, we believe at the current levels where AMBER is trading at a TTM PE / EBITDA Multiple of 71.1x / 22.5x against the average of the Industry PE / EBITDA Multiple of 58.5x / 32.7x is reasonable.

Therefore, considering above, we are assigning a **BUY** rating for **AMBER** with a **target price** of **Rs. 3975**, translating to an **upside** of **30+%**.

## Risk & Concern

- Prolonged slowdown in the RAC industry
- Change in the stance of the policy support by government.
- Economic slowdown.

## Graphs & Charts

Figure 1: Net Sales Trend (Rs. In Crs)

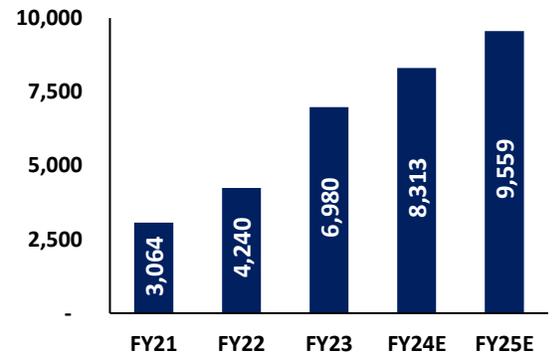


Figure 2: EBITDA & EBITDA Margins Trend

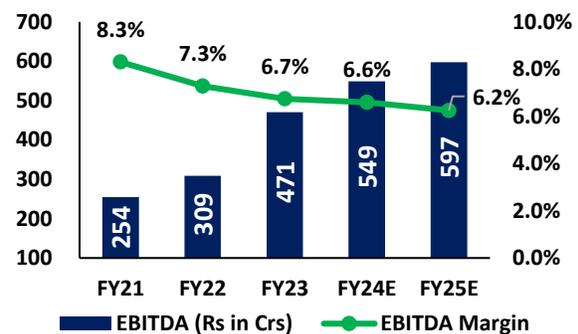


Figure 3: Segment-wise Breakup (H1FY24)

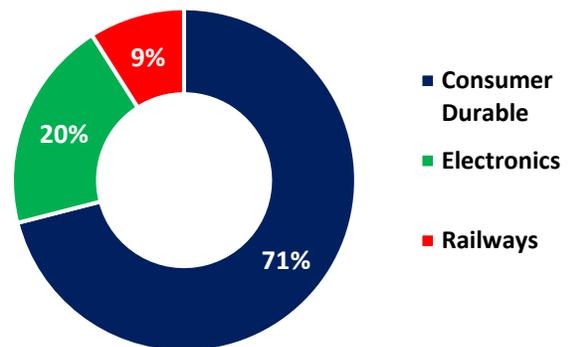
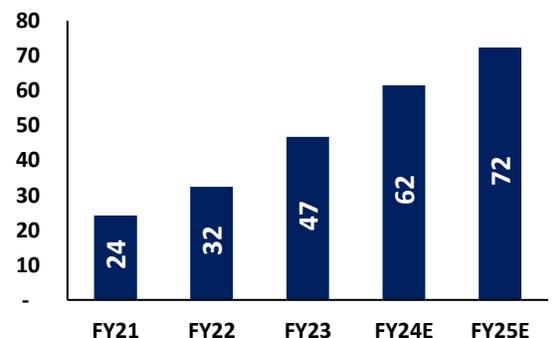


Figure 4: EPS Trend



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