


Target ₹2380-2400
Recommendation BUY
Highlights

- For Q4FY23, Amber's revenue grew by 55% YoY & 2.2x QoQ to ₹30bn. EBITDA grew by 62% YoY & 2.6x QoQ to ₹2.04bn mainly on account of positive operating leverage, as employee and other operating expenses as a percentage of sales contracted by 45bps YoY. PAT increased by ~82% YoY & 7.3x QoQ to ₹1.04bn owing to strong operating performance.
- Amber's value market share in its core RAC & component business rose to 20.6% in FY23 from 18% in FY22. From a manufacturing footprint point, it has improved 280bps to 29.4% compared to 26.6% in FY22. Management expects the RAC industry to grow by 10-15% in FY24 to 9.5mn from 8.4mn units. Thrust on public capex is aiding growth in HVAC solutions
- WC cycle improved to 30 days in FY23 from 39 days YoY, driven by a reduction in receivables and inventories.
- Mobility revenue grew 37% YoY, with a strong order book of ₹7bn, as the company added new clients in the electronics and room air conditioner (RAC) divisions.
- Optimistic about the future potential of Mobility segment, since it has commenced production of pantry systems for Vande Bharat trains as well as signed the transfer of technology agreements for plug doors and gangways. Modernization of metros plus fully air-conditioned Vande Bharat trains (v/s 28-29 bogies in existing trains) gives enough leeway for this division to double in size in the next 3-4 years.
- Electronics revenue increased by 69% YoY & 59% QoQ, as the company on-boarded new customers in addition to robust growth witnessed in the wearable segment. Amber received approvals from some customers in Q4 which aided growth in exports.
- On value terms, the company has 26-27% share in the motors vertical, 35-40% in sheet metal where the company is the largest player in India, and ~30% in heat exchangers.
- Amber indicated that it has crossed the requisite threshold limits on incremental capex and revenue to qualify for incentives under the government's production-linked incentive (PLI) scheme. Management expects to receive the first tranche of incentives shortly.
- New Sri City utilisation is currently at 20% which is expected to increase to +35% in the near term. Blended utilisation was at 60-65%. The management expects net debt will reduce by ~₹2bn by FY24-end.

Q4FY23 Result Highlights

- All business segments on strong trajectory** – For Q4FY23, Amber's revenue grew by 55% YoY & 2.2x QoQ to ₹30bn. Mobility revenue grew 37% YoY, with a strong order book of ₹7bn, as the company added new clients in the electronics and room air conditioner (RAC) divisions. Electronics revenue increased by 69% YoY & 59% QoQ, as the company on-boarded new customers in addition to robust growth witnessed in the wearable segment. EBITDA grew by 62% YoY & 2.6x QoQ to ₹2.04bn mainly on account of positive operating leverage, as employee and other operating expenses as a percentage of sales contracted by 45bps YoY. PAT increased by ~82% YoY & 7.3x QoQ to ₹1.04bn owing to strong operating performance. Amber received approvals from some customers in Q4 which aided growth in exports. The order book is guided to remain strong in FY24. WC cycle improved to 30 days in FY23 from 39 days YoY, driven by a reduction in receivables and inventories.
- Market share increase in RAC** – Amber's value market share in its core RAC & component business rose to 20.6% in FY23 from 18% in FY22. From a manufacturing footprint point, it has improved 280bps to 29.4% compared to 26.6% in FY22. Management expects the RAC industry to grow by 10-15% in FY24 to 9.5mn from 8.4mn units. Thrust on public capex is aiding growth in HVAC solutions. The management is expecting a strong summer; Q4FY23 was robust, which led to growth in the company's topline numbers. The company's strategy to focus on manufacturing RAC components has worked well. Unseasonal rains in Apr-May'23, especially in North India, seem to have dampened the continued growth trajectory of RAC volumes. The current channel inventory is expected to fall from the existing elevated levels by Jun-Jul'23. However, any change in product mix and efficiencies should boost the bottom line. On value terms, it has 26-27% share in the motors vertical, 35-40% in sheet metal where the company is the largest player in India, and ~30% in heat exchangers. Amber indicated that it has crossed the requisite threshold limits on incremental capex and revenue to qualify for incentives under the government's production-linked incentive (PLI) scheme. Management expects to receive the first tranche of incentives shortly.
- Mobility Application Division** – Growth was seen mainly because of optimism around Vande Bharat trains as well as a robust pipeline in the defense application business. The current order book stands at ₹7bn. Management is optimistic about the future potential of this segment since it has commenced production of pantry systems for Vande Bharat trains as well as signed the transfer of technology agreements for plug doors and gangways. Modernisation of metros plus fully air-conditioned Vande Bharat trains (v/s 28-29 bogies in existing trains) gives enough leeway for this division to double in size in the next 3-4 years.
- Motor Division** – Amber is one of the leading companies in this division and commands a market share of 26-27%. Management has also expanded BLDC motors in ODU, WAC and commercial segments and is expecting to add two large customers in FY24.
- Electronic Division** – This segment continues to deliver strong growth as the wearables segment witnessed robust growth. The telecom segment is also doing well. The RAC-PCBA market share has crossed 20% and is expected to grow consistently.

The company incurred ₹0.3bn on employee stock options in FY23 and expects to incur a lower ~₹0.2bn for FY24

No price hikes were taken during the quarter as commodity prices have stabilised.

Amber incurred ₹7bn toward capex in FY23 which management believes spurred profitability. Capex is likely to moderate over the next couple of years (₹3bn-3.75bn range). Focus areas for the outlay will be R&D and maintenance, expansion of subsidiary business, and brownfield expansion of the component business.

New Sri City utilisation is currently at 20% which is expected to increase to 35%+ in the near term. Blended utilisation is at 60-65%.

The management expects net debt will reduce by ~₹2bn by FY24-end.

Important Data

Nifty	18,076
Sensex	61,304
CMP	₹2102.1
Market Cap (₹)	₹70.8bn
52W High/Low	₹2792/1762
Shares o/s (mn)	33.7
Daily Vol. (3M NSE Avg.)	720,504

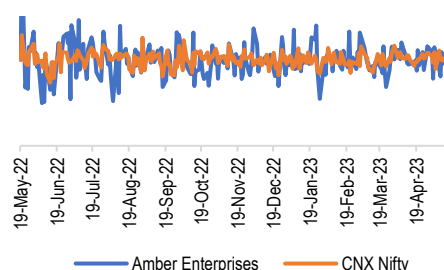
Shareholding Pattern (%) – Mar'23

Promoter	40.3
DII's	13.6
FII's	23.9
Public	22.2

Financials & Valuations

Particulars (₹ mn)	FY19	FY20	FY21	FY22
Operating Revenue	27,520	39,628	30,305	42,064
EBITDA	2,129	3,093	2,203	2,754
EBITDA Margin (%)	7.7	7.8	7.3	6.5
Net Profit	937	1,584	816	1,092
EPS (₹)	27.8	47.0	24.2	32.4
RoE (%)	9.3	13.6	5.0	6.5
RoCE (%)	6.3	7.7	6.4	5.9
P/E (x)	75.6	44.7	86.8	64.9
EV/EBITDA (x)	34.5	24.1	32.9	28.1
P/BV (x)	7.0	6.1	4.3	4.0

Particulars	FY23P	FY24E	FY25E
Operating Revenue	69,271	84,343	100,314
EBITDA	4,179	5,081	6,251
EBITDA Margin (%)	6.0	6.0	6.2
Net Profit	1,572	1,954	2,731
EPS (₹)	46.7	58.0	81.1
RoE (%)	8.6	10.0	12.4
RoCE (%)	7.9	7.4	9.1
P/E (x)	45.1	36.2	25.9
EV/EBITDA (x)	19.5	14.3	11.7
P/BV (x)	3.6	3.4	3.0

Relative performance

Analyst

Jayakanth Kasthuri
 Research Analyst
jayakanthk@way2wealth.com

VIEW

Amber reported strong Q4 FY23 performance buoyed by customer additions, as the company's strategy of offering components to brands in tandem with them increasing in-house manufacturing reaped rewards. The company is seeing increased traction in its mobility division, with a strong order book of ₹7bn in addition to immense future potential from Vande Bharat trains, as it looks to double this business in 3-4 years. While Amber has gained market share in the RAC and components manufacturing industry (29% from 25% in FY21), given insourcing by brands, we are likely to witness the RAC and components segment will grow in-line with the market's pace. Moreover, with the tapering of capex in FY24 (₹3.5bn from ₹7bn in FY23), management expects RoCE to improve to double digits in the next 3-4 years from ~8% currently. Structural trends for other segments (mobility and electronics) remain intact, with a strong order book due to Vande Bharat trains and ramp up in defense projects along with expected robust growth in the wearables segment. **Hence we maintain our BUY recommendation with target range ₹2380-2400 trading at P/E 25.9x FY25E EPS ₹81.1.**

Q4FY23 FINANCIALS
(₹mn)

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
Revenue	30,026.2	19,366.9	55.0	13,483.1	122.7	69,271.0	42,064.0	64.7
Cost of Matl	25,858.9	16,122.5	60.4	12,058.8	114.4	59,250.1	35,248.8	68.1
Inventory Changes	74.0	576.1	(87.2)	(873.6)	(108.5)	(572.5)	47.8	(1,296.5)
Employee Exps	638.3	427.2	49.4	542.0	17.8	2,115.7	1,499.5	41.1
Other Exps	1,419.9	988.2	43.7	970.7	46.3	4,298.3	2,514.0	71.0
EBITDA	2,035.1	1,252.9	62.4	785.1	159.2	4,179.3	2,753.8	51.8
EBITDA Margin (%)	6.8	6.5	31	5.8	95	6.0	6.5	(51)
Other Income	186.9	93.8	99.3	89.4	109.1	526.6	332.3	58.5
Depreciation	388.4	302.4	28.5	363.2	7.0	1,391.2	1,079.1	28.9
Finance cost	374.6	185.7	101.7	289.3	29.5	1,118.2	464.4	140.8
PBT	1,459.0	858.6	69.9	222.1	556.9	2,196.5	1,542.7	42.4
Tax	378.0	265.6	42.3	71.3	429.9	558.8	429.5	30.1
Minority Interest - (Profit)/Loss	(41.1)	(20.9)	97.2	(9.3)	344.6	(65.7)	(21.3)	208.4
Net Profit	1,039.8	572.2	81.7	141.5	634.8	1,572.0	1,091.9	44.0
EPS (₹)	30.9	17.0	81.7	4.2	634.8	46.7	32.4	44.0

Source: Company

Cost as % to Sales	Q4FY23	Q4FY22	YoY (BPS)	Q3FY23	QoQ (BPS)	FY23	FY22	YoY (BPS)
Raw Matl Cost	86.4	86.2	15	83.0	341	84.7	83.9	80
Gross Margin	13.6	13.8	(15)	17.0	(341)	15.3	16.1	(80)
Employee Exps	2.1	2.2	(8)	4.0	(189)	3.1	3.6	(51)
Other Exps	4.7	5.1	(37)	7.2	(247)	6.2	6.0	23

Segmental Revenue (₹mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
RAC & Components	23,710	15,290	55.1	10,250	131.3	50,568	30,660	64.9
Electronic	4,150	2,450	69.4	2,610	59.0	11,083	6,160	79.9
Mobility	1,130	820	37.8	1,100	2.7	4,156	2,890	43.8
Motor	1,050	800	31.3	720	45.8	3,464	2,360	46.8

Segmental Revenue Mix (%)	Q4FY23	Q4FY22	YoY (BPS)	Q3FY23	QoQ (BPS)	FY23	FY22	YoY (BPS)
RAC & Components	79.0	78.9	2	76.0	294	73.0	72.9	11
Electronic	13.8	12.7	117	19.4	(554)	16.0	14.6	136
Mobility	3.8	4.2	(47)	8.2	(440)	6.0	6.9	(87)
Motor	3.5	4.1	(63)	5.3	(184)	5.0	5.6	(61)

Source – Company, Way2Wealth

FINANCIALS & FORECASTING

(₹mn)

Particulars	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Revenue	27,520	39,628	30,305	42,064	69,271	84,343	100,314
EBITDA	2,129	3,093	2,203	2,754	4,179	5,081	6,251
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EPS (₹)	27.8	47.0	24.2	32.4	46.7	58.0	81.1
RoE (%)	9.3	13.6	5.0	6.5	8.6	10.0	12.4
RoCE (%)	6.3	7.7	6.4	5.9	7.9	7.4	9.1
Cash Balances	447	1,203	2,899	5,626	5,594	5,732	12,713
FCF	(1,835)	1,433	364	(1,729)	(3,416)	1,511	4,842
Receivable Days	104	79	129	114	93	105	96
Inventory Days	88	72	104	73	58	66	63
Payable Days	148	122	191	148	121	150	147
Net Debt/ Equity (x)	0.3	0.3	0.1	0.4	0.6	0.5	0.5
P/E (x)	75.6	44.7	86.8	64.9	45.1	36.2	25.9
EV/EBITDA (x)	34.5	24.1	32.9	28.1	19.5	14.3	11.7
P/BV (x)	7.0	6.1	4.3	4.0	3.6	3.4	3.0

Source- Company, Way2Wealth

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Name of the Security	AMBER ENTERPRISES LTD.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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