

21<sup>st</sup> March 2024

## Amber Enterprises India Ltd. – BUY

**CMP** : Rs. 3,283  
**Target Price** : Rs. 4,728  
**Upside** : 43%+  
**Stop Loss** : Rs. 2,775 (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.
- AMBER acquire majority stake of 60% in Ascent Circuits Pvt. Ltd. (ACPL), through ILJIN Electronics a subsidiary of AMBER. ACPL is a leading player engaged in the manufacturing of PCB catering to marquee customers such as ISRO, BEL, BHEL, Automotive, Telecom, Consumer Electronics clients both multinational & domestic. This acquisition will help Amber strengthen the ED Business.
- Additionally, AMBER has entered a MoU with South Korea's, Korea Circuit, through ACPL. This will enhance the capability of ACPL for providing solutions to Mobile & Semiconductor industry.
- In Jan-24, IL JIN Electronics incorporated a 50% JV with "Noise" creating 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 of Rail business entered into a strategic alliance with Titagarh Rail Systems Limited (TRSL), to create JV for the supply of railway component and subsystem business. Additionally, both companies to jointly invest along with Invitalia (Government of Italy) in Titagarh Firema to expand their business into the European markets.

### Financials

- The Revenue for 9MFY24, was flat at Rs. 3,924 crs over the same period last year. However, the contribution from the Rail and ED division has improved and therefore management is optimistic about the topline growth.

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Revenue (Rs in Crs)	4,240	6,980	8,313	9,559	10,229
EBITDA (Rs in Crs)	309	471	549	597	736
EBITDA Margin	7.3%	6.7%	6.6%	6.2%	7.2%
Adj. PAT (Rs in Crs)	111.3	163.8	207.3	243.5	388.7
Adj. EPS (Rs.)	32	47	62	72	115
PE Multiple (x)	108.8	39.1	71	60	34.57
RoE (%)	6.7	9.1	10.0	10.5	14.34

### Stock Data

Market Cap (Rs. Crs)	11,068
Market Cap (\$ Mn)	1,332
Shares O/S (in Crs)	3.37
Avg. Volume (3 month)	2,01,118
52-Week Range (Rs.)	4,615 / 1,762

### Shareholding Pattern

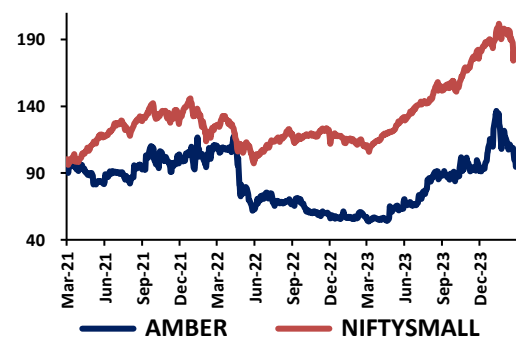
Promoters	40.31
FII's	28.29
Institutions	14.67
Others (incl. body corporate)	16.73

### Key Ratios

Div Yield (%)	NA
TTM PE (x)	76.8
ROE (%)	8.75
TTM EPS (Rs.)	42.2

### Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	-20.1	8.6	69.8
NIFTY SMALL	-9.8	15.7	62.0



- Rail contributed Rs. 76 crs with EBITDA margin of 21.3% in 9MFY24 of the consolidated EBITDA against Rs. 71 crs of 9MFY23. Similarly, ED division contributed Rs. 36 crs with EBITDA margin at 4.8% in 9MFY24.
- ED and Rail business continues to gain revenue share accounting for 19.3% and 9.1% of 9MFY24 revenues up from 18.1% and 7.9% in 9MFY23.

## 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.
- The ED has seen substantial traction growing to Rs. 515 crs in H1FY24 from Rs. 449 crs in H1FY23.
- The orderbook of Rail Business as at the end of Q2FY24 was Rs. 1,140 and management expects Rail business to double in two years.
- 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 9MFY24:

Division	Revenue (Rs. Crs)	EBITDA (Rs. Crs)
Consumer Durables	2,810	174
Electronics	757	36
Railway Sub-systems	357	76

## Valuation

The share of AMBER slumped after the mixed bag result, on a consolidated basis, on account of lower margins 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.

Therefore, considering above, we are assigning a **BUY** rating for **AMBER** with a **target price** of **Rs. 4,728**, translating to an **upside** of **43+%**.

## 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)

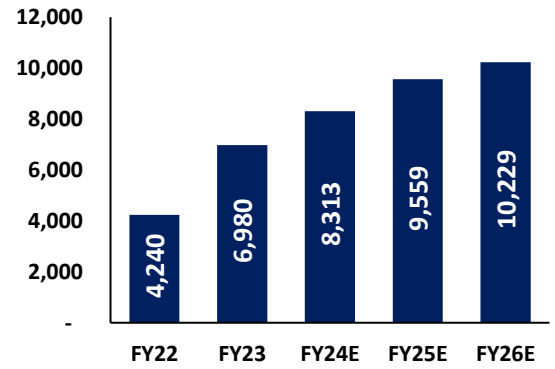


Figure 2: EBITDA & EBITDA Margins Trend

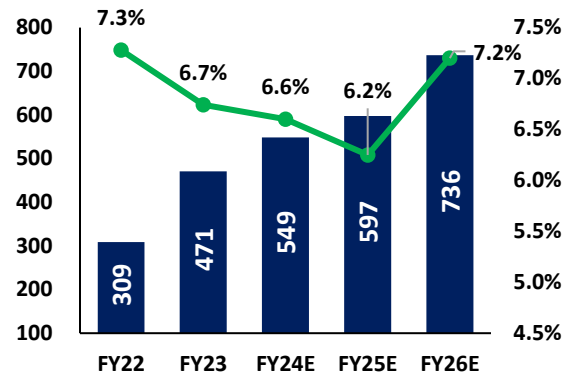


Figure 3: Segment-wise Breakup (9MFY24)

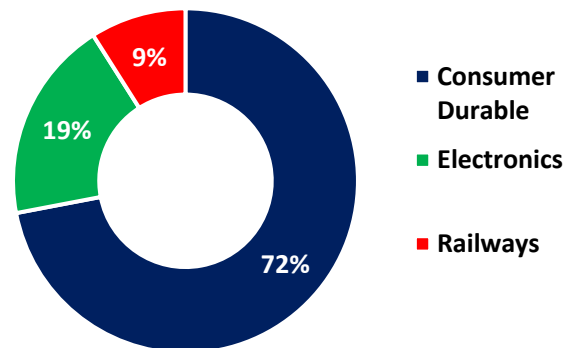
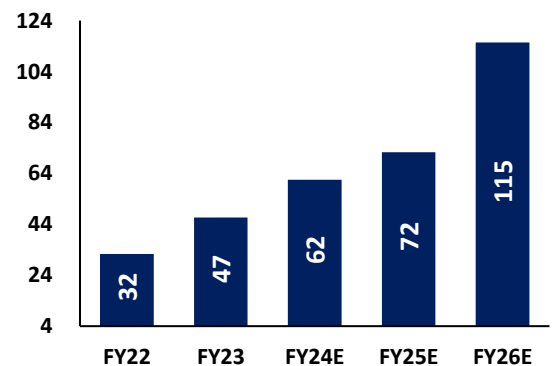


Figure 4: EPS Trend



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