

Amber Enterprises India

Performance Update

(` cr)	3QFY20	3QFY19	% yoy	2QFY20	% qoq
Revenue	788	518	52	623	27
EBITDA	54	29	87	37	48
OPM (%)	6.9	5.6	130bp	5.9	99bp
Reported PAT	25	4	522	12	104

Source: Company, Angel Research

For 3QFY2020, Amber Enterprises Ltd (Amber) posted strong set of numbers, both on top-line and bottom-line front. Consolidated revenue grew by ~52% yoy to `788cr. On the bottom-line front, Amber reported consolidated PAT growth of ~52% yoy to `25cr on the back of strong top-line growth and strong operating margin improvement.

Top-line grew ~52%: The company's consolidated top-line grew by ~52% yoy to `788cr on the back of strong volume growth which ~75% yoy (mainly due to addition of new customers, industry growth and increased demand by existing customers due to increase in custom duty hike). During the 9mFY20, Revenues from "RAC" and "Components & Mobile Applications" business grew by ~72% & ~68% respectively

Strong volume growth and operating margin improvement boosted the overall profitability: On the bottom-line front, Amber reported consolidated PAT growth of ~52% yoy to `25cr on the back of strong top-line growth and strong operating margin improvement (130bp).

Outlook and Valuation: We expect Amber to report consolidated net profit (reported) CAGR of ~40% to ~`258cr over FY2019-22E on the back of top-line growth of ~25% over the same period. **Considering the pick-up in AC demand and deriving synergy benefits from its new acquisitions, we maintain BUY on the stock with a revised target Price of `1,830.**

Key Financials (consolidated)

Y/E March (` cr)	FY2019	FY2020E	FY2021E	FY2022E
Net sales	2,752	3,993	4,665	5,362
% chg	29.3	45.1	16.8	14.9
Adj. Net profit	95	175	210	258
% chg	50.3	86.6	20.3	22.9
EBITDA margin (%)	7.7	8.7	8.6	8.8
EPS (`)	29.8	55.6	66.9	82.2
P/E (x)	51.8	27.7	23.1	18.8
P/BV (x)	4.8	4.1	3.5	2.9
RoE (%)	9.3	14.8	15.1	15.7
RoCE (%)	12.0	17.0	17.7	18.7
EV/Sales (x)	1.8	1.3	1.1	0.9
EV/EBITDA (x)	23.7	14.8	12.7	10.7

Source: Company, Angel Research Note

BUY

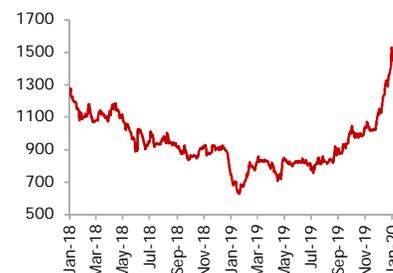
CMP	`1,535
Target Price	`1,830
Investment Period	12 months

Stock Info	
Sector	Consumer Durable
Market Cap (` cr)	4,827
Net Debt (` cr)	203
Beta	0.9
52 Week High / Low	1,639/621
Avg. Daily Volume	5,215
Face Value (`)	10
BSE Sensex	39,872
Nifty	11,707
Reuters Code	AMBER.BO
Bloomberg Code	AMBER.IN

Shareholding Pattern (%)	
Promoters	44.0
MF / Banks / Indian	6.0
FII / NRIs / OCBs	12.9
Indian Public/Others	37.1

Abs.(%)	3m	1yr	3yr
Sensex	(1.1)	9.0	41.2
Amber	42.6	101.5	-

Historical share price chart



Source: Company, Angel Research

Amarjeet S Maurya

022-40003600 Ext: 6831

amarjeet.maurya@angelbroking.com

3QFY2020 Performance

Y/E March (₹ cr)	3QFY20	3QFY19	% yoy	2QFY20	% qoq	9mFY20	9mFY19	% chg
Net Sales	788	518	52.2	623	26.5	2,648	1,556	70.2
Consumption of RM	654.0	442	47.9	513.9	27.3	2,206	1,309	68.5
(% of Sales)	82.9	85.3		82.4	40.4	83.3	84.1	
Staff Costs	27	13	112.2	25	7.7	75.7	41.6	81.9
(% of Sales)	3.4	2.5		4.0		2.9	2.7	
Other Expenses	53	34	55.3	48	11.7	158.9	105.8	50.2
(% of Sales)	6.7	6.6		7.6		6.0	6.8	
Total Expenditure	734	489	50.1	587	25.2	2,440	1,456	67.6
Operating Profit	54	29	87.5	37	47.8	207	100	107.9
OPM	6.9	5.6		5.9		7.8	6.4	
Interest	11	6	73.0	11	(0.7)	32	17	91.6
Depreciation	21	16	34.9	21	0.6	63	46	38.0
Other Income	2	0		(0)		8	5	
PBT (excl. Ext Items)	24	7	241.4	5	427.6	121	42	187.0
Ext (Income)/Expense								
PBT (incl. Ext Items)	24	7	241.4	4.64	427.6	120.65	42	187.0
(% of Sales)	3.1	1.4		0.7		4.6	2.7	
Provision for Taxation	(0)	3		(8)		19	14	
(% of PBT)	(1.3)	44.3		(162.5)		16.0	33.5	
Reported PAT	25	4	521.8	12.2	103.7	101	28	262.6
PATM	3.1	0.8		2.0		3.8	1.8	
Minority Interest After NP								
Extra-ordinary Items								
Reported PAT	25	4	522	12.2	103.7	101	28	262.6

Source: Company, Angel Research

Outlook and Valuation

We expect Amber to report consolidated net profit (reported) CAGR of ~40% to ~`258cr over FY2019-22E on the back of top-line growth of ~25% over the same period. **Considering the pick-up in AC demand and deriving synergy benefits from its new acquisitions, we maintain BUY on the stock with a revised target Price of `1,830.**

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.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Net Sales	2,128	2,752	3,993	4,665	5,362
% chg	28.8	29.3	45.1	16.8	14.9
Total Expenditure	1,945	2,539	3,645	4,264	4,890
Raw Material	1,769	2,320	3,350	3,914	4,498
Personnel	50	59	84	103	129
Others Expenses	126	161	212	247	263
EBITDA	184	213	347	401	472
% chg	40.6	16.0	63.2	15.5	17.6
(% of Net Sales)	8.6	7.7	8.7	8.6	8.8
Depreciation & Amortization	49	62	84	89	94
EBIT	135	151	263	312	378
% chg	48.8	11.9	74.9	18.5	21.0
(% of Net Sales)	6.3	5.5	6.6	6.7	7.0
Interest & other Charges	54	25	40	43	45
Other Income	9	10	12	13	14
(% of PBT)	9.8	7.3	5.1	4.6	4.0
Recurring PBT	89	136	235	283	347
% chg	150.4	52.0	73.0	20.2	22.7
Tax	27	41	59	71	87
(% of PBT)	30.3	30.3	25.2	25.2	25.2
PAT (reported)	62	95	176	211	260
Extraordinary Items	-	-	-	-	-
ADJ. PAT	62	95	175	210	258
% chg	181.3	50.3	86.6	20.3	22.9
(% of Net Sales)	2.9	3.4	4.4	4.5	4.8
Basic EPS (₹)	19.8	29.8	55.6	66.9	82.2
Fully Diluted EPS (₹)	19.8	29.8	55.6	66.9	82.2
% chg	181.3	50.3	86.6	20.3	22.9

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
SOURCES OF FUNDS					
Equity Share Capital	31	31	31	31	31
Reserves & Surplus	861	974	1,148	1,359	1,617
Shareholders Funds	893	1,005	1,180	1,390	1,649
Total Loans	114	248	370	370	370
Deferred Tax Liability	75	93	93	93	93
Total Liabilities	1,082	1,346	1,643	1,853	2,112
APPLICATION OF FUNDS					
Gross Block	932	1,090	1,180	1,270	1,360
Less: Acc. Depreciation	222	281	365	454	548
Net Block	710	809	815	816	812
Capital Work-in-Progress	30	34	34	34	34
Investments	6	-	-	-	-
Current Assets	983	1,528	2,294	2,756	3,259
Inventories	396	561	875	1,022	1,205
Sundry Debtors	379	787	1,181	1,431	1,675
Cash	134	45	78	115	165
Loans & Advances	56	90	120	140	161
Other Assets	19	45	40	47	54
Current liabilities	687	1,074	1,549	1,799	2,039
Net Current Assets	296	454	746	956	1,220
Deferred Tax Asset	40	49	49	49	49
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,082	1,346	1,643	1,853	2,112

Consolidated Cashflow Statement

Y/E March (` cr)	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Profit before tax	89	136	235	283	347
Depreciation	49	62	84	89	94
Change in Working Capital	(48)	(248)	(258)	(174)	(214)
Interest / Dividend (Net)	52	23	40	43	45
Direct taxes paid	(17)	(30)	(59)	(71)	(87)
Others	2	(7)	0	0	0
Cash Flow from Operations	127	(63)	42	169	185
(Inc.)/ Dec. in Fixed Assets	(101)	(118)	(90)	(90)	(90)
(Inc.)/ Dec. in Investments	(51)	9	0	0	0
Cash Flow from Investing	(152)	(109)	(90)	(90)	(90)
Issue of Equity	475	0	0	0	0
Inc./(Dec.) in loans	(281)	118	122	0	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Interest / Dividend (Net)	(70)	(34)	(40)	(43)	(45)
Cash Flow from Financing	124	83	82	(43)	(45)
Inc./(Dec.) in Cash	99	(89)	34	37	50
Opening Cash balances	35	134	45	78	115
Closing Cash balances	134	45	78	115	165

Key Ratio

Y/E March	FY2018	FY2019	FY2020E	FY2021E	FY2022E
Valuation Ratio (x)					
P/E (on FDEPS)	77.8	51.8	27.7	23.1	18.8
P/CEPS	43.6	30.9	18.7	16.1	13.7
P/BV	5.4	4.8	4.1	3.5	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	2.3	1.8	1.3	1.1	0.9
EV/EBITDA	26.3	23.7	14.8	12.7	10.7
EV / Total Assets	4.5	3.8	3.1	2.8	2.4
Per Share Data (Rs)					
EPS (Basic)	19.8	29.8	55.6	66.9	82.2
EPS (fully diluted)	19.8	29.8	55.6	66.9	82.2
Cash EPS	35.4	50.0	82.6	95.6	112.4
DPS	0.0	0.0	0.0	0.0	0.0
Book Value	283.9	319.6	375.2	442.1	524.2
Returns (%)					
ROCE	13.4	12.0	17.0	17.7	18.7
Angel ROIC (Pre-tax)	15.5	12.5	17.9	19.0	20.4
ROE	7.0	9.3	14.8	15.1	15.7
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.3	2.5	3.4	3.7	3.9
Inventory / Sales (days)	68	74	80	80	82
Receivables (days)	65	104	108	112	114
Payables (days)	99	128	128	128	126
Working capital cycle (ex-cash) (days)	34	51	60	64	70

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and Investment Adviser with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Disclosure of Interest Statement	Amber Enterprises India
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%)
---------------------------	-------------------------------------	---	--------------------