

## Amber Enterprises India Ltd

### Performance Update

Y/E March (₹ cr)	Q2FY18	Q2FY19	% yoy	Q1FY18	% qoq
Net sales	265.0	226.3	-14.6%	602.1	-62%
EBITDA	22.0	8.9	-59.6%	55.0	-84%
EBITDA margin (%)	8.3%	3.9%		9.1%	
Adjusted PAT	2.3	-1.7	-173.9%	28.9	-106%

For Q2FY2019, Amber Enterprises (Amber) posted a 15% yoy fall in sales volumes owing to unseasonal rains in April & May which resulted in inventory build up across brands. The company is expecting a recovery in demand in H2 and has maintained the guidance of 2.1 mn volume sales in FY2019, a 10% yoy growth.

**Fall in revenue:** Its Q2's standalone top-line fell by 15% yoy led by fall in ACs volume. Its subsidiaries/recent acquisitions namely – Ever Electronics, IL JIN and PICL reported a total sales of ₹175cr with an OPM of ~4%+ up from previous level of ~3.5%. Amber is expecting lot of synergies from its recent acquisitions in near future which would drive future growth.

**Margins were under pressure:** Q2 is a low base quarter, hence fall in revenue drove down the company's profitability. The company has guided for margin improvement in H2 on the back of improving product mix towards high-margin components segment. Low volume turned into a loss of ₹1.7 cr for the quarter.

**Outlook and Valuation:** We have largely maintained our earnings estimates in view of expected recovery in AC demand in subsequent quarters and synergies benefits from its new acquisitions. We expect Amber to report a CAGR of ~27%/50% in consolidated revenue/earnings over FY18-20E. The recent correction provides a good entry point for long term investors. **We maintain BUY with a target price of ₹1135 (25x FY2020E EPS).**

### Key Consolidated Financials

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Net Sales	1,089.0	1,651.9	2,128.1	2,914.0	3,438.6
% chg	-11.5	51.7	28.8	36.9	18.0
Net Profit	24.1	25.2	62.3	110.8	140.2
% chg	-13.5	4.5	147.4	77.8	26.6
EBITDA (%)	10.4	7.9	8.6	7.5	7.5
EPS (₹)	7.7	8.0	19.8	35.2	44.6
P/E (x)	111.7	106.9	43.2	24.3	19.2
P/BV (x)	10.2	8.0	3.0	2.7	2.4
RoE (%)	9.2	7.5	7.0	11.2	12.7
RoCE (%)	14.1	13.3	13.5	15.4	16.9
EV/EBITDA	26.1	22.7	14.1	11.4	9.5
EV/Sales	2.7	1.8	1.2	0.9	0.7

Source: Company, Angel Research

### BUY

CMP	₹856
Target Price	₹1135

Investment Period	12 Months
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### Stock Info

Sector	Consumer Durable
Market Cap (₹ cr)	2,691
Beta	0.9
52 Week High / Low	1327/883
Avg. Daily Volume	12,522
Face Value (₹)	2
BSE Sensex	34,432
Nifty	10,380
Reuters Code	AMBE.BO
Bloomberg Code	AMBER.IN

### Shareholding Pattern (%)

Promoters	44
MF / Banks / Indian Fls	33
FII / NRIs / OCBs	11
Indian Public / Others	12

Abs.(%)	3m	1yr	3yr
Sensex	(8.2)	(2.1)	29.6
Amber	(15.4)	(24.6)	

### 3-year price chart



Source: Capital line

**Nidhi Agrawal**

+022 39357600

nidhi.agrawal@angelbroking.com

**Exhibit 1: Q2FY2019 Performance**

₹ cr	Q2FY18	Q1FY19	Q2FY19	YOY %	QoQ%	H1FY19	H1FY18	YOY %
<b>Net Sales</b>	<b>265.0</b>	<b>602.1</b>	<b>226.3</b>	<b>-14.6%</b>	<b>-62%</b>	<b>828.4</b>	<b>889.1</b>	<b>-7%</b>
Other Expenses	6%	6%	9%	46.0%	65%	15%	11%	39%
<b>Operating profit</b>	<b>22.0</b>	<b>55.0</b>	<b>8.9</b>	<b>-59.6%</b>	<b>-84%</b>	<b>63.9</b>	<b>78.4</b>	<b>-19%</b>
Other Income	1.8	1.1	2.8	57.6%	162%	3.8	3.8	-1%
Interest	10.2	2.9	3.3	-68.0%	14%	6.2	22.8	-73%
PBDT	13.5	53.1	8.4	-37.9%	-84%	61.5	59.4	4%
Depreciation	10.5	12.0	12.3	17.5%	3%	24.3	20.9	16%
PBT	3.0	41.1	-3.9	-230.2%	-110%	37.2	38.5	-3%
<b>Total tax</b>	<b>0.7</b>	<b>12.3</b>	<b>-2.2</b>	<b>-427.1%</b>	<b>-118%</b>	<b>10.1</b>	<b>10.5</b>	<b>-4%</b>
<b>PAT</b>	<b>2.35</b>	<b>28.9</b>	<b>-1.74</b>	<b>-173.9%</b>	<b>-106%</b>	<b>27.1</b>	<b>28.0</b>	<b>-3%</b>
<b>Ratios</b>								
OPM %	8.3%	9.1%	3.9%			7.7%	8.8%	
Tax rate	22.2%	29.8%	55.9%			27.1%	27.4%	
PAT margin %	0.9%	4.8%	-0.8%			3.3%	3.1%	

Source: Company, Angel Research

**Valuation**

The stock is currently trading at 19.2 its FY2020 consolidated earnings, which looks attractive looking at its growing manufacturing capabilities and scale which put it in a sweet spot to capture the underpenetrated RAC market in India. We maintain BUY with a target price of ₹1135 (25x FY2020E EPS).

**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.

**Consolidated Profit & Loss Statement**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>Total operating income</b>	<b>1,089.0</b>	<b>1,651.9</b>	<b>2,128.1</b>	<b>2,914.0</b>	<b>3,438.6</b>
% chg	-11.5	51.7	28.8	36.9	18.0
<b>Total Expenditure</b>	<b>975.3</b>	<b>1,521.3</b>	<b>1,944.5</b>	<b>2,695.5</b>	<b>3,180.7</b>
Raw Material	858.5	1,371.2	1,768.8	2,476.9	2,922.8
Personnel	36.5	43.7	49.8	58.3	68.8
Others Expenses	80.3	106.5	125.9	160.3	189.1
<b>EBITDA</b>	<b>113.7</b>	<b>130.5</b>	<b>183.5</b>	<b>218.6</b>	<b>257.9</b>
% chg	10.9	14.8	40.6	19.1	18.0
(% of Net Sales)	10.4	7.9	8.6	7.5	7.5
Depreciation & Amortisation	30.9	40.1	49.0	51.2	54.3
<b>EBIT</b>	<b>82.9</b>	<b>90.4</b>	<b>134.5</b>	<b>167.3</b>	<b>203.6</b>
% chg	7.6	9.1	48.8	24.4	21.7
(% of Net Sales)	7.6	5.5	6.3	5.7	5.9
Interest & other Charges	53.2	63.5	53.8	18.8	15.0
Other Income	3.1	8.8	8.7	10.5	12.6
(% of Sales)	0.3	0.5	0.4	0.4	0.4
<b>Recurring PBT</b>	<b>32.7</b>	<b>35.7</b>	<b>89.4</b>	<b>158.9</b>	<b>201.2</b>
% chg	-19.0	9.2	150.4	77.8	26.6
Tax	8.6	10.5	27.1	48.2	61.0
<b>PAT (reported)</b>	<b>24.1</b>	<b>25.2</b>	<b>62.3</b>	<b>110.8</b>	<b>140.2</b>
% chg	-13.5	4.5	147.4	77.8	26.6
(% of Net Sales)	2.2	1.5	2.9	3.8	4.1
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	<b>7.7</b>	<b>8.0</b>	<b>19.8</b>	<b>35.2</b>	<b>44.6</b>
% chg	-13.5	4.5	147.4	77.8	26.6

**Consolidated Balance Sheet**

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	21.7	23.8	31.4	31.4	31.4
Reserves& Surplus	240.9	311.1	861.3	954.7	1,073.0
<b>Shareholders' Funds</b>	<b>262.6</b>	<b>334.9</b>	<b>892.8</b>	<b>986.2</b>	<b>1,104.4</b>
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Loans</b>	<b>326.6</b>	<b>344.9</b>	<b>105.5</b>	<b>100.0</b>	<b>100.0</b>
Other Liab & Prov	80.8	46.8	64.4	88.2	104.1
<b>Total Liabilities</b>	<b>670.0</b>	<b>726.6</b>	<b>1,062.7</b>	<b>1176.3</b>	<b>1310.8</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	536.1	577.5	739.8	789.8	839.8
Capital Work-in-Progress	2.0	3.0	4.0	5.0	6.0
Investments	-	-	5.7	55.7	105.7
Current Assets	533.6	650.4	964.0	1,222.2	1,419.2
Inventories	225.8	267.7	395.6	479.0	565.2
Sundry Debtors	247.9	310.4	378.6	479.0	565.2
Cash	18.4	34.7	133.8	172.7	180.2
Loans & Advances	40.6	37.1	28.3	58.3	68.8
Other Assets	1.0	0.5	27.6	33.1	39.8
Current liabilities	445.0	560.0	665.8	911.7	1,075.9
<b>Net Current Assets</b>	<b>88.6</b>	<b>90.4</b>	<b>298.2</b>	<b>310.5</b>	<b>343.4</b>
Other Non Current Asset	45.3	58.6	19.1	20.4	22.0
<b>Total Assets</b>	<b>670.0</b>	<b>726.6</b>	<b>1062.7</b>	<b>1176.3</b>	<b>1310.8</b>

**Consolidated Cash Flow Statement**

Y/E March (₹cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	32.7	38.4	89.4	158.9	201.2
Depreciation	30.9	39.7	49.0	51.2	54.3
Change in Working Capital	42.9	(23.3)	(67.7)	(35.6)	(84.3)
Interest / Dividend (Net)	-	-	-	-	-
Direct taxes paid	(10.5)	(9.0)	(27.1)	(48.2)	(61.0)
Others	(56.2)	(52.7)	(38.8)	(5.4)	15.8
<b>Cash Flow from Operations</b>	<b>152.2</b>	<b>98.5</b>	<b>82.4</b>	<b>131.9</b>	<b>94.4</b>
(Inc.)/ Dec. in Fixed Assets	(101.2)	(82.0)	(162.2)	(50.0)	(50.0)
(Inc.)/ Dec. in Investments	1.4	0.8	-	-	-
<b>Cash Flow from Investing</b>	<b>(83.9)</b>	<b>(89.7)</b>	<b>(162.2)</b>	<b>(50.0)</b>	<b>(50.0)</b>
Issue of Equity	-	50.0	505.3	-	-
Inc./(Dec.) in loans	150.6	46.4	(239.4)	(5.5)	-
Others	218.5	97.6	63.6	36.2	36.9
<b>Cash Flow from Financing</b>	<b>(67.9)</b>	<b>(1.2)</b>	<b>202.3</b>	<b>(41.7)</b>	<b>(36.9)</b>
Inc./(Dec.) in Cash	0.4	7.6	122.5	40.2	7.4
<b>Opening Cash balances</b>	<b>2.0</b>	<b>2.4</b>	<b>10.0</b>	<b>132.5</b>	<b>172.7</b>
<b>Closing Cash balances</b>	<b>2.4</b>	<b>10.0</b>	<b>132.5</b>	<b>172.7</b>	<b>180.2</b>

**Key Ratios - Consolidated**

Y/E March	FY16	FY17	FY18E	FY19E	FY20E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	111.7	106.9	43.2	24.3	19.2
P/CEPS	25.2	22.6	11.0	6.7	5.4
P/BV	10.2	8.0	3.0	2.7	2.4
Dividend yield (%)	-	-	-	-	-
EV/Sales	2.7	1.8	1.2	0.9	0.7
EV/EBITDA	26.1	22.7	14.1	11.4	9.5
EV / Total Assets	4.4	4.1	2.4	2.1	1.9
<b>Per Share Data (₹)</b>					
EPS (Basic)	7.7	8.0	19.8	35.2	44.6
EPS (fully diluted)	7.7	8.0	19.8	35.2	44.6
Cash EPS	33.9	37.9	77.9	127.1	157.5
Book Value	83.5	106.5	283.9	313.6	351.2
<b>Returns (%)</b>					
ROCE	14.1	13.3	13.5	15.4	16.9
Angel ROIC (Pre-tax)	13.7	13.9	15.9	19.2	21.5
ROE	9.2	7.5	7.0	11.2	12.7
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	2.3	2.9	3.8	4.8	5.2
Inventory / Sales (days)	76	59	68	60	60
Receivables (days)	83	69	65	60	60
Payables (days)	95	99	98	98	98
Working capital cycle (ex-cash) (days)	64	29	35	22	22

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

 E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

 Website: [www.angelbroking.com](http://www.angelbroking.com)
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<b>Disclosure of Interest Statement</b>	<b>Amber Enterprises</b>
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 (Based on Expected Returns:  
over 12 months investment period)**

Buy (&gt; 15%)

 Accumulate (5% to 15%)  
 Reduce (-5% to -15%)

 Neutral (-5 to 5%)  
 Sell (< -15%)