

Amber Enterprises India Ltd

Performance Update

Y/E March (₹ cr)	Q1FY18	Q1FY19	% yoy	Q4FY18	% qoq
Net sales	624.1	602.1	-3.5%	692.0	-13.0%
EBITDA	56.4	55.0	-2.5%	67.9	-19.0%
EBITDA margin (%)	9.0%	9.1%		9.8%	
Adjusted PAT	25.6	28.9	12.7%	33.8	-14.6%

For Q1FY2019, Amber Enterprises (Amber) posted a 9% yoy fall in AC sales volumes owing to unseasonal rains in April & May which resulted in Inventory build up across brands. The company is expecting liquidation of inventory in Q2 and added few new clients during the quarter.

Fall in revenue: Its Q1's standalone top-line fell by 3.5% yoy led by 3.7% decline in its sales volume. Its AC Components & Non AC Components grew by 8% & 31% respectively on yearly basis. Its subsidiaries/recent acquisitions namely – Ever Electronics, IL JIN and PICL reported a total sales of ₹176 cr with an OPM of 3.2-3.7%. Amber is expecting lot of synergies from its recent acquisitions in near future and a 10-12% growth in yearly volume.

Margins were decent: On the operating front, the company's margin improved to 9.1% due to better product mix. The company has guided for further margin improvement on the back of improving product mix towards high-margin components segment. It has incurred foreign exchange loss (on import content) of ₹5.7cr vs. gain of ₹1.2cr in Q1FY18. Adjusting for its, EBITDA is up 7.5% yoy.

Outlook and Valuation: We have 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 ~28%/51% in consolidated revenue/earnings over FY18-20E. **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	2,957.5	3,489.8
% chg	-11.5	51.7	28.8	39.0	18.0
Net Profit	24.1	25.2	62.3	113.0	142.9
% chg	-13.5	4.5	147.4	81.4	26.4
EBITDA (%)	10.4	7.9	8.6	7.5	7.5
EPS (Rs)	7.7	8.0	19.8	35.9	45.4
P/E (x)	122.5	117.3	47.4	26.1	20.7
P/BV (x)	11.2	8.8	3.3	3.0	2.7
RoE (%)	9.2	7.5	7.0	11.4	12.9
RoCE (%)	14.1	13.3	13.5	15.7	17.2
EV/EBITDA	28.4	24.7	15.5	12.4	10.3
EV/Sales	3.0	2.0	1.3	0.9	0.8

Source: Company, Angel Research

BUY

CMP	₹939
Target Price	₹1135

Investment Period	12 Months
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Stock Info

Sector	Consumer Durable
Market Cap (₹ cr)	2,953
Beta	0.9
52 Week High / Low	1327/883
Avg. Daily Volume	21,741
Face Value (₹)	2
BSE Sensex	37,887
Nifty	11,455
Reuters Code	AMBE.BO
Bloomberg Code	AMBER.IN

Shareholding Pattern (%)

Promoters	44.0
MF / Banks / Indian Fls	33.0
FII / NRIs / OCBs	10.8
Indian Public / Others	12.2

Abs.(%)	3m	1yr	3yr
Sensex	7.0	16.7	33.4
Amber	(18.0)		

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Q1FY2019 Performance

₹ cr	Q1FY18	Q1FY19	YoY%	Q4FY18	QoQ%
Net Sales	624.1	602.1	-3.5%	692.0	-13.0%
Total Income	624.1	602.1	-3.5%	692.0	-13.1%
Total Expenditure	567.7	547.1	-3.6%	624.1	-12.3%
Raw Material Consumed	494.5	499.7	1.1%	568.1	-12.0%
Stock Adjustment	36.6	2.4	-93.4%	7.8	-69.2%
COGS	531.1	502.1	-5.5%	575.9	-12.8%
Gross margin %	14.9%	16.6%	11.4%	16.8%	-1.0%
Employee Expenses	9.4	11.5	21.9%	12.7	-9.8%
Other Expenses	27.2	33.5	23.3%	35.5	-5.5%
As a % of revenue					
Raw Material Consumed	79%	83%	4.7%	82%	1.1%
Stock Adjustment	6%	0%	-93.2%	1%	-64.6%
COGS	85%	83%	-2.0%	83%	0.2%
Employee Expenses	2%	2%	26.4%	2%	3.6%
Other Expenses	4%	6%	27.8%	5%	8.7%
PBIDT	56.4	55.0	-2.5%	67.9	-19.0%
Other Income	2.1	1.1	-49.4%	0.8	31.9%
Interest	12.6	2.9	-77.1%	7.2	-60.0%
PBDT	45.9	53.1	15.8%	61.5	-13.6%
Depreciation	10.4	12.0	15.4%	11.3	6.1%
PBT	35.5	41.1	16.0%	50.2	-18.0%
Total tax	9.9	12.3	24.5%	16.4	-25.0%
PAT	25.6	28.9	12.7%	33.8	-14.6%
Ratios					
OPM %	9.0%	9.1%		9.8%	
Tax rate	27.8%	29.8%		32.6%	
PAT margin %	4.1%	4.8%		4.9%	

Source: Company, Angel Research

Outlook and Valuation

We have 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 ~28%/51% in consolidated revenue/earnings over FY18-20E.

Valuation

The stock is currently trading at 20.7x 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
Total operating income	1,089.0	1,651.9	2,128.1	2,957.5	3,489.8
% chg	-11.5	51.7	28.8	39.0	18.0
Total Expenditure	975.3	1,521.3	1,944.5	2,735.7	3,228.1
Raw Material	858.5	1,371.2	1,768.8	2,513.9	2,966.4
Personnel	36.5	43.7	49.8	59.1	69.8
Others Expenses	80.3	106.5	125.9	162.7	191.9
EBITDA	113.7	130.5	183.5	221.8	261.7
% chg	10.9	14.8	40.6	20.9	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
EBIT	82.9	90.4	134.5	170.6	207.5
% chg	7.6	9.1	48.8	26.8	21.6
(% of Net Sales)	7.6	5.5	6.3	5.8	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
Extraordinary Items	-	-	-	-	-
Share in profit of Associates	-	-	-	-	-
Recurring PBT	32.7	35.7	89.4	162.2	205.0
% chg	-19.0	9.2	150.4	81.4	26.4
Tax	8.6	10.5	27.1	49.2	62.1
PAT (reported)	24.1	25.2	62.3	113.0	142.9
% chg	-13.5	4.5	147.4	81.4	26.4
(% of Net Sales)	2.2	1.5	2.9	3.8	4.1
Basic & Fully Diluted EPS (Rs)	7.7	8.0	19.8	35.9	45.4
% chg	-13.5	4.5	147.4	81.4	26.4

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	21.7	23.8	31.4	31.4	31.4
Reserves & Surplus	240.9	311.1	861.3	956.7	1,077.2
Shareholders Funds	262.6	334.9	892.8	988.1	1,108.6
Minority Interest	-	-	-	-	-
Total Loans	326.6	344.9	105.5	100.0	100.0
Other Liab & Prov	80.8	46.8	64.4	89.5	105.7
Total Liabilities	670.0	726.6	1,062.7	1,177.7	1,314.3
APPLICATION OF FUNDS					
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	1,237.0	1,438.6
Inventories	225.8	267.7	395.6	486.2	573.7
Sundry Debtors	247.9	310.4	378.6	486.2	573.7
Cash	18.4	34.7	133.8	172.4	181.6
Loans & Advances	40.6	37.1	28.3	59.1	69.8
Other Assets	1.0	0.5	27.6	33.1	39.8
Current liabilities	445.0	560.0	665.8	925.3	1,091.9
Net Current Assets	88.6	90.4	298.2	311.7	346.7
Other Non Current Asset	45.3	58.6	19.1	20.5	22.2
Total Assets	670.0	726.6	1062.7	1177.6	1314.3

Consolidated Cash Flow Statement

Y/E March (₹cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	32.7	38.4	89.4	162.2	205.0
Depreciation	30.9	39.7	49.0	51.2	54.3
Change in Working Capital	42.9	(23.3)	(67.7)	(37.8)	(84.7)
Interest / Dividend (Net)	-	-	-	-	-
Direct taxes paid	(10.5)	(9.0)	(27.1)	(49.2)	(62.1)
Others	(56.2)	(52.7)	(38.8)	(5.4)	15.8
Cash Flow from Operations	152.2	98.5	82.4	131.9	96.6
(Inc.)/ Dec. in Fixed Assets	(101.2)	(82.0)	(162.2)	(50.0)	(50.0)
(Inc.)/ Dec. in Investments	1.4	0.8	-	-	-
Cash Flow from Investing	(83.9)	(89.7)	(162.2)	(50.0)	(50.0)
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	36.5	37.4
Cash Flow from Financing	(67.9)	(1.2)	202.3	(42.0)	(37.4)
Inc./(Dec.) in Cash	0.4	7.6	122.5	39.8	9.3
Opening Cash balances	2.0	2.4	10.0	132.5	172.4
Closing Cash balances	2.4	10.0	132.5	172.4	181.6

Key Ratios - Consolidated

Y/E March	FY16	FY17	FY18E	FY19E	FY20E
Valuation Ratio (x)					
P/E (on FDEPS)	122.5	117.3	47.4	26.1	20.7
P/CEPS	27.7	24.8	12.1	7.3	5.9
P/BV	11.2	8.8	3.3	3.0	2.7
Dividend yield (%)	-	-	-	-	-
EV/Sales	3.0	2.0	1.3	0.9	0.8
EV/EBITDA	28.4	24.7	15.5	12.4	10.3
EV / Total Assets	4.8	4.4	2.7	2.3	2.1
Per Share Data (₹)					
EPS (Basic)	7.7	8.0	19.8	35.9	45.4
EPS (fully diluted)	7.7	8.0	19.8	35.9	45.4
Cash EPS	33.9	37.9	77.9	129.3	160.1
Book Value	83.5	106.5	283.9	314.2	352.5
Returns (%)					
ROCE	14.1	13.3	13.5	15.7	17.2
Angel ROIC (Pre-tax)	13.7	13.9	15.9	19.5	21.8
ROE	9.2	7.5	7.0	11.4	12.9
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.3	2.9	3.8	4.8	5.3
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

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Disclosure of Interest Statement	Amber Enterprises
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 (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15%)
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