

September 16, 2019

Management Meet Update

Key Financials - Consolidated

Y/e Mar	2016	2017	2018	2019
Sales (Rs. m)	10,890	16,519	21,281	27,520
EBITDA (Rs. m)	1,137	1,305	1,835	2,129
Margin (%)	10.4	7.9	8.6	7.7
PAT (Rs. m)	241	221	623	937
EPS (Rs.)	11.1	9.8	23.2	29.8
Gr. (%)	(16.2)	(11.8)	136.3	28.6
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	9.6	7.1	9.9	10.1
RoCE (%)	14.0	14.4	16.2	14.3
EV/Sales (x)	2.6	1.7	1.3	1.0
EV/EBITDA (x)	25.1	21.8	15.5	13.4
PE (x)	75.6	85.7	36.3	28.2
P/BV (x)	6.9	5.5	3.0	2.7

Key Data

AMBE.BO | AMBER IN

52-W High / Low	Rs. 999 / Rs. 621
Sensex / Nifty	37,385 / 11,076
Market Cap	Rs. 26.4bn / \$ 372.4m
Shares Outstanding	31.4 m
3M Avg. Daily Value	Rs.2.9 m

Shareholding Pattern (%)

Promoter's	44.02
Foreign	11.41
Domestic Institution	5.73
Public & Others	38.84
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.6)	4.7	(11.6)
Relative	(1.0)	8.6	(7.0)

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Proxy play on Room Air Conditioner Industry

Amber continues to remain confident of growing at least 4-5% faster than industry and achieve margin expansion of 50-100bps given 1) new client additions and increasing wallet share amongst existing clients 2) rising demand for local sourcing due to import duty hike 3) benefits of scale in high margin components business and 4) low RAC penetration giving growth visibility in medium term.

Amber offers one-stop solution (RAC & Components) for major brands in the Room Air Conditioner (RAC) industry in India with 20-25% volume share. Amber has high degree of backward integration and strong R&D capabilities and 15 manufacturing facilities strategically located near key customers ensuring quick turnaround times. Amber has delivered a Sales/EBITDA/PAT CAGR of 26%/17%/40% over FY16-19. Structural growth in RAC market given low penetration, dominant market shares and increasing scale in component business could drive strong multiyear growth. AMBER trades at a consensus FY21 PER of 16.4x. Not Rated

- Amber enjoys 20-25% volume market share:** Amber services 9 out of the top 10 RAC brands in India. With total capacity of ~4.8mn units & 70-75% utilization in peak months, Amber's volume share in the RAC industry in India stands at 20-25%. Amber has added clients like Carrier Midea, Micromax, Flipkart & Amazon in FY19.
- Increasing indigenization an added advantage:** Amber was unable to fully capitalize post increase in customs duty on RAC (IDU, ODU, CBU) due to prior commitments. However, the benefits are expected to accrue in the coming quarters. Also, in a bid to indigenize, brands are setting up additional facilities for their products. Leveraging its backward integration capabilities and scale, this presents an opportunity for Amber's high margin components business. Amber is confident of outperforming industry growth by 4-5% on the back of new client additions & increasing wallet share of existing clients.
- Sidwal and IL JIN acquisitions to drive margin expansion:** Sidwal acquisition has enabled Amber to expand in product categories within HVAC industry and mobile transportation cooling systems with high entry barriers (6-7 years' gestation period to make any meaningful gains). IL Jin and EVER has enabled Amber to have PCB (critical inverter component) manufacturing capacity of 7.8-8mn units, which will enable it to cater to the needs of all OEs. It has a joint development tie up for semi-conductors with Infineon (6th largest chip maker). Scale up in these high margin business can expand margins by 50-100bps in medium term.
- South Expansion delayed:** With the contribution of southern markets to the industry on an upward trend (from 20 to 35%), OE's had announced expansion in these regions. With progress of customer cluster slowing due to changing political scenario, Amber too has delayed its expansion in these regions.

Exhibit 1: Product portfolio

One of Largest Manufacturer and Supplier of Critical & Reliable Components in Room AC segment & other consumer durable products

AC Components



Heat Exchangers



Printed Circuit Boards (PCB)



System Tubing



Sheet Metal Parts



Motors



Injection Moulding

Non AC Components



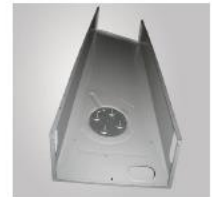
Washing Machine Tub



Printed Circuit Boards (PCB)



Case Liner & Plastic Extruded Sheets



Sheet Metal Parts

Source: Company, PL

Exhibit 2: Key clientele

MNC



Domestic



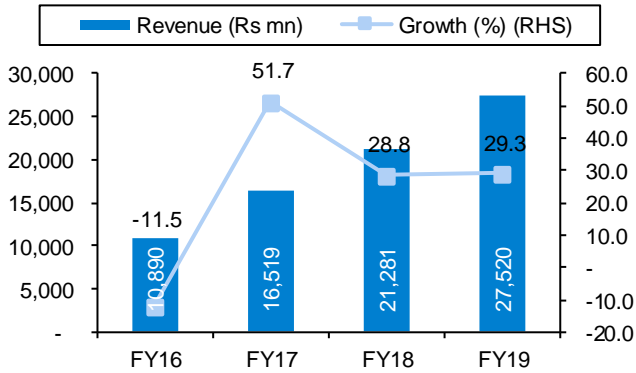
Source: Company, PL

Exhibit 3: Jhajjar Unit 2 RAC facility



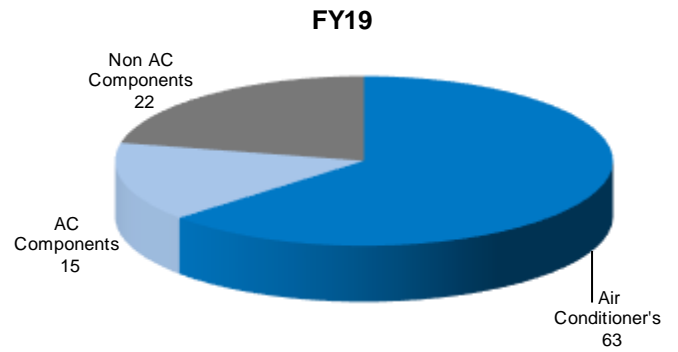
Source: Company, PL

Exhibit 4: Revenues grew at CAGR of 26% over FY16-19



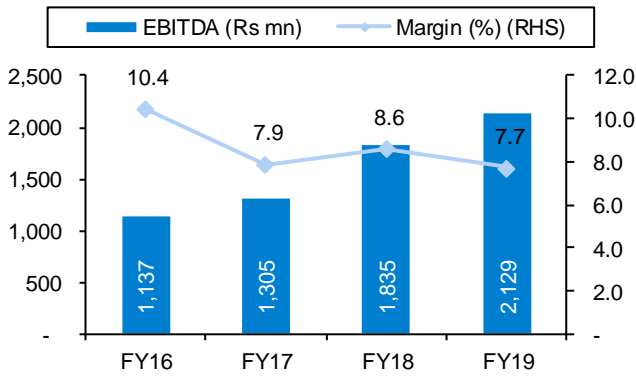
Source: Company, PL

Exhibit 5: RAC contributes ~63% of revenues



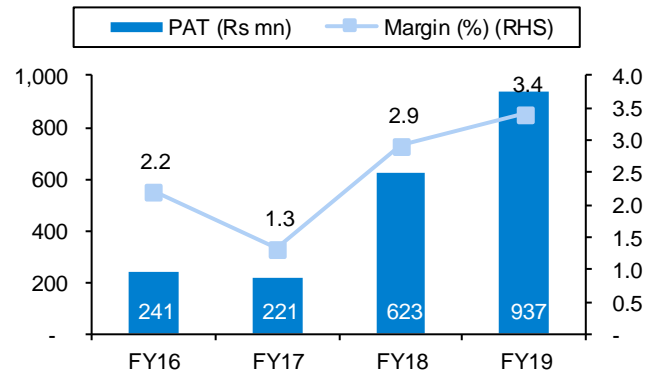
Source: Company, PL

Exhibit 6: EBITDA grew at CAGR of 17% over FY16-19

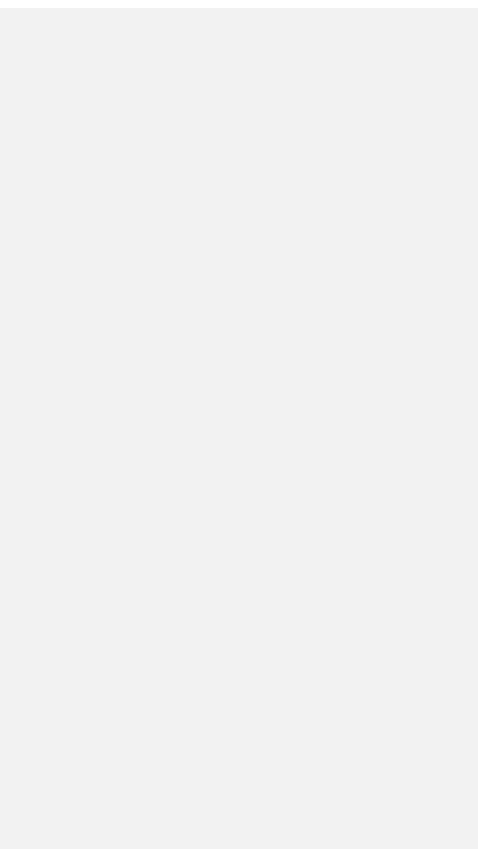


Source: Company, PL

Exhibit 7: PAT grew at CAGR of 40% over FY16-19



Source: Company, PL



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,522	1,479
2	Avenue Supermarts	Hold	1,338	1,359
3	Britannia Industries	Accumulate	3,068	2,602
4	Colgate Palmolive	Reduce	1,159	1,275
5	Crompton Greaves Consumer Electricals	BUY	297	225
6	Dabur India	Hold	437	444
7	Emami	Accumulate	386	310
8	Future Retail	BUY	512	395
9	GlaxoSmithKline Consumer Healthcare	Hold	7,972	7,473
10	Havells India	Reduce	566	661
11	Hindustan Unilever	Accumulate	1,816	1,690
12	ITC	BUY	367	265
13	Jubilant FoodWorks	BUY	1,459	1,153
14	Kansai Nerolac Paints	Accumulate	479	434
15	Marico	Hold	357	363
16	Nestle India	Hold	10,900	12,004
17	Pidilite Industries	Accumulate	1,301	1,290
18	Titan Company	BUY	1,173	1,047
19	Voltas	Hold	609	601

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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