

AMBER ENTERPRISES

CONSUMER DURABLES

07 JUN 2019

Quarterly Update

BUY

Target Price : Rs 1,076

CMP : Rs 830
 Potential Upside : 29%
 Relative to Sector : Positive

MARKET DATA

No. of Shares : 3.14 XCr
 FV (Rs) : 10/-
 Market Cap (Rs Cr.) : 2,606
 52-week High / Low : Rs 1200 / Rs 621
 Avg. Daily vol. (6mth) : 23,249 share
 Bloomberg Code : AMBER IN
 Reuters Code : AMBE. NS
 BSE Code : 540902
 NSE Code : AMBER

Q4FY19: Healthy performance continues; robust growth ahead

Amber Enterprises reported strong quarterly revenues aided by customer additions, better product mix and improved gross margins. Robust revenue growth (up 40% y-o-y) was due to strong growth in Air conditioners (up 43%) and Components (up 30%). Margin improvement in Q4 was due to improved efficiency and cost control measures.

For FY19 Consol Revenues grew 29% to Rs 2,752 cr as against Rs 2,128 cr as management achieved volume guidance of 2.1 mn units (vs. 1.91 mn in FY18). The growth was aided by robust AC sales in Q4 and addition of new clients in H2FY19.

Outlook & Valuation:

AEL has showed strong growth aided by robust volumes, customer additions and increase in wallet share of existing customers by cross selling and offering new products. AELs acquisition of Sidwal is expected to enhance product offering, increase customer base and reduce seasonality of the business; acquisition to be revenue accretive from FY20E. We expect the company's revenues/ bottom-line to grow at CAGR of 21%/34% between FY19-FY21E. We maintain a BUY on AEL with a target price of Rs 1076. We remain track consolidation of Sidwal and ramp-up of subsidiaries.

Key Highlights

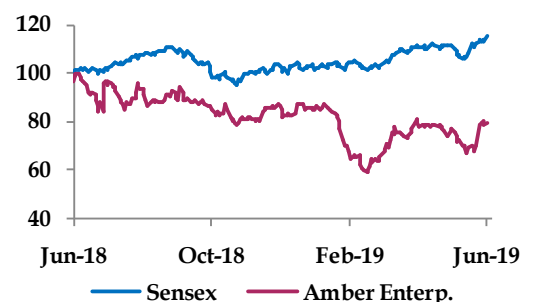
- **Robust growth aided to strong seasonal demand and new client additions:** Amber Enterprises reported strong quarterly revenues aided by customer additions, better product mix and improved gross margins. AEL reported revenues of Rs. 971.3 cr (up 40% y-o-y) on robust growth in Air conditioners (up 43%) and Components (up 30%). The EBITDA margins in Q4FY19 improved by ~73 bps to 10.5% as against 9.8% in Q4FY18. The Q4FY19 PAT grew 71.7% to Rs. 56.7 cr as against Rs. 33.3 cr in Q4FY18 due to sharp reduction in interest expenses by 28% y-o-y.
- **Management achieves guidance, strong growth momentum to continue in FY20:** For FY19 Consol Revenues grew 29% to Rs 2,752 cr as against Rs 2,128 cr as management achieved volume guidance of 2.1 mn units (vs. 1.91 mn in FY18). The growth was aided by robust AC sales in Q4 and addition of new clients during the last two quarters. The acquisition of Ever Electronics and IL JIN have aided in growth of AC / Non Ac Components by 95% /41% respectively. Subsequently, components revenues now constitute 37% of the total revenues vis-à-vis 26% in FY18.

FINANCIAL SUMMARY (Consolidated)

Y/E	Sales	EBITDA	PAT	EPS	Change	P/E	RoE	RoCE	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(YoY %)	(x)	(%)	(%)	(x)
FY18	2,172	192	62	19.8	113.0	-	10.0	17.9	14.3
FY19	2,752	223	95	30.1	52.1	-	10.1	14.4	12.2
FY20E	3,445	298	132	41.9	38.9	19.8	12.5	16.9	8.5
FY21E	4,030	361	169	53.8	28.4	15.4	14.1	18.4	6.7

Source: Company, Axis Securities, CMP as on 6th June 2019

PRICE PERFORMANCE



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Key highlights (Cont'd):

- **Recovery in margins on improvement in efficiency and increasing wallet share:** Consolidated EBITDA margins have declined by 75 bps due to lower margins in acquired subsidiaries. However the management is confident of improving the margin profile of the subsidiaries, while it expands its product offering and increase in wallet share from existing customers. We expect improvement in EBITDA margins going forward due to improved efficiency and cost control measures.
- For FY19 the PAT grew by 52% to Rs 95 cr as against Rs 63 cr in FY18 as a result of robust top-line growth and addition of new clients.

Other highlights:

- **Sidwal acquisition:** The company acquired 80% for Rs 202 cr . The Revenues of Sidwal stood at Rs 180 cr with an order book of ~Rs 200 cr+. Post this acquisition the company will have presence across HVAC segments of RAC and Mobile, Transportation & Commercial Refrigeration, which will aid in reducing the seasonality in AEL's business and also expand its product portfolio.
- The company was able to **pass on price hikes** of ~2.9% to the customers, with a two quarter lag due to inventory build-up in the channels in Q2 & Q3FY19.
- AEL **acquired new clients** viz Flipkart, Amazon, Havells , Carrier Midea during Q3&Q4FY19 , thus full impact of new additions will be seen in FY20.
- The company has **introduced new energy efficient models** in FY19 and is geared up to meet any revision in norms by Bureau of Energy Efficiency in FY20.
- **Expanding footprint in south:** AEL plans to expand its footprint in South India by setting up a new plant at Tirupati in proximity to customer. The company has earmarked ~Rs 40 cr for land acquisition while plant is expected to be commissioned in FY21.

Results Update

Rs Cr	Standalone					Consolidated			
	Q4FY19	Q4FY18	% Change (YoY)	Q3FY19	% Change (YoY)	FY19	FY20E	FY21E	% Change (YoY) FY21E/FY20E
Sales	971.3	692.0	40.4	388.8	149.8	2752.0	3445.0	4029.7	17.0
Other Inc	4.9	0.8	503.1	0.3	1,638	9.9	1.7	2.8	63.8
Total Revenue	976.1	693	40.9	389.0	151	2761.9	3446.7	4032.5	17.0
Expenditure									
Net Raw Material	809.8	575.9	40.6	334.0	142.4	2313.2	2842.1	3324.5	17.0
Personnel	11.1	12.7	(12.8)	9.8	12.7	58.8	82.7	90.7	9.7
Other Exp	48.0	35.5	35.3	22.8	110.1	167.2	223.9	255.9	14.3
Total Expenditure	868.9	624.1	39.2	366.7	136.9	2539.1	3148.7	3671.0	16.6
EBIDTA	102.4	67.9	50.9	22.1	364.0	212.9	296.3	358.6	21.1
Margins (%)	10.5	9.8	0.7	5.67		7.7	8.6	8.9	0.3
Interest	5.2	7.2	(28.4)	3.5	48.7	24.6	39.0	46.1	18.3
Depreciation	13.1	11.3	15.6	12.2	7.1	62.3	73.5	77.2	4.9
PBT	84.2	49.4		6.4		126.0	183.7	235.4	
Tax	27.5	16.4		2.8		41.2	53.8	69.1	
PAT	56.7	33.03	71.7	3.6		84.8	130.0	166.3	
EPS (Rs.)	19.6	10.8		1.2		30.1	41.9	53.8	

Source: Company, Axis Securities

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