

Reduce

Result Update

Covid impacts Q1

- Q1 sales grew 172%YoY at Rs7.1bn on a low base of Q1FY21, though gross margins were sequentially better by 90bps at 16.8% due to its cost plus model with customers. There is no YoY comparison of EBITDA and PAT as it moved from loss to profit.
- Amber continues to be a good play on the localization and PLI theme, with opportunities emerging in the AC component space this area. The AC PLI has opened opportunities for Amber in six components, where total import content is still at 60%, which it can service as a local partner.
- Although we believe industry will cope and normalize operations in Q2FY22 and Amber is a good story on AC localization, recommend entering the stock on dips, and maintain Reduce with a TP of Rs3000 at 48x Sep22E.

Covid impacts Q1

Q1 sales grew 172%YoY at Rs7.1bn on a low base of Q1FY21, though gross margins were sequentially better by 90bps at 16.8%. There is no YoY comparison of EBITDA and PAT as it moved from loss to profit. EBITDA was aided by better spread on staff and other costs due to an improvement in topline., staff costs dropped 411bps YoY to 4.6% of sales while other operating expenses dropped 334bps YoY to 6.3% of sales. EBITDA margins came in at 6% aided by better GM and operating costs. Subsidiary performance was good in motors(PICL) and projects(Sidwal), while PCBs (Iljin and Ever) faced margin pressure as input costs were passed on with a lag. Sidwal continues to grow strongly with Rs500mn revenues and has an order book of Rs4.25trn.

CMP	Rs 2,976		
Target / Upside	Rs 3,000 / 1%		
NIFTY	16,238		
Scrip Details			
Equity / FV	Rs 337mn / Rs 10		
Market Cap	Rs 100bn		
	USD 1.3bn		
52-week High/Low	Rs 3,662 / 1,642		
Avg. Volume (no)	103,743		
Bloom Code	AMBER IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(1)	(1)	67
Rel to NIFTY (%)	(4)	(12)	25

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	40.3	40.3	40.3
MF/Banks/FIs	8.0	7.6	7.4
FII	28.1	28.1	28.1
Public / Others	23.6	24.0	24.3

Valuation (x)

	FY21A	FY22E	FY23E
P/E	120.4	61.8	41.4
EV/EBITDA	45.8	27.3	20.7
ROE (%)	6.1	9.7	13.0
RoACE (%)	6.8	10.0	12.6

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	30,305	41,064	56,603
EBITDA	2,203	3,650	4,809
PAT	833	1,623	2,421
EPS (Rs.)	24.7	48.2	71.8

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Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	7,079	2,595	172.9	15,984	(55.7)
Total Expense	6,658	2,650	151.3	14,572	(54.3)
EBITDA	422	(55)	(863.4)	1,412	(70.1)
Depreciation	244	229	6.5	227	7.1
EBIT	178	(284)	(162.7)	1,184	(85.0)
Other Income	71	30	133.6	85	(16.1)
Interest	91	102	(10.6)	105	(12.5)
EBT	158	(356)	(144.3)	1,164	(86.5)
Tax	46	(117)	(139.1)	400	(88.6)
RPAT	112	(239)	(146.8)	765	(85.4)
APAT	112	(239)	(146.8)	765	(85.4)
			(bps)		(bps)
Gross Margin (%)	16.8	16.1	64	15.9	91
EBITDA Margin (%)	6.0	(2.1)	809	8.8	(288)
NPM (%)	1.6	(9.2)	1080	4.8	(320)
Tax Rate (%)	29.0	32.8	(382)	34.3	(535)
EBIT Margin (%)	2.5	(10.9)	1346	7.4	(489)

Localization and PLI theme continues for Amber.

The import ban imposed over ACs with refrigerants will continue to create opportunity, the company has managed to sign 6 new customers of which 4 are converted to OEMs and 2 are in the process of getting converted. The new AC PLI has opened opportunities for Amber in PCBs, motors sheet metals, heat exchangers, cross blow fans and plastic molds. These put together still have an import content of 60% which provides localisation opportunity for Amber. It has mentioned in the past that it is also open to partnering for higher value add products like compressors. Local IDU motors, which the company hopes to make by end FY22, is another big opportunity for import substitution.

Maintain Reduce at TP of Rs3000

Although we believe in the business and growth story, and Amber is a good story on AC localization, recommend entering the stock on dips. We value the stock at 48x Sep22E at a TP of Rs3000 and maintain our Reduce rating.

Exhibit 1: Actual v/s DART estimates

(Rs mn)	Actual	DART	Consensus	DART	Consensus	Comments
	Q1FY22	Q1FY22	Q1FY22	Var (%)	Var (%)	
Sales	7,079	3,373	8,658.5	109.9	(18.2)	Sales was better than estimate
EBITDA	422	33	706.6	1,163.0	(40.3)	Leading to better EBITDA...
EBITDA margins	6.0	1.0	8.2	496.7	(220.4)	
PAT	112	-214	338	(152.3)	(66.9)	...and a better PAT
Pat margins	3.3	-6.4	10.0	(152.3)	(66.9)	
EPS (Rs)	7,079	3,373	8,658.5	109.9	(18.2)	

Source: Company, DART

Exhibit 2: Change in estimates

(Rs mn)	FY22E			FY23E		
	Earlier	New	Var %	Earlier	New	Var %
Sales	41,745	42,170	1.0	57,523	58,137	1.1
EBITDA	3,726	3,773	1.3	4,902	4,964	1.3
EBITDA margin (%)	8.9	8.9	2.2bps	8.5	8.5	1.7bps
PAT	1,673	1,704	1.9	2,481	2,521	1.6
EPS (Rs)	49.7	50.6	1.9	73.6	74.8	1.6

Source: Company, DART

Exhibit 3: Quarterly Performance (Consolidated)

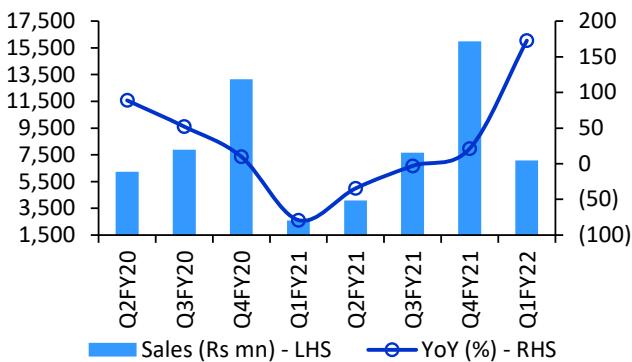
Particulars (Rs mn)	Q1FY22	Q1FY21	YoY(%)	Q4FY21	QoQ(%)
Net Revenue	7,079	2,595	172.9	15,984	(55.7)
Cost of materials consumed	5,545	1,906	191.0	13,254	(58.2)
Changes in Inventories, WIP & SIP	347	270	28.3	195	78.2
Total Raw Material Cost	5,892	2,176	170.8	13,449	(56.2)
Staff Expenditure	323	225	43.5	297	8.6
Other Expenses	443	249	77.8	826	(46.4)
EBITDA	422	-55	LTP	1,412	(70.1)
Depreciation	244	229	6.5	227	7.1
EBIT	178	-284	LTP	1,184	(85.0)
Other Income	71	30	133.6	85	(16.1)
Interest	91	102	(10.6)	105	(12.5)
PBT	158	-356	LTP	1,164	(86.5)
Tax	46	-117	(139.1)	400	(88.6)
Net Profit	112	-239	LTP	765	(85.4)
Reported EPS	3.3	-7.1			22.7

Source: DART, Company

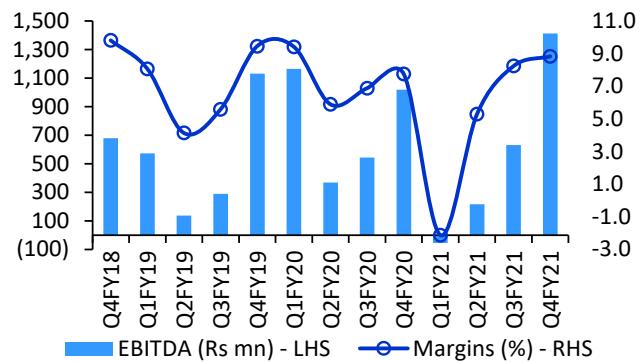
Exhibit 4: Operating Cost as a % of Sales

(%)	Q1FY22	Q1FY21	YoY(%)	Q4FY21	QoQ(%)
Raw Material Cost	83.2	83.9	(64)	84.1	(91)
Staff Cost	4.6	8.7	(411)	1.9	270
Other Expenses	6.3	9.6	(334)	5.2	108
Tax Rate	29.0	32.8		34.3	
Margins (%)					
EBITDA	6.0	(2.1)	nm	8.8	(288)
EBIT	2.5	(10.9)	1346	7.4	(489)
PBT	2.2	(13.7)	1594	7.3	(506)
NPM	1.6	(9.2)	1080	4.8	(320)

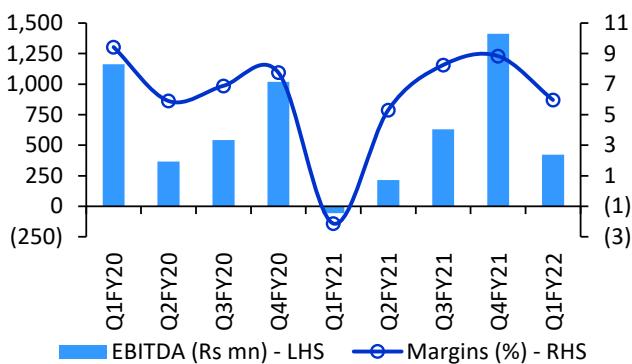
Source: DART, Company

Exhibit 5: Revenue


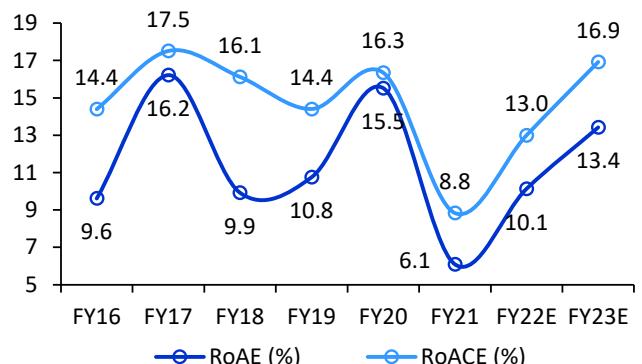
Source: DART, Company

Exhibit 6: EBITDA


Source: DART, Company

Exhibit 7: PAT


Source: DART, Company

Exhibit 8: RoAE & RoACE


Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	39,628	30,305	41,064	56,603
Total Expense	36,535	28,102	37,413	51,793
COGS	33,017	25,135	34,042	47,433
Employees Cost	1,063	1,021	1,232	1,528
Other expenses	2,455	1,947	2,140	2,832
EBIDTA	3,093	2,203	3,650	4,809
Depreciation	848	923	1,046	1,131
EBIT	2,245	1,280	2,604	3,678
Interest	419	410	517	459
Other Income	82	331	60	67
Exc. / E.O. items	0	0	0	0
EBT	1,907	1,201	2,147	3,286
Tax	266	369	524	866
RPAT	1,641	833	1,623	2,421
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,641	833	1,623	2,421

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	314	337	337	337
Minority Interest	348	365	365	365
Reserves & Surplus	10,970	15,704	17,160	19,459
Net Worth	11,284	16,041	17,497	19,796
Total Debt	3,334	3,613	3,285	2,830
Net Deferred Tax Liability	678	769	769	769
Total Capital Employed	15,645	20,789	21,916	23,760

Applications of Funds

Net Block	11,144	11,585	12,539	12,908
CWIP	32	288	0	0
Investments	0	0	0	0
Current Assets, Loans & Advances	17,833	23,972	26,612	31,499
Inventories	6,557	7,163	8,438	10,855
Receivables	8,542	10,690	12,375	14,732
Cash and Bank Balances	1,203	2,899	3,992	3,421
Loans and Advances	293	321	411	566
Other Current Assets	1,238	2,899	1,396	1,924
Less: Current Liabilities & Provisions	13,364	15,056	17,235	20,647
Payables	11,068	13,169	14,625	17,058
Other Current Liabilities	2,297	1,887	2,610	3,589
<i>sub total</i>				
Net Current Assets	4,469	8,916	9,377	10,852
Total Assets	15,645	20,789	21,916	23,760

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	16.7	17.1	17.1	16.2
EBIDTA Margin	7.8	7.3	8.9	8.5
EBIT Margin	5.7	4.2	6.3	6.5
Tax rate	13.9	30.7	24.4	26.3
Net Profit Margin	4.1	2.7	4.0	4.3
(B) As Percentage of Net Sales (%)				
COGS	83.3	82.9	82.9	83.8
Employee	2.7	3.4	3.0	2.7
Other	6.2	6.4	5.2	5.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.3	0.2	0.2	0.1
Interest Coverage	5.4	3.1	5.0	8.0
Inventory days	60	86	75	70
Debtors days	79	129	110	95
Average Cost of Debt	14.8	11.8	15.0	15.0
Payable days	102	159	130	110
Working Capital days	41	107	83	70
FA T/O	3.6	2.6	3.3	4.4
(D) Measures of Investment				
AEPS (Rs)	48.7	24.7	48.2	71.8
CEPS (Rs)	73.9	52.1	79.2	105.4
DPS (Rs)	3.2	0.0	4.0	5.0
Dividend Payout (%)	6.6	0.0	8.3	7.0
BVPS (Rs)	358.8	476.1	519.3	587.5
RoANW (%)	15.5	6.1	9.7	13.0
RoACE (%)	14.5	6.8	10.0	12.6
RoAIC (%)	16.7	7.9	14.5	19.2
(E) Valuation Ratios				
CMP (Rs)	2976	2976	2976	2976
P/E	61.1	120.4	61.8	41.4
Mcap (Rs Mn)	100,274	100,274	100,274	100,274
MCap/ Sales	2.5	3.3	2.4	1.8
EV	102,405	100,988	99,567	99,682
EV/Sales	2.6	3.3	2.4	1.8
EV/EBITDA	33.1	45.8	27.3	20.7
P/BV	8.3	6.3	5.7	5.1
Dividend Yield (%)	0.1	0.0	0.1	0.2
(F) Growth Rate (%)				
Revenue	44.0	(23.5)	35.5	37.8
EBITDA	41.1	(28.8)	65.7	31.7
EBIT	43.1	(43.0)	103.5	41.2
PBT	34.1	(37.0)	78.7	53.1
APAT	62.4	(49.3)	94.8	49.2
EPS	62.4	(49.3)	94.8	49.2

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	3,862	3,447	3,785	2,011
CFI	(3,592)	(1,620)	(1,712)	(1,500)
CFF	486	(131)	(980)	(1,082)
FCFF	270	1,827	2,073	511
Opening Cash	447	1,203	2,899	3,992
Closing Cash	1,203	2,899	3,992	3,421

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-20	Reduce	1,900	1,955
Nov-20	Reduce	2,160	2,187
May-21	Reduce	3,100	2,930

*Price as on recommendation date

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