

## Reduce

### 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.

### 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)

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
FIs	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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### 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 EBIDTA...
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)**

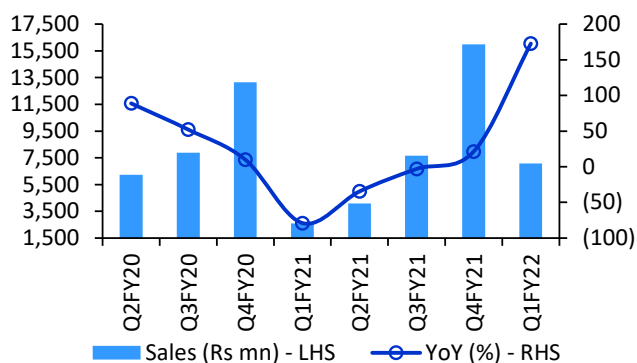
Particulars (Rs mn)	Q1FY22	Q1FY21	YoY(%)	Q4FY21	QoQ(%)
<b>Net Revenue</b>	<b>7,079</b>	<b>2,595</b>	<b>172.9</b>	<b>15,984</b>	<b>(55.7)</b>
Cost of materials consumed	5,545	1,906	191.0	13,254	(58.2)
Changes in Inventories, WIP & SIP	347	270	28.3	195	78.2
<b>Total Raw Material Cost</b>	<b>5,892</b>	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

Source: DART, Company

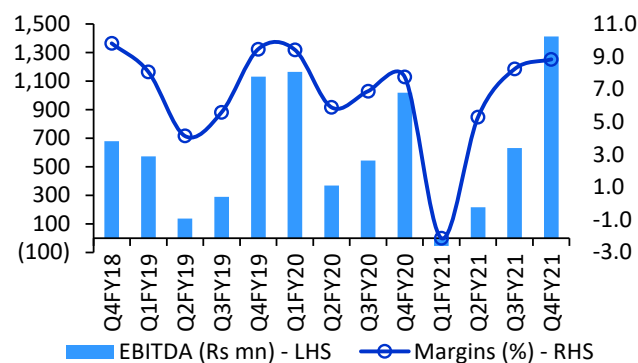
**Exhibit 4: Operating Cost as a % of Sales**

(%)	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	
<b>Margins (%)</b>					
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)

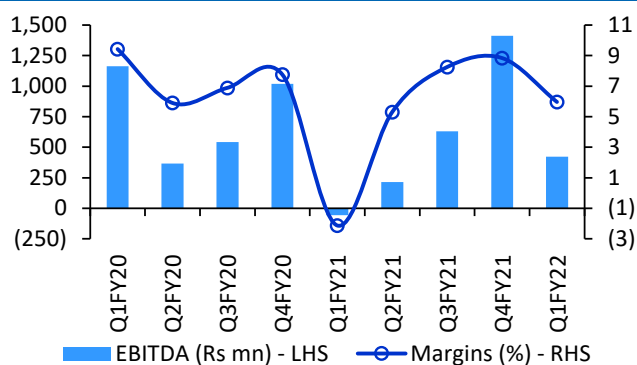
Source: DART, Company

**Exhibit 5: Revenue**


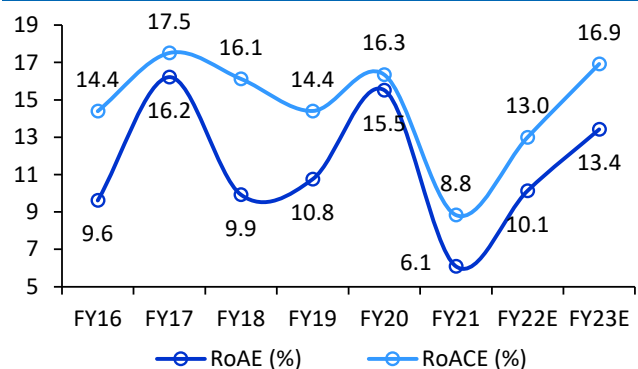
Source: DART, Company

**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
<b>Revenue</b>	<b>39,628</b>	<b>30,305</b>	<b>41,064</b>	<b>56,603</b>
<b>Total Expense</b>	<b>36,535</b>	<b>28,102</b>	<b>37,413</b>	<b>51,793</b>
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
<b>EBIDTA</b>	<b>3,093</b>	<b>2,203</b>	<b>3,650</b>	<b>4,809</b>
Depreciation	848	923	1,046	1,131
<b>EBIT</b>	<b>2,245</b>	<b>1,280</b>	<b>2,604</b>	<b>3,678</b>
Interest	419	410	517	459
Other Income	82	331	60	67
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>1,907</b>	<b>1,201</b>	<b>2,147</b>	<b>3,286</b>
Tax	266	369	524	866
RPAT	1,641	833	1,623	2,421
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>1,641</b>	<b>833</b>	<b>1,623</b>	<b>2,421</b>

**Balance Sheet**

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

**Applications of Funds**

Net Block	11,144	11,585	12,539	12,908
CWIP	32	288	0	0
Investments	0	0	0	0
<b>Current Assets, Loans &amp; Advances</b>	<b>17,833</b>	<b>23,972</b>	<b>26,612</b>	<b>31,499</b>
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
<b>Less: Current Liabilities &amp; Provisions</b>	<b>13,364</b>	<b>15,056</b>	<b>17,235</b>	<b>20,647</b>
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
<b>Total Assets</b>	<b>15,645</b>	<b>20,789</b>	<b>21,916</b>	<b>23,760</b>

E – Estimates

### Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
<b>(A) Margins (%)</b>				
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>(B) As Percentage of Net Sales (%)</b>				
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
<b>(C) Measure of Financial Status</b>				
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
<b>(D) Measures of Investment</b>				
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
<b>(E) Valuation Ratios</b>				
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
<b>(F) Growth Rate (%)</b>				
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)
CFE	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

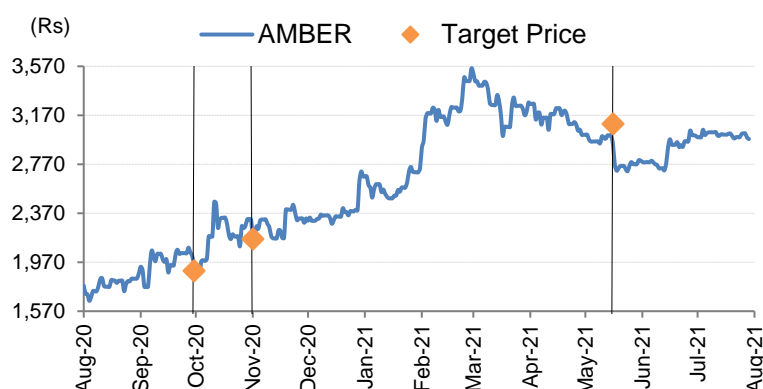
E – Estimates

### 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

### DART Team

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