

Amber Enterprises Q4FY21

Financial Results & Highlights

Brief Introduction:

Amber Enterprises India is engaged in the business of manufacturing a versatile range of products i.e. Air conditioners, microwave ovens, washing machines, refrigerators, heat exchangers, sheet metal components etc. Currently, the Company has nine manufacturing facilities in India out of which two manufacturing facilities are operating in tax exemption zone.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1314	1045	25.74%	584	125.00%	2326	3009	-22.70%
PBT	94	52	80.77%	27	248.15%	78	129	-39.5%
PAT	61	53	15.09%	18	238.89%	52	118	-55.93%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1607	1315	22.21%	774	107.62%	3064	3971	-22.84%
PBT	116	70	66%	40	190.00%	120	191	-37%
PAT	76*	63**	21%	28	171.43%	83	164	-49.39%

*Contains deferred tax charge of Rs 16 Cr

**Contains deferred tax credit of Rs 11 Cr

Detailed Results:

1. The company had decent quarter with a rise of 22% YoY in consolidated revenues while consolidated profits rose to Rs 21% YoY.
2. Operating EBITDA for Amber was at Rs 147 Cr with margin at 9.2%.
3. The consolidated revenue mix has remained unchanged from 55:45 in FY21 and moved to 60:40 in Q4 for RAC:Components+Mobility respectively.
4. Working capital days increased to 56 days in FY21 from 37 days in FY20 mainly on account of lockdown in H1FY21.

Investor Conference Call Highlights:

1. The channel inventory at the end of March 2021 stood at normalized levels.
2. The PLI scheme of air conditioners will provide an incentive of 4% to 6% on incremental sales of AC components manufactured in India over 5 years.

3. Amber has completed the acquisition of land for the Pune facility and construction has already started. This facility is expected to start operations in Q4FY22.
4. Q4 FY '21 revenues for Sidwal stood at INR 80 Cr with operating EBITDA at INR 21 Cr. FY '21 revenues for Sidwal stood at INR 201 Cr with operating EBITDA at INR 48 Cr.
5. In the recent budget, 26 new cities have been earmarked to have metro lines and 1,700 km of line to be added under metros. This should bring immense opportunity to supply more ACs for metro coaches to Sidwal.
6. Revenues for PICL stood at INR 71 Cr in Q4 & INR 131 Cr for FY21. Operating EBITDA stood at INR 6 Cr in Q4 & INR 7 Cr in FY21. The management expects to double the revenues for PICL along with the improvements in margins in the next 2 to 3 years' time.
7. Revenues for IL JIN stood at INR 118 Cr in Q4 & INR 307 Cr for FY21.
8. Revenues for Ever stood at INR 59 Cr in Q4 & INR 154 Cr for FY21.
9. Amber saw a positive cash flow of INR 115 Cr as against net debt of INR 246 Cr as of 31st March 2021.
10. Amber sold around 2.1 million units in FY21 vs industry volumes of 5.1 million.
11. Inventory build-up due to local lockdowns should get liquidated as things open in June.
12. IL JIN & Ever saw operating EBITDA of Rs 14.65 Cr & Rs 7.34 Cr respectively in FY21.
13. The main opportunity from the gas changing operations is to help convert these customers to full manufacturing customers.
14. The company is awaiting clarification on how the PLI scheme will apply on the components side of the RAC business.
15. With the rising penetration of VRV & VRF air conditioning, Amber is also looking to get into commercial refrigeration with offerings of 5.5 ton, 8.5 ton, 11.5 ton of air conditioning.
16. The company is indeed looking for external partners for the software side of the commercial refrigeration business.
17. The company has been able to pass on all the RM cost rise to end customers.
18. Of the Rs 2300 Cr of standalone revenue, around Rs 320 Cr was for compressors which is a full pass-through item for Amber.
19. Around 70% of motors are imported at present in the RAC industry.
20. The company is not only targeting import substitution for PICL but also in a China plus one strategy for export destinations.
21. Volume drop for FY21 was around 30% YoY.
22. The company's factories are running at 40-45% capacity at present.
23. Around 60% of the market today is from inverter ACs.

24. Although input metal prices have risen a lot recently, the management expects these prices to stabilize going forward.
25. Although competition is rising in the components space, the management is confident of Amber's prospects mainly due to its price competitiveness which is derived from R&D support and the backward integration of critical components.
26. FY22 volumes should generally surpass FY21 volumes as current local lockdowns have not curbed sales as much as the lockdown last year.
27. The incremental capex for the next 2 years is around Rs 290 Cr, which is for the 2 upcoming facilities.
28. Sidwal has a current order book of Rs 350 Cr which is to be executed over the next 2 financial years.

Analyst's View:

Amber Enterprises has cemented its position as a prime AC and white good components manufacturer in India. The performance of the quarter was good with good growth in both sales and volumes. The demand for components is expected to rise significantly with the new PLI scheme coming into play. The management has outlined plans for capacity expansion in 2 new sites and for entering commercial air conditioning space with VRV & VRF. It remains to be seen how the industry demand will be affected by the current ongoing local lockdowns and whether the company will be able to achieve its optimistic expectations in the exports and components space. Nonetheless, given the massive opportunity size from import substitution, the growth prospects of the industry, and the company's dominant position in the ODM market, Amber Enterprises remains a pivotal stock in the fast-rising air conditioning industry. However, the current valuation appears to be very stretched for the company.

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