

Amber Enterprises Ltd

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
866	1138	31.4%	1013 / 621	27244

Key Highlights:

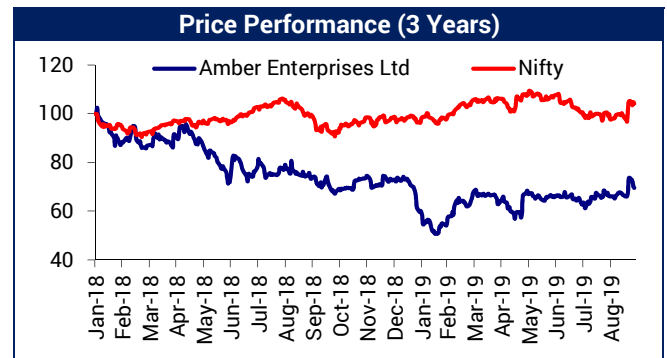
- Amber Enterprises Ltd (AEL) aims to continue its market leadership in contract manufacturing in AC segment. Focus area will remain the HVAC (Heating, Ventilation and Air Conditioning) segment.
- Within the HVAC segment, the company intends to diversify across products and components through innovative products and alliances.
- Amber Enterprises Ltd has 10 manufacturing facilities across seven locations in India. The company's manufacturing facilities have a high degree of backward integration and are strategically located in proximity to its customers' requirements. The company's key customers include leading RAC brands such as Daikin, Hitachi, LG, Panasonic, Voltas and Whirlpool. Its customers commanded around 75% share in the Indian RAC market in FY17.
- During FY19, AEL added four more brands to its clientele including Carrier Midea, Micromax, Flipkart and Amazon
- Capturing higher wallet share, hike in custom duty in ACs, logistical hassles of imports coupled with cost competitive product offering are the key drivers for the company's growth.
- Apart from this, AEL entered into definitive agreement to acquire 80% equity in Sidwal Refrigeration Industries Private Limited (Source: Company Annual Report). Sidwal has a diversified portfolio in the Heating Ventilation Air conditioning Solutions. It caters to important verticals of Indian Railways, Metros, Bus Airconditioning, Defence, Telecom and Commercial Refrigeration.
- Through this acquisition, AEL aims to reach the next level, which is basically the market leader in mobile and commercial segment of HVAC industry in addition to existing leadership position in the RAC, room air-conditioners outsourcing segment (Source: Company Annual Report).
- For the current fiscal, the management has guided for room AC sales volume growth of 4-5% in excess of the industry growth rate.
- We are projecting 37% CAGR in earnings over FY19-21E.
- We value the stock at 20x Consol EPS of FY21E. Ascribe price target of Rs 1138.

Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	26,879	36,547	42,265
Growth (%)	28.3	36.0	15.6
EBITDA	2,128	3,086	3,603
EBITDA margin (%)	7.7	8.3	8.4
PBT	1,359	2,065	2,403
Net profit	948	1,536	1,788
Adjusted EPS (Rs)	30.2	48.6	56.6
Growth (%)	52.1	62.1	16.4
P/E (x)	28.7	17.8	15.3
BV (Rs/share)	320.1	369.0	426.3
EV/EBITDA	14.6	10.8	9.0
ROE (%)	10.1	14.4	14.6
ROCE (%)	13.6	16.8	16.9
Dividend payout (%)	-	-	-

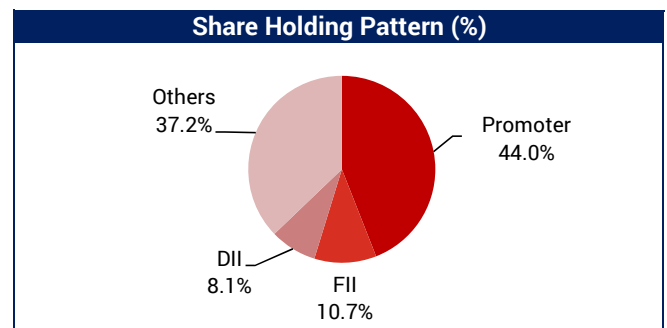
Source: Kotak Securities - Private Client Research *Consolidated

Financials (Rs mn)*	1QFY19	1QFY20	% Chg
Revenues	6,021	9,957	65.4
EBITDA	550	933	69.6
EBITDA Margin (%)	9.1%	9.4%	
PAT	289	486	68.2
PAT Margin (%)	4.8%	4.9%	

Source: Kotak Securities - Private Client Research *Standalone



Source: Bloomberg



Source: Bloomberg

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
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NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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