MIRAE ASSET Sharekhan

Amber Enterprises India Ltd

Weak RAC space dampens Q2

Capital Goods	Sharekhan code: AMBER
Reco/View: Buy ⇔	CMP: Rs. 7,231
	Price Target: Rs. 9,300 ⇔

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

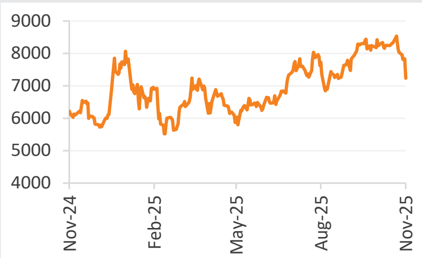
Company details

Market cap:	Rs. 25,419 cr
52-week high/low:	Rs. 8625/5238
NSE volume: (No of shares)	31.0 lakh
BSE code:	540902
NSE code:	AMBER
Free float: (No of shares)	21.1 cr

Shareholding (%)

Promoters	38.2
FII	30.6
DII	20.2
Others	11.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-12.2	-1.8	24.8	16.3
Relative to Sensex	-13.9	-6.0	23.9	11.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- With extended monsoons hampering RAC sales, Amber's Q2 numbers were dull. Electronics segment saw a decent growth 31% and is gaining huge traction with multiple tie-ups and robust capex plan.
- Revenues remained flat degrowing 2%, sharply below than our estimates. Operating profits were down 23% to Rs 91 crore with margins falling 146 bps due to drag in consumer durables segment's margins.
- Electronics business stays in spotlight and company eyes a TAM of Rs. 2,200-2,500 crore across PCB, PCBA, battery storage and other markets.
- We maintain a Buy factoring in long-term revenue growth triggers across segments with a PT of Rs. 9,300. At CMP, the stock trades at a valuation of 71x/45x its FY2027E/FY2028E EPS.

Q2FY26 revenues fell 2% led by a 17% decline in consumer durables segment that was compensated by growth in electronics (up 31% y-o-y) and Railways (up 7% y-o-y). Consumer durables segment was hit by weak RAC sales, amid extended rains and deferment of purchase in between announcement & implementation of GST reduction. Management aims to close the FY26 with growth of 13-15% in the consumer durables segment. The electronics segment's revenues grew 31%, lagging historical trends. Electronic segment's margins were hit by higher RM costs. Amber expects to pass on higher RM prices, that would drive up margins in Q4. The electronics division is set to strategically build margin accretive industrial application portfolio through Power One and Unitronics. Management has revealed its plan to invest Rs 3,000+ crore in the electronics segment over five years. Railways segment has been growing since three quarters and rose 7% y-o-y in Q2 on a good offtake in metro projects. Expansion plans for Sidwal segment is underway and commercial production to start by Q4FY26. Amber is confident and expects doubling the revenues in coming two financial years. Consolidated EBITDA margins declined by 146 bps to 5.5% from 7.0%. The margins were below the earlier guidance of 7-7.5%. Overall, Q2 ended up in losses for Rs 32 crores vs profit of Rs 21 crore in Q2FY25.

Key positives

- Electronics segment grew by 31% y-o-y.
- ECMS approval received for multi-layer PCB application with planned investment of Rs 991 crore over the scheme tenure.

Key negatives

- Consumer Durables segment impacted by degrowth of around 17% in RAC industry.
- Margins decline by 146 bps to 5.5% which si below the earlier guidance of 7-7.5%.

Management Commentary

- The company expects to outperform RAC industry growth despite current headwinds. Management targets to close the consumer durables segment with 13-15% growth in FY26. The long-term outlook remains strong, with volumes expected to grow from 15 million to 35 million units by 2030.
- Management eyes Electronics segment at $1 billion in three years with margins of 11.5-12% driven by the PCB, PCBA and industrial portfolios. The company has increased the TAM acquiring controlling stake in Power One micro-systems and Unitronics providing direct synergy to electronics segment products.
- Capex for FY26 includes Rs 350-400 crore for Ascent, Rs150 crore (out of Rs3.5bn announced) for Railway division and land acquisition for Korea Circuit JV. For Ascent Circuits (multi-layer PCBs), while the Korea Circuit JV (HDI PCBs) will see Rs 1200 crore Phase-I investment with tangible output expected from Q4FY27.

Revision in earnings estimates – We revisit our estimates for FY26 and FY27 factoring in the weak Q2 performance and rolled out Fy28 estimates.

Our Call

Valuation – Retain Buy with a PT of Rs. 9,300: Amber is well-placed to capture incremental demand rising from components ecosystem development. The management remains optimistic about growth in components (including mobility, electronics, and non-RAC components), customer additions as well as exports in 3-4 years. Further, traction in the high growth sectors such as railways could augur well for Amber. We build in a revenue/PAT CAGR of ~19%/~29% (FY2025-FY2028E). We maintain a Buy rating with a PT of Rs. 9,300.

Key Risks

1) Higher share of exports to total revenue exposes the company to currency risk. 2) Seasonal nature of RAC industry.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	6,729	9,973	11,668	13,885	16,801
Operating Profit Margin (%)	7.3	7.7	7.0	7.4	7.6
PAT	139	251	257	340	538
Growth (%)	(11.4)	80.4	2.5	31.9	58.4
EPS (Rs.)	41.3	74.5	76.4	100.8	159.7
P/E (x)	174.1	96.5	94.2	71.4	45.1
EV/EBITDA (x)	49.1	31.4	23.6	17.9	17.9
RoCE (%)	10.5	16.5	14.5	17.2	21.1
RoE (%)	7.1	16.1	20.4	23.8	23.8

Source: Company; Mirae Asset Sharekhan estimates

Q2FY2026 investor update and conference call highlights

Electronics: The company is strategically shifting the segment dependence on consumer durables and looks forward to addressing a $22-25 billion market via margin accretive industrial application portfolio which will be driven by recent multiple tie-ups with Power One and Unitronics. Company has received ECMS approval for Multilayer PCB application with a planned investment of Rs 991 crore over scheme tenure and waiting for another application approval. In 2-3 years, the expansion of Ascent electronics and JV with Korea circuits will be the key growth drivers. Bare PCB market is estimated to be Rs. 32,000 crore and expected to reach Rs 50,000 crore by 2030 with 90% imports, which Amber can leverage upon for end use in IT, mobiles, semiconductors, etc. The management has targeted to reach $1 billion segmental revenues in the coming years with margins reaching double digit by 2027.

Railway subsystems & mobility: The order book here stood at Rs. 2,600 crore. The segment is continuing the growth trend from last 3 quarters on the back of off take in metro projects. Construction is progressing well for Sidwal greenfield facility and expected to operationalise by Q4FY26. Defence projects are gaining huge traction. Amber has started receiving orders for new products such as doors, gangways and other railway subsystems, which will help the company generate more revenues from existing customers.

Consumer durables: Segment posted a lacklustre performance as an impact of monsoon headwinds in the RAC industry. RAC segment has declined by almost 35% compensated by growth in non-RAC segment and commercials AC segment.

Results (Consolidated) Rs cr

Particulars	Q2FY26	Q2FY25	Y-o-Y %	Q1FY26	Q-o-Q%
Net Sales	**1,647**	**1,685**	**-2.3**	**3,449**	**-52.2**
Operating Profit	**91**	**118**	**-22.6**	**257**	**-64.4**
Depreciation	16	13	20.2	30	-47.3
Interest	77	49	57.0	63	21.4
Other Income	70	57	23.2	62	13.7
PBT	(40)	25	-261.1	161	-125.0
Tax	(16)	3	-620.6	48	-132.2
Adjusted PAT	**(32)**	**21**	**-253.1**	**106**	**-130.3**
Adjusted EPS (Rs.)	**(9.5)**	**6.2**	**-252.3**	**31.3**	**-130.3**
Margins			BPS		BPS
sOPM (%)	5.5	7.0	-146	7.4	-190
NPM (%)	(1.5)	1.3	-280	3.3	-477

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Demand outlook encouraging, healthy growth prospects

The RAC industry is set to grow strongly, given strong pent-up demand post the two-year lull. Further, increasing disposable incomes, upgrade in lifestyles and rising temperatures are the structural growth drivers. Moreover, owing to a shift in manufacturing bases outside China and the government's incentives to enhance manufacturing through the Make in India initiative, there are enormous opportunities for well-integrated players such as Amber. Enhanced capacities and a wider range of product offerings and customer penetration are likely to drive the company's performance in addition to a healthy demand outlook for the electronics outsourcing industry.

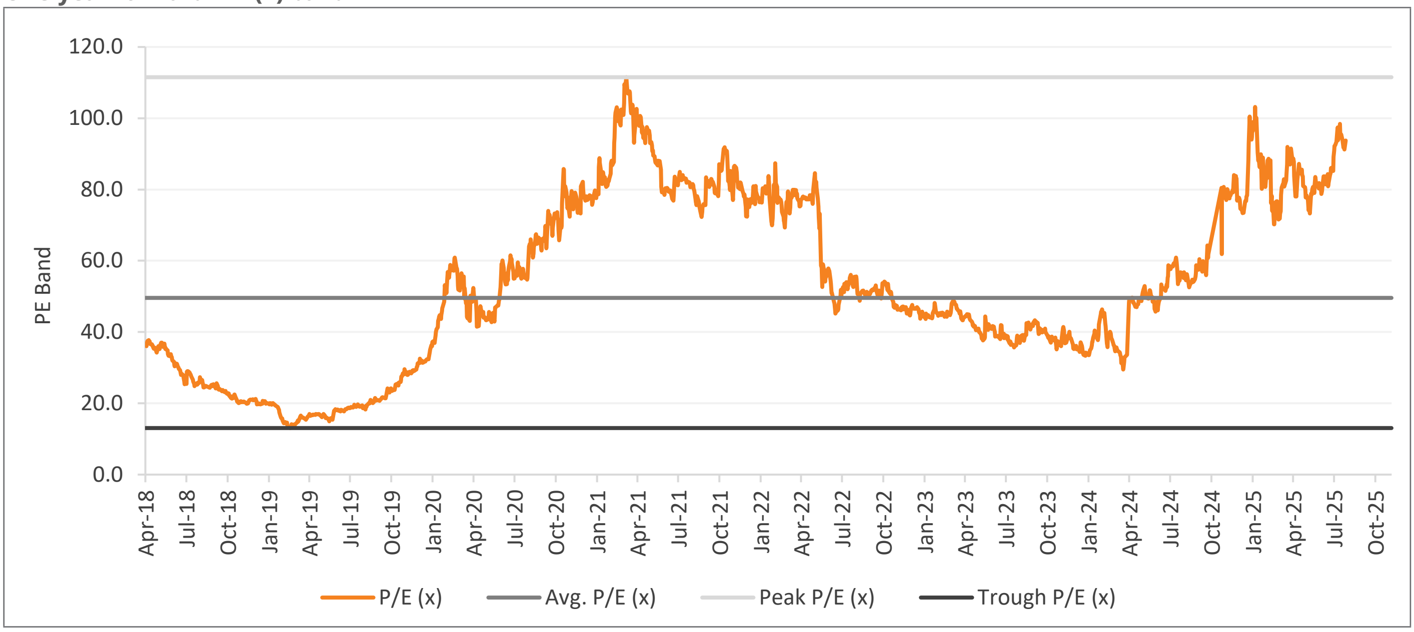
■ Company Outlook – Long runway for growth

Amber is well-placed to capture incremental demand accruing from the indigenisation of both fully built-up units and components ecosystem development through lower imports. The company will also be a key beneficiary of PLI schemes for ACs and components. The company is expanding capacity through two greenfield projects, one in Supa, Pune and the other in Chennai. The management remains optimistic about export prospects for both fully built-up units and components that can potentially emerge in 3-4 years. Overall, the outlook remains positive, with the management confident of capturing opportunities with better volume offtake, despite short-term challenges, such as tepid volume growth in FY2024 and margin pressure in some components.

■ Valuation – Retain Buy with a PT of Rs. 9,300

Amber is well-placed to capture incremental demand rising from components ecosystem development. The management remains optimistic about growth in components (including mobility, electronics, and non-RAC components), customer additions as well as exports in 3-4 years. Further, traction in the high growth sectors such as railways could augur well for Amber. We build in a revenue/PAT CAGR of ~19%/~29% (FY2025-FY2028E). We maintain a Buy rating with a PT of Rs. 9,300.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Incorporated in 1990, Amber has emerged as a market leader in the Indian room AC OEM/ODM industry. The company's comprehensive product portfolio includes room AC (indoor and outdoor units as well as window ACs) and reliable critical components, which have a long approval cycle. The company is one of the largest manufacturers and suppliers of critical components such as heat exchangers, PCBs, motors, sheet metal, case liner etc. of RAC and other consumer durables such as refrigerators and washing machines. Amber has emerged as a market leader in the Indian RAC OEM/ODM industry with more than 70% market share and 26.5% market share in the overall RAC market in FY2023. The company has 15 manufacturing facilities strategically located close to customers, enabling faster turnaround. The company also has a high degree of backward integration coupled with strong R&D capabilities, resulting in a high proportion of ODM. The company has been serving a majority of customers for over five years and has a marquee customer base as eight out of the top 10 RAC brands are its clients.

Investment theme

Amber has a market leadership position in the OEM/ODM segment for branded room ACs. Moreover, the opportunity size seems to be increasing as OEM players are now more focused on the innovation and marketing side of the business and relying on outsourcing for manufacturing their products. We believe enormous growth opportunities would come across going forward, owing to global players shifting their manufacturing base outside China and the Government of India to enhance manufacturing through Make in India initiative by providing incentives. Further, Amber remains a strong beneficiary from the recently announced PLI schemes for AC and components. A healthy demand outlook for the electronic outsourcing industry and enhanced capacity, increased product offerings, and customer penetration are likely to drive the company's performance.

Key Risks

- Lower demand offtake due to economic slowdown might impact revenue growth momentum and raw-material price volatility and forex rate fluctuation can impact profitability.
- Lack of diversified revenue base in terms of product categories and high revenue concentration with few customers pose a threat to revenue.

Additional Data

Key management personnel

Name	Designation
Jasbir Singh	Executive Chairperson and CEO
Daljit Singh	Executive Managing Director
Sudhir Goyal	Chief Financial Officer
Konica Yadav	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal Asset Management Co	2.83
2	Vanguard Group Inc/The	2.37
3	Sundaram Asset Management Co Ltd	1.95
4	Invesco Asset Management India Pvt	1.70
5	Goldman Sachs Group Inc/The	1.67
6	Capital Group Cos Inc/The	1.55
7	L&T Mutual Fund Trustee Ltd/India	1.37
8	DSP Investment Managers Pvt Ltd	1.34
9	Blackrock Inc	1.33
10	Franklin Resources Inc	1.13

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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