



“Amber Enterprises India Limited Q2 FY19 Earnings  
Conference Call”

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**MANAGEMENT: MR. SANJAY ARORA, DIRECTOR OPERATIONS,  
INVESTOR RELATION ADVISORS - AMBER  
ENTERPRISES INDIA LIMITED  
MR. DALJIT SINGH - MANAGING DIRECTOR – AMBER  
ENTERPRISES INDIA LIMITED  
MR. SUDHIR GOYAL – CHIEF FINANCIAL OFFICER -  
AMBER ENTERPRISES INDIA LIMITED**



*Amber Enterprises India Limited  
01 November, 2018*

**Moderator:** Ladies and gentlemen good day and welcome to Amber Enterprises India Limited Q2 FY19 Earnings Conference Call. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Daljit Singh, Managing Director of Amber Enterprises India Limited. Thank you and over to you Mr. Singh.

**Daljit Singh:** Thank you. Good evening everyone and a very warm welcome to our Q2 and H1 FY19 earnings conference call. Today, I am joined by Mr. Sudhir Goyal our Chief Financial Officer, Mr. Sanjay Arora, Director Operations and Strategic Growth Advisors, our investor relation advisors. We have uploaded our updated results presentation on exchanges and I hope everybody had an opportunity to go through the same.

As an industry update Q1 and Q2 were hit by unseasonal rains which hampered the secondary sales and lead to inventory buildup across the dealers, distributors and brands. Since, we work with a quarter lag effect with brands our sales in Q2 were also muted. However, the channel inventory which was built up due to unseasonal rains is now being liquidated. and the demand is also gaining momentum. Despite the headwinds from industry in H1 FY19 our full year outlook is in terms achieving 2.1 million units for FY19 remains intact with a strong order book and volume visibility for later half of the year. We have observed these seasonal shifts over the years, but the broad-based industry outlook and order book looks robust, which will help us delivering the performance guided.

In its notification on 27<sup>th</sup> September, government has increased the custom duty from 10% to 20% on air conditioners, this will add up to Ambers benefit in catering new demands of ACs which were previously being imported. We should expect a shift from imports to domestic procurement across industry due to the cost competitiveness and higher flexibility in model mix. Since Amber is market leader in outsourced ODM and OEM RAC segment with complete range of product offering and 11 manufacturing facilities locating strategically in customer cluster we expect higher demand and are confident in outperforming the industry.

I will now take you through the operational numbers. We have reported all numbers on standalone basis. The total revenue for Q2 FY19 should add Rs.226 crores as against Rs.265 crores for the corresponding quarter last year. Our revenues for H1 FY19 stood at Rs.828 crores as against 889 crores in H1 FY18. Overall revenue de-grew by ~6.8% on Y-on-Y basis for H1 FY19. Whereas we have seen a growth in revenue of 12% and 19% in our AC components and non-AC components segment respectively. Non-AC components grew from



*Amber Enterprises India Limited  
01 November, 2018*

Rs.115 crores in H1 FY18 to Rs.137 crores in H1 FY19. and AC components grew to 76 crores in H1 FY19 as compared to Rs.68 crores in H1 FY18.

In volume terms we have sold ~7.31 lakh unit in H1 FY19 as compared to ~8.69 lakh unit in H1 FY18, down by ~16%. However, our full year outlook remains the same with robust order book in the hand.

Operating EBITDA for H1 FY19 stood at Rs.71 crores as compared to Rs.78 crores for corresponding period last year. EBITDA margins were 8.6% for H1 FY19 as compared to 8.8% for H1 FY18. Since we are witnessing growth in our AC and non-AC components, we are confident of improving margins trajectory going forward. Other income includes Rs.7.43 crores of FOREX loss on which 6.99 crores is realized loss and Rs.0.44 crores is unrealized.

PAT for H1 FY19 stood at Rs.27.1 crores as compared to Rs.27.9 crores for the corresponding H1 FY18. However, debt repayment lead to PAT margin improvement by 13 basis point on Year-on-Year basis to 3.3% in H1 FY19.

On the way forward, we would like to state that

1. With the increased custom duty for air conditioners and shift towards domestic manufacturing and procurement by brands will lead to higher demand across products & customers.
2. With new customer addition, strengthening of our existing relationship, increased product offering by way of strong R&D and expanding to new geographies. We are confident of outperforming the industry and
3. As we see an increase in volume for our products, our investments that we have done in the past we will see better returns, increased capacity utilization will lead to operating leverages. Playing out leading to better profitability,

With this I open the floor for discussion.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Aditya Bhartia from Investec. Please go ahead.

**Aditya Bhartia:** Just wanted to understand how the inventory level situation in the channel is and with the brand owners and could higher inventory imply weak Q3 as in or do you think that situation is now normalizing.

**Daljit Singh:** Yes, so like as you know there was a unseasonal rains in India and due to that there was a lot of inventory in the channel but now with the demand is increasing, this inventory in the channel is getting liquidated, and it is getting normalized day by day and month on month



*Amber Enterprises India Limited  
01 November, 2018*

basis. Due to this and healthy order book in hand, we are seeing traction now and it is increasing day by day and we look forward for a good growth in Q3 and Q4 moving forward.

**Aditya Bhartia:** Because Q3 last year I think there would have been increased production on account of the preponement of sales before the energy efficiency norm, and to that extent do you think that we can surpass the numbers that we delivered in Q3 last year.

**Daljit Singh:** Yes, two things have happened if you see, first is that the channel was completely full of inventory and now the channel is getting liquidated and hence the pipeline is dried in the channel so definitely everybody would like to fill up that pipeline. Second is this custom duty hike, with custom duty hike we are seeing lot of traction of new and new enquires for manufacturing the air conditioners. So, these inquires will transform into business in Q4 because hike happened in September and as we move forward, and it takes little bit time to convert the enquire into a business. So we are hoping that in Q4 we could see lot of these inquires being converted into business.

**Aditya Bhartia:** And sir given that rupee has been depreciating so sharply has that any impact on margins of our business as well, because from what I understand there must be some delay in passing on the impact of rupee depreciation and increased commodity growth.

**Daljit Singh:** Yes, there has been but as you know we are able to pass on the depreciation of the rupee to our customers. Though there is a lag, so definitely margins also will have a lag a little bit of there, but yes, we are able to pass on to our customer both the commodity as well as the FX changes. So definitely with the lag we would be able to make it and now new orders are coming so all the new orders are being discussed at the current commodities. So going forward as and when they convert into business definitely that would be on the new commodities and new FX only.

**Aditya Bhartia:** Right. And sir is it possible to indicate some number and to how big the impact could have been on Q2 numbers.

**Aditya Bhartia:** Because of the rupee depreciation how badly would Q2 numbers have got impacted, do we have quantification to that.

**Daljit Singh:** So are you talking about in Q2 or Q3?

**Aditya Bhartia:** In Q2,

**Daljit Singh:** In Q2, the FX loss was almost to the tune of 1.77 crores but again like many of the, from the customer side there are quarterly contracts, so we will be able to pass it with a quarter lag and the new customers which we are bringing on board will be on the new commodity and FX only.



*Amber Enterprises India Limited  
01 November, 2018*

- Aditya Bhartia:** Okay. And lastly sir what was the CAPEX that we incurred in H1 and what is our expectation for FY19 and do we intent to setup any new facilities in the near term.
- Daljit Singh:** So the CAPEX incurred in H1 was around 30 crores and we intend to do a CAPEX of around 50 to 55 crores this financial year. However with the hike in this custom duty we are really seeing a lot of inquiries and we will have to map the capacity at various location where the customers are asking, so we continue to evaluate that and that capacities and locations where customers cluster is and where customers requirement is and accordingly we will take a decision of setting up, it is a need to increase the current capacities or current operations or setting up a green field facility.
- Moderator:** Thank you. Our next question is from the line of Ankur Sharma of Motilal Oswal Securities. Please go ahead.
- Ankur Sharma:** First question would be on this custom duty hike, if you could just clarify is this doubling of duty to 20% only on the completely build units or is it also on the parts, so if you are importing the IDUs and the ODU's separately would this duty also double there?
- Daljit Singh:** The custom duty hike is on special chapter 841 from 10 to 20% so depending up on the various customers bringing on in what chapter and what heading the custom duty will be according to that. However, definitely the duties on complete finished goods from 10 to 20% and regarding the parts depending up on the separate heading and depending up on the part which part you are bringing in the custom duty will vary because there are some parts which are imported at 10% and there would be some parts which will be imported at 20% also. So, it varies from the part to part as well as from chapter heading to chapter heading.
- Ankur Sharma:** So, where I was coming from was what I understand is most manufacturers would be breaking the IDUs separately, and then compressors and then kind of assembling it in India. So, what I am trying to get is, if the duty increases on the CBU the unity as a whole does it really make a big difference in terms of moving it back to India is what I am trying to get that. That is all.
- Daljit Singh:** If you see currently in India around 30 to 35% is still imported so that is in CBU, however there is an IDU, Indoor units also which are largely imported. So the CBU which is imported definitely has an increase of custom duty, however the part depends upon various heading as well as configurations and what kind of configuration you are bringing that in, what kind of chapter heading you are bringing in. So it varies from heading to heading and customer to customer.
- Ankur Sharma:** Sure. Sir if you can take this, one last this is that so even Amber would be importing IDU so are we still paying 10% duty or has duty gone up 20% there.



*Amber Enterprises India Limited  
01 November, 2018*

**Daljit Singh:** Amber does not import IDUs because Amber is a total solution provider in air conditioners. So, if you see we ventured into IDU four years back and in fact we would be one of the largest manufacturers of indoor units in India and providing local solution. And that is why we are total solution provider for as far as air conditioners are concerned.

**Ankur Sharma:** I get it, so the bigger opportunities this entire 30-35% which is CBUs getting imported earlier moving now to you, is my understanding correct.

**Daljit Singh:** It is more coming in the indoor units also because more and more as the CBU is moving definitely the complete built out unit has to be it's better to make it local and secondly as the volumes are increasing in the industry definitely people are looking for more and more solutions so whether it is ODU concern or it is IDU also concern. So, more and more traction is coming for local manufacturers specifically with the hiking duty.

**Ankur Sharma:** That is very helpful sir, and just a follow up on the inventory piece, in terms of the inventory in the channel is it back to where it was maybe last year obviously you have seen very warm weather in the west part of the country this time and there has been inventory liquidation so are we back to where you would be comfortable with the inventory or do you think we still need to see the Diwali, like till Diwali end that time period to go back rather go through before you start seeing more normalized levels of inventory.

**Daljit Singh:** I cannot comment on the inventory point from my customer side because I do not know how much inventory has been liquidated in the secondary sales but definitely, we are seeing an uptake demand from our customers so that definitely clearly shows that the inventory is liquidated, and more and more inventory gets liquidated we get the increase in orders also. But yes as you rightly said that the western part is seeing a kind of a second summers we call it so lot of sales is happening over there and hence inventories are getting normalized whether it is to the effect of earlier levels it is very difficult for me to say because that is probably the brands to answer for the secondary sales side. But yes, it is getting normalized day by day.

**Moderator:** Thank you. Our next question is from the line Bhoomika Nair from IDFC. Please go ahead.

**Bhoomika Nair:** Sir, if I look at it in the first half we seen a very sharp decline in volumes while we understand that there is some channel inventory and the unfavorable rains have impacted demand and channel inventory but the decline seems far sharper than what we understand from talking to some of the brands wherein it seems to be flattish or marginal decline in volumes. So if you can just elaborate a little bit on that and when we are looking at a 10% growth for the full year at 2.1 versus 1.9 that implies at the second half where we actually grow at a very fast pace of 33%. So, given that last year third quarter there was some inventory built up on the pre-buying this seems to be a fairly sharp jump in volumes so how are you seeing in terms of October already gone by in terms of volumes and the confidence level for achieving these numbers.



*Amber Enterprises India Limited  
01 November, 2018*

**Daljit Singh:** Bhoomika good evening. And in fact, if you see the way customers do place our orders with us there is always a quarter lag with us, the time to market from manufacturing to secondary sales is almost a quarter. So, definitely if you see the markets and the brands are looking at uptick in the sales and hence that clearly shows and that is the reason why the orders are looking better and better with us also. Moving forward our year around numbers which we talk about is 2.1 million that stays intact, so we are confident of achieving it because we have brought few customers on board and so customer addition, product portfolio as well as this hike in duty is helping also in terms of more and more inquiries coming, we are confident of converting those inquiries into business as we are rightly placed Company with the complete product portfolio with us. So, the year around growth, the year around numbers remains intact, however this is a small dip due to the unseasonal rains and now with the inventories getting liquidated at the customers end this will the lag of quarter should show in our books also and in our sales also.

**Bhoomika Nair:** Sir would you have seen some improvement in traction in the month of October if you can just give some qualitative feel in terms of the growth levels, etc. that can help us getting the same confidence.

**Daljit Singh:** Yes, definitely we are seeing an improvement in October and November is also very strong and December is also very strong. So as, I told you we also brought few customers on board, those customers on board and sales from them would be starting from November, December onwards and all the customers, many of the customers who are manufacturing locally as well as importing those are also looking at local manufacturing now. And we do have the relationship with them, we are already manufactures to them, we are already solution providers to them. So the increase in kitty is also playing roll over there. So, yes the October is good, November is back, December looks very robust and December onwards January, February, and March also looks very good and robust.

**Bhoomika Nair:** Some book keeping questions, if I can get the volume breakup for the current quarter and for last year in terms of ODU, IDU windows and if I could get the revenues of PICL, ILJIN and Ever as not to get just get some sense on how consolidated is moving.

**Daljit Singh:** So on volume terms we have done 7,31,000 units for H1FY19 in terms of complete air conditioner units and in terms of ILJIN and PICL if you talk about ILJIN it has been a good strategy for Amber so far and as part of our continues effort to grow inorganic and ILJIN is the right fit. We are seeing lot of enquires over there and we have been successfully able to crack customers over there and those customers are also on board now starting December. Because as you know the PCB is a very reliable component, so it takes little time for customers to come on board. So we have already got go ahead from the customers and the sales from them should be starting from December onwards. So overall over if you talk about ILJIN it did a sale of around Rs. 167 crores in H1 and coming to your question of PICL, PICL has seen a muted growth on H1 due to again it is majorly air conditioner play and unseasonal rain has affected PICL also. While now since industry is getting back to normal so we are seeing a traction of



*Amber Enterprises India Limited  
01 November, 2018*

sales getting better and better over there so the total revenue of PICL has been Rs. 50 crores in H1 and we are aiming at a decent growth moving forward.

**Bhoomika Nair:** Okay. And lastly Ever I under we are not consolidated because we just acquired it but never the less the first half revenue number.

**Daljit Singh:** Yes, so Ever also did a sale of 134 crores in H1.

**Moderator:** Thank you. Our next question is from the line of Abhineet Anand from SBICAP Securities. Please go ahead.

**Abhineet Anand:** First, I just want to know how ILJIN the process of client approval, etc. is going on and are we on track to have our FY 19 and FY20 targets in terms of revenue that we have indicated.

**Daljit Singh:** Yes, ILJIN is seeing a lot of traction from customers and it has been good play so far and specifically, if you see the inverterization happening and now with hike in duties and localization will happen more and more over here. So, more and more local solutions would be required. In terms of customer addition, we have been successfully able to onboard two customers of Amber into ILJIN and definitely these customers though right now we are in terms of reliability, clearances and pilot lot production but mass production will start from December onwards. And yes looking forward ILJIN was lacking the R&D and design capabilities earlier but now with Amber coming on board we have made those capabilities and we are able to give more and more better and better solutions to our customers and hence we are looking forward for more and more traction in next coming years also because we will be able to give good and complete solutions to our customers. Specifically, on the other side other than air conditioners also, other than air conditioners we are also evaluating with the various outside air conditioners PCB manufacturing solutions also. So yes, various customers are coming on board, so we are on track to our figures of FY19-20 and FY20-21.

**Abhineet Anand:** Okay. And one of the participants I think asked about PICL, ILJIN sales if you can also help what has been the EBITDA or PAT anything would be comfortable.

**Daljit Singh:** So, the operating EBITDA was around 4.5% in ILJIN and in Ever on the sales of 135 crores operating EBITDA was of 3.2%.

**Moderator:** Thank you. Our next question is from the line of Sanjeev Zarbade from Kotak Securities. Please go ahead.

**Sanjeev Zarbade:** Sir my question was regarding the balance sheet where we have seen that there has been some significant swing in terms of cash flow where in our cash have declined as compared to the March 18 figure and the borrowings has also gone up so apart from the CAPEX what else like has led to this significant swing in the balance sheet.



*Amber Enterprises India Limited  
01 November, 2018*

- Sudhir Goyal** In respect of cash in the month of March we have a cash in hand in respect of the IPO money which is being paid to for the IPO expenses against which we have not received the bills or invoices from the respective agencies or consultants. So, that money was kept in the IPO account and the other cash was in the peak season, as we have a positive cycle in terms of the trade terms with debtors and creditors. So, in the peak season we always have a positive cash and the off-peak seasons since our creditors and LCs are getting paid so we start utilizing our limits.
- Sanjeev Zarbade:** So by the end of the year what kind of debt position we will be having??
- Sudhir Goyal** Yes, hopefully the way we are having the order books in hand and we are seeing the growth in coming two quarters, we will be very hopeful that we will be having a positive cash in the year end.
- Moderator:** Thank you. Our next question is from the line of Rahul Ranade of Goldman Sachs. Please go ahead.
- Rahul Ranade:** Just wanted to clarify one thing, so will we be consolidating ILJIN Ever and PICL as 100% subsidiary in our annual accounts for FY19.
- Sudhir Goyal** See PICL 100% subsidiary, ILJIN is 70% at present and it will remain 70% by year end as well. And Ever at present we are having 19% as far as shareholding is concerned but we have taken a board control on Ever with effect from 1<sup>st</sup> October. And quite sure that we will be acquiring balance 51% maybe by December end, maximum by January. So, by year end in Ever we also be holding 70%.
- Rahul Ranade:** So, then the remaining will appear as a minority interest in annual accounts consolidated, okay.
- Sudhir Goyal** No, if you see the last year's numbers as well when we acquired 70% ILJIN, , we have an option to acquire balance 30% post 2.5-3 years. So, auditors are taking a view that since you are having option so they are consolidating 100%.
- Rahul Ranade:** Okay. And then whatever share of profit it gets parked in liabilities is it then?
- Sudhir Goyal** Then there is a corresponding liability which we have created against the future payment for acquiring balance 30%.
- Moderator:** Thank you. Our next question is from the line of Ravi Swaminathan of Spark Capital. Please go ahead.
- Ravi Swaminathan:** Sir just wanted to clarify one thing, so in the industry the completely imported kits are what percentage of the overall volume sir?



*Amber Enterprises India Limited  
01 November, 2018*

**Daljit Singh:** So, overall volume of industry if you see the import percentage is somewhere around 30-35% which is still imported as of today. You are talking about the CBU right?

**Ravi Swaminathan:** Yes.

**Daljit Singh:** So, as a completely build out unit around 30%-35% is still imported however with the hike in duty more and more people are looking for the local solutions over here. However, if you look at this the industry is developed into window IDU and split ACs, so window ACs is largely domestic and IDU is most of it is imported, however there are local manufacturers over here local brands while the CBU is around 30% to 35%.

**Ravi Swaminathan:** And what would be the rough cost difference now, post the import duty hike between China or Thailand kind of manufacturing.

**Daljit Singh:** Earlier we were in comparative with China and with this hike definitely this duty will be advantageous for domestic manufacturing. However, pricing from China depends upon various things like strategy in China, FX factors, RMB depreciation and many other factors too. Also, for us it is very difficult to tell what would be the cost delta but yes one thing is for sure that custom duty hike is definitely helpful for companies like Amber who are pure domestically.

**Ravi Swaminathan:** Okay, sir. And sir in terms of compressor also there was hike in duty but that was to a lesser extent, are you seeing an increased trend of sourcing compressors from Highly and other domestic manufacturer.

**Daljit Singh:** So, if you see there was a 2.5% increase in customer duty hike so on a sale price of around Rs.4,500 it is 2.5% is miniscule so definitely and also it is more about solution available in domestic industry. So, yes Highly is also one of the most competitive manufacturers over here but other than that, there are other players who give solutions from China itself and they are also giving right pricing over there. So, definitely it is a mix on both Highly and the other customer.

**Ravi Swaminathan:** Okay. And one bookkeeping question sir, The PICL's EBITDA margin also if you can share for the first half and PAT numbers for these three subsidiary entities.

**Daljit Singh:** So, PICL if you see EBITDA sales of 50 crores in H1 with an EBITDA of almost around 6.5% and like of course as PICL also has seen a muted growth in H1 due to the unseasonal rains and industry not doing good but moving forward definitely industry is gaining traction and order book is coming back to normal in PICL.

**Ravi Swaminathan:** And sir if you could share the PAT numbers also it will be really helpful ILJIN and PICL Ever.

**Daljit Singh:** So, the PAT number in ILJIN is around 1.3%. And Ever is also at the same around 1.3%.



*Amber Enterprises India Limited  
01 November, 2018*

- Ravi Swaminathan:** And PICL would be slightly higher?
- Daljit Singh:** PICL is not higher, it is almost around at 1% right now because of again as I told you that due to unseasonal rains the sales in PICL have been hit and also, export in the PICL is not doing good because of the Middle East crises. So, definitely the fixed expenses do not get, a decreased as in tandem to the decrease in the sales. So, it is around 1% over there.
- Moderator:** Thank you. Our next question is from the line of Kunal Seth of B&K Securities. Please go ahead.
- Kunal Seth:** Sir, if you can speak little bit about while we have been adding new customers how has been our initiative of increasing the wallet share within the current customer going on and how has been the success there?
- Daljit Singh:** So, as you know Amber is a solution provider in various segments so definitely if you see we have increased our revenue in non-AC and AC components. This is the result of increasing the wallet share in current customers only. So, we have been able to give more and more solutions in the components phase to our current customers. Separately, on the air conditioner side is also the same, that specifically we have seen the increase in the order book from our current customers and there were some customers who used to manufacture ODU and IDUs but now we are seeing that we are able to give them solutions of indoor units also with total solution with us available.
- Kunal Seth:** Sir essentially the growth in non-AC business is also from largely contributed by current customers is what you are saying?
- Daljit Singh:** Yes, largely it is like we were able to add different components of non-AC components such as refrigerator and washing machine molding components with our current customers. So, it is result of that and AC component is also similar.
- Kunal Seth:** Okay. And sir my second question so as they mentioned after import duty hike on AC components lot of customers are talking to you about various solutions. So, what is the scope of discussion there, are they talking about moving specific components which they were importing to you guys or they are looking for complete solution in terms of fully built unit.
- Daljit Singh:** Amber is a total solution provider and we provide solution in various segment from air conditioners, from CBU to window AC to ODU to IDU and also on the component side we are into sheet metal, heat exchangers, injection molding and into PCBs, motors,. So, if you see the hike in duty has been on the air conditioner side so definitely more and more enquires are coming for completely built out unit. But yes, there were some customers where we were already making ODUs and IDU were being imported. So, those customers are asking for now complete local solution over here. So, for that if you see the addition would be only IDU over



*Amber Enterprises India Limited  
01 November, 2018*

there. However, new customers which we are bringing on board there we are talking about completely built out unit only. Because now we are complete solution provider. We have all the indoor unit range from 1 to 1.5 ton to 2 ton and there maybe inverter or fixed speed units. So, we are able to give that total solution to our customers over here.

**Moderator:** Thank you. Our next question is from the line of Abhineet Anand of SBICAP Securities. Please go ahead.

**Abhineet Anand:** This 16% fall in volumes which part of the business which is basically IDU, ODU windows have been impacted most, if you can share the numbers it would be very good?

**Daljit Singh:** I don't have the mixed details of the IDU, ODU and WAC at present, but largely it is based upon the ODU numbers because if you see the large wallet share of ours is from the ODU and ODU kit and IDU basically. And specifically, if you see in industry also there are lot of inventory which is stuck is of indoor unit and outdoor units and which is being now liquidated. So, it is largely based upon IDU and ODU kit.

**Abhineet Anand:** And one last thing sir, just more from the sector perspective. Have you seen any of the Chinese or somebody who are thinking in terms of putting a plant in India similar to ours or being an OEM?

**Daljit Singh:** Well Chinese player are here since long time, Midea which is the largest OEM/ODM in the world is here, Haier is here which is also into OEM and ODM activity. So, they are already present over here, two of the largest one. I am not aware of anyone else as of today but definitely two of OEM and ODM players in the world are already present in their own brands in India since long time.

**Abhineet Anand:** So, they are building their own brands or are they supplying to some of our large customers as well?

**Daljit Singh:** No, if you see they are entailed into their own brands only in India because again it is lot of conflict of interest with the current customers also but in India they are seeing India as a complete brand opportunity currently.

**Moderator:** Thank you. Our next question is from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.

**Abhijit Sinha:** I just wanted to understand that we have currently 55% market share and 19% market share in our OEMs and the overall industry right. So, just wanted to understand if that like a consolidated place or could we increase that and till what levels?

**Daljit Singh:** Currently if you see the total outsourcing in India, we have 19% share of business of the total outsourcing in India. Now with this hike in duty as well as more and more customers volume



*Amber Enterprises India Limited  
01 November, 2018*

increasing and more and more customers want to have local manufacturing then we are rightly placed solution provider in India currently. So, definitely we will be able to give more and more solutions to our customers. So, definitely going forward we should be able to increase our wallet share as well as more market share of this OEM, ODM activity.

**Abhijit Sinha:** Sir once the total market increase itself like obviously there will be other companies also getting in the demand side?

**Daljit Singh:** Yes, so if the market increases that creates the opportunity for us also because if market increases say at double-digit growth and hence that creates a more opportunity for us also because as we are total solution provider and we are able to give this entire solution to our customers, more and more customers would be looking for a local solution like I told you earlier like CBU was being imported with hike in duty more and more people would be looking for a local solution over here. So, definitely that creates a great opportunity for us also to give the solution to our customers.

**Abhijit Sinha:** Perfect sir. And more thing is that obviously you are mentioning that the import duty was not just for the air conditioner and do other parts as well like small parts and the window AC and all that segment so do you see expanding our portfolio even more, like in the types of products that we do.

**Daljit Singh:** I did not get your question.

**Abhijit Sinha:** Apart the room ACs sir would we begin OEM for other.

**Daljit Singh:** Currently we are pure focused on air-conditioners as if you see air-conditioners in the entire segment of home appliance is the least penetrated product right. And in the world also if you see, AC is the one product which goes into each and every house and if it goes into one house it does not stay at one, the number grows into two, into three as per as the rooms are there right. And second, AC is one product which goes into the shops, into the hotels, into schools so the penetration level of air conditioners is the one product where penetration level goes beyond 100% also for air conditioners. As Amber if you see we are into industry which is at 4% penetration level growing at 10 to 12% so if we focus over here and we give the complete solutions and make our products more and more stronger and more and more robust products, timely solutions with our customers there is a lot of opportunity in this. However, if you see we are also into AC and non-AC components so over there we would definitely look forward for increasing the wallet share and increase new and new customers into both non-AC and AC components. So, we are into various segments like sheet metal, injectionmolding, into heat exchangers, and into electronic. So, we can give various solutions to our customers who are not related to ACs. Like currently like acquisition of ILJIN if you see, we are giving PCBs for refrigerator, we are giving for washing machine, TV, for water purifier and microwave oven.



*Amber Enterprises India Limited  
01 November, 2018*

So, we would definitely like to grow that segment and would like to grow more and more different kind of components in that verticals to our customers.

**Moderator:** Thank you. The next question is from of Abhishek Puri of Deutsche Bank. Please go ahead.

**Abhishek Puri:** Just couple of questions on strategy part. First, what would be your capacity in the ODU and IDU and how much is the unitization rate at this point of time. I am just trying to ascertain how much of the incremental growth can you capture?

**Daljit Singh:** Again, the capacity currently we are operating at around 67% to 70% on a seasonal basis capacity. So, our capacity is also defined based upon various products like ODU, IDU and window AC these are interchangeable. So, if I have a capacity of assembly line where I can manufacture a window AC I will be able to manufacture ODU and IDU also. So, it is interchangeable and currently we are operating at around 67% to 70% of our capacity on the seasonal basis.

**Abhishek Puri:** Sir in terms of lakhs of unit that you can produce in a season or in the full year what will be that capacity sir.

**Daljit Singh:** I will have to do that math and come back to you but if you see, currently we are aiming for 2.1 million units at this capacity 67 to 70% on seasonal basis capacities.

**Abhishek Puri:** Okay, that is helpful. And secondly have you done any cost analysis as to how much more competitive you would have become after this 10% increase in import duty.

**Daljit Singh:** Again, I will tell you, we were always on the parity with China and as the imports which was being carried out into India but again locally if you see we are one of the competitive with the backward integration available with us. We are most backward integrated player in air conditioners is concerned, but the pricing from imports do vary on various factors. So, it can vary as on the local strategy over there on FX factors, on RMB depreciation and many other factors. So, locally if you see we are one of the most competitive players in industry because of our backward integration and because of various configuration and various solutions and strong R&D presence in this industry. However, if you talk about parity or the delta with the imports, it is very difficult to say because it depends and varies depending upon various factors macros and micro sectors in their own country in China or import country where it is coming from.

**Abhishek Puri:** Okay. So, let me ask this question in some other way. So, we have seen that some of the AC players that have a high import content in their raw material prices, their margins are much better than that of the guys who have much lesser import content locally, this is from an AC company's point of view who are selling ACs in the market. For them to take a decision to



*Amber Enterprises India Limited  
01 November, 2018*

come to you with this increase in import duty. So, I am just trying to ascertain the shift how quickly it can happen and how big those volumes could be for you?

**Daljit Singh:** Currently if you see lot of CBU is being imported to India right. And as duty hike has happened to 20% so definitely.

**Abhishek Puri:** I am sorry to interrupt, how much CBUs would be imported.

Sudhir Goyal: Currently it is around 30% is what is being imported into India.

**Abhishek Puri:** Okay, because from most of the players that we speak to, all the large players that I am talking about, they are saying that they only import IDUs and if there is no duty increase in that, that volume is unlikely to shift.

**Daljit Singh:** So, if you see, if ODU shift and if I am able to give the solution locally over here for IDU, it does not make sense for them to go just to only get the IDU also. However, that said, if you see even IDU players also as the volumes are increasing everybody is looking for a local solution over here. So, it is really a great opportunity with hike in duty for us because not only big players even the smaller players who used to just go to and get import, they are also approaching us so it is a mix of both, one where we were giving ODU and IDU were being imported and the volumes are increasing so they are looking for local solutions and they are able to localize the IDUs over here with us because we are able to give them solution over here. Second, also that the players who are smaller in size but they wanted to import from China earlier because of the volumes as well as so now they also are looking for local players and local domestic manufacturing. So, it is not only IDU but also if you see the CBUs which were imported they also can be domestically produced and IDU definitely everybody is looking for more and more IDUs everybody is looking for local solution here as we move forward.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management for closing comment. Over to you sir.

**Daljit Singh:** Thank you everyone for joining us. I hope we have been able to answer all your queries. And in case you require any further details, you may please contact us or our Investor Relation Advisors, Strategic Growth Advisors. Thank you, very much everyone for joining us.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Amber Enterprises India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.