



Amber Enterprise India Limited

Q1 FY22 Earnings Conference Call

August 09, 2021

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MR. DALJIT SINGH: MANAGING DIRECTOR

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MR. SANJAY ARORA: CHIEF EXECUTIVE OFFICER - ELECTRONICS DIVISION

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Moderator: Ladies and gentlemen, good day and welcome to the Amber Enterprises India Ltd. Q1FY22 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 phone. Please note that this conference is being recorded. I now hand the conference over to Jasbir Singh - Chairman & CEO from Amber Enterprises India Ltd. Thank you and over to you Sir!

Jasbir Singh: Hello and good morning everyone, first and foremost I hope you all are keeping safe and healthy. On the call I am joined by Mr. Daljit Singh - Managing Director, Mr. Sudhir Goyal - Chief Financial Officer, Mr. Sanjay Arora, CEO Electronics Division, Mr. Sachin Gupta – CEO, RAC & CAC Division and SGA, our Investor Relation Advisors. We have uploaded our result presentation on the exchanges, and I hope everybody had an opportunity to go through the same.

I would open my remarks by giving a brief overview on the industry environment followed by business update and operational and financial performance highlights for Q1FY22.

The Consumer durable industry saw a soft first quarter with sales taking hit amid the second wave of the pandemic that led to regional lockdowns. However, the impact was less severe compared to the last year period, which saw stringent nationwide lockdown. With a renewed national focus on strengthening the healthcare infrastructure and an accelerating vaccination drive, we expect industry prospects to be positive.

As we speak today, demand recovery across the sector has been faster than expected, however, the quarterly sales were disrupted due to lower off-take during last 10 days of April, May, and June which was our peak season.

On the channel inventory side, there has not been much inventory in channel due to less severe lockdown compared to last year and ban on import of refrigerant fill ACs. As we speak today, channel inventory is at comfortable levels.



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The long-term positives for the industry and our company continues to be the following:

1) **PLI scheme:** We believe, the additional manufacturing capacity coming under the PLI scheme would have huge multiplier effect and help build a robust supply chain networks for the AC industry.

The main objective of government for the scheme is to develop component ecosystem in India and increase domestic value addition in components from 25% currently to 75% in the next five to six years. This is going to be a very big game changer for the component ecosystem.

At Amber, we are all set to leverage on this opportunity. We believe this opportunity will further strengthen our presence in the domestic market and create a solid foothold for exports market.

2) **Import ban on refrigerant fill ACs:** As mentioned previously, the ban on imports with refrigerant fill ACs has opened opportunities for the domestic manufacturers. With this notification, OEMs can partner with us for outsourcing for room ACs. Over here, we have already signed six new customers since the notification has been announced.

We believe with the government support along with stay at home and work from home becoming a new normal, there is a greater acknowledgement of the role played by home appliances in the life of the consumer. This combined with low penetration levels, improving infrastructure and an upwardly mobile middle class will lead to sustained growth over next few years.

On the export sides, presently we are in discussion with large brands in two export markets, Middle East and US. In the Middle East market, the approval process is completed, and we have started exporting components and room air conditioners. For the US markets, approval process is on track and we expect the approvals by next financial year.

We are continuously investing in R&D for new product developments and better energy efficient products. We will be future ready with the product portfolio to cater to the increasing demand across segments.

**I will now take you through the consolidated financial highlights **

Revenue: Our consolidated revenue for Q1FY22 stood at Rs. 708 Crores as against Rs. 259 Crores in Q1FY21.



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For the quarter, Room AC contributed 64% of the total revenues, while Components and mobility application contributed 36% of the revenues.

Operating EBITDA: For Q1FY22, operating EBITDA stood at Rs. 50 Crores as against a loss of Rs. 3 Crores in Q1FY21. Q1FY22 operating EBITDA does not include ESOP expense of Rs. 3.26 Crores. Operating EBITDA margins for Q1FY22 stood at 7%.

PAT: PAT for the quarter stood at Rs. 11 Crores as compared to loss of 24 Crores in Q1FY21. PAT margins for Q1FY22 stood at 1.6%.

Now coming to subsidiary financials

Sidwal Q1FY22 revenues for Sidwal stood at Rs. 50 Crores, Operating EBITDA stood at Rs. 12 Crores and margin stood at 24.6%.

With the increased focus of government for comfortable travel and high-speed movement, we believe this sector has an exciting journey ahead. We continue to remain confident to deliver and maintain healthy order book going ahead. We are also progressing well with the new product developments like dumper air conditioners for mining machine used in defense, electric AC for electric buses, AC for harvester combines for agricultural applications, and metro AC for different climate conditions in India, for Mumbai metro, Delhi metro, and Bengaluru Metro. Sidwal order book stands healthy today at more than 425 Crores.

PICL: Our motor division revenues stood at Rs. 36 Crores for Q1FY22. Operating EBITDA at Rs. 3 Crores and Operating EBITDA margin at 9%.

As per the industry data, currently 70% of BLDC motors is imported. At PICL, we would like to capitalize on this opportunity, and we have already done the R&D and required capex for BLDC and work has also started. Our endeavor is to provide solutions for both captive users and our export customers. We are already in advance stages with few large size OEMs on this product.

Our electronic subsidiaries **IL JIN and EVER:** For Q1FY22 revenue of IL JIN stood at 43 Crores and in EVER revenue at 18 Crores. For Q1 FY22, IL JIN saw an operating loss of Rs. 1.7 Crores and operating EBITDA for EVER stood at Rs. 0.15 Crores. As the market is moving rapidly towards inverter ACs, we are confident of growing our revenue share from IL JIN and EVER going forward. With the help of our in-house developed inverter PCB boards for room AC sector, we have added five new customers in IL JIN and few more customers are in process of approval.



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To conclude, I would like to reiterate that our constant endeavor would be to increase penetration and increase our wallet share in the existing customers, continuously adding new customers, create a foothold in the export market and enhance our products with a new technology by focusing on R&D.

With this I open the floor for discussion.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Hi sir, good morning, my first question is with respect to the industry growth this year what kind of growth that we can expect in terms of volumes in the industry this year compared to last year if you can throw some light? My second question with respect to the BEE norm change which is coming in 2022. So how is it likely to affect the rating and pricing of product?

Jasbir Singh: Good morning Ravi, industry growth it was good in Q4 where we saw almost about 20% but then since from middle of April, some areas of India had got affected and then lockdown started. So last year, industry reported about 5.2 million against the 7 million mark of 2019-20. I expect despite of the Q1 soft performance due to partial lockdowns, industry should end up somewhere in our estimates near to about 6 or 6.2 but not to a 7 million mark, but it again depends on how Q4 will pan out to be. July was very positive for the industry almost every customers and every brand witnessed a very good growth in July month, there was no lockdown in the country and on the BEE part, yes 1st of January 2022 is when the new energy table is revised, so we are already geared up at Amber with all the product portfolio, we are ready to serve with the new rating, it will enhance some bit of costing on the product side what you know of about Rs. 700 to 1200 range depending on model to model, but I think we have seen in past also that any energy table has not dissuaded the sales of industry rather people have started going for a more energy efficient category air conditioners. So, we expect the same post the implementation of the new energy table.

Ravi Swaminathan: My next question is with respect to the margins, gross margins we have maintained it in spite of input cost increase so how have you managed it, have we completed taking price increase to our customers?

Jasbir Singh: We have quarterly lag mechanism on price increases or decreases with our customers. We cannot go to them on a daily basis or maybe monthly basis, it is very difficult so that's the industry norm from last about three decades that every quarter price gets revised, so we



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have been able to pass on all the impacts of the currency and commodity to our customers successfully. There was some lag in IL JIN and EVER where we had signed new customers in the month of April, which could not be passed on which will be passed on by next quarter. Otherwise, we have been very successful in passing on all the currency and commodity exchanges.

Ravi Swaminathan: Got it sir and my final question is with respect to the PLI and capex plans, your views on Amber's subscription to the PLI scheme and the capex plan for this year and next year?

Jasbir Singh: So, on PLI first of all I am glad to share that our new Greenfield facilities, which we actually announced last year before the PLI was announced that is getting covered in the PLI and we are eligible for that and both the Greenfield facilities will be covered in that and we are applying from our subsidiaries as well as for Amber in two categories in the higher top most categories with a 300-Cr investment in a normal investment category and then we are also applying in one of our subsidiary in the lower intermediary side in the range of 50 to 100 Crores so total about 400 Crores investments application will go from Amber side.

Ravi Swaminathan: This is for PLI alone sir, 400 Crores?

Jasbir Singh: Actually we are already investing in the Greenfield facilities that is getting covered and the only additional will be the PICL/IL JIN, where investment will come over the next five years. So almost about 100 Crores will be invested in next five years.

Ravi Swaminathan: Got it and capex for this year and next year sir how much will it be?

Jasbir Singh: So, Capex because our Greenfield facilities, one of them will be up and running this year and the next one is in making so including the maintenance capex and R&D and the subsidiary capex, we should be in the range of about 350 Crores on a consolidated level

Ravi Swaminathan: Got it. Thanks a lot.

Moderator: Thank you. The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: Good morning. I have two questions. One question is with respect to the PCB subsidiary, we saw that in the last three or four quarters, PCB subsidiary has not been doing as well as the other part of the portfolio, so just wanted to know your thoughts on that and how do you see that playing over the next two or three months.

Jasbir Singh: We have Sanjayji here, Sanjayji would you like to answer this.



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Sanjay Arora: The situation is that we started this year with a very positive sign of expecting to target about 35% to 40% growth in PCB segment, but unfortunately again by the third week of April, we went into the second wave and all our plans actually went very haywire and not only that we could not do whatever we wanted to do in the Q1 because there was a whole lot of confusion, the industry would open for a week then again close. So that was one thing. I think for the past few quarters since last November onwards, there has been a big shortage in the chip components, there has been a lot of price increase, there has been freight cost increases and many such things which did not support us to achieve our expected results, though we were planning much better results than what actually came forward to. At the same time, we are also trying to enter into come out of just consumer durable PCB makers, we want to enter into other areas like electrical fans, in the entertainment side the speakers, wearables, smart switches and OTT devices. So, once we enter into all these areas, we hope that the PCB business will be much better than what we have performed up to now.

Dhruv Jain: Thank you sir and sir my second question is with respect to the PLI so you mentioned that you will be investing about 300 Crores from Amber, so what kind of components will be covered, and copper tubing of AC is also qualified there and what is the revenue that you are kind of expecting from that?

Jasbir Singh: Component there are almost about 10 components, which have been covered in PLI which are sheet metal, injection molding, heat exchangers, motors, PCB boards. These are the five components which Amber will be applying and also cross flow fan, copper tube, aluminum, compressors, and service valves, showing total about 10 components have been categorized by government for PLI out of which Amber will be applying for 6 categories.

Dhruv Jain: Sir do you think you will be able to meet the PLI requirements?

Jasbir Singh: Yes, we are eligible for that.

Dhruv Jain: Sir just one last bookkeeping question could you give the RAC volume data for this quarter sir?

Jasbir Singh: In RAC we have done 4,78,000 units this quarter.

Dhruv Jain: Okay. Thank you so much, all the best.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.



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Abhishek Ghosh: Thank you so much for the opportunity. Sir if you can just help us understand the business opportunity which is kind of coming through because of the whole nontariff barrier, which was imposed in the last year of October, what is the kind of business opportunity that is kind of coming out of that restriction?

Jasbir Singh: Good morning Abhishek, you know the import ban which was actually levied in last week of September 2020, we have seen a very positive data of imports going down from the period of October till March, almost about 85% of import reduction have been seen so as commented in my commentary that we have added six customers with which we started in phase 1 gas charging facilities and now out of six, four have been converted into manufacturing customers where we will be starting supplies as an ODM with them and OEM with them from the month of December and with two customers we will be starting from January or February. So that is we see an increase in volume by next financial year almost about 800,000 numbers should be added because of these new customers by next financial year.

Abhishek Ghosh: Do you believe that lot of the customers are also putting up shops because I think the total import size is about 1.8 to 2 million, so 40% of that you will be able to capture so is it going to the rest of the contact manufactures or is it people also putting up shop for producing their or manufacturing their own unit?

Jasbir Singh: So, basically about 15 to 20% still continues to be imported and if we reduce that out of that almost 50% has come to us and remaining to companies like Havells and some other companies who had their own facility, so they have started in house and we have not heard apart from them anybody putting up a new facility but in case somebody puts up a new facility and do not wish to go for outsourcing, we will be happy to serve components to them because they will be needing components for their assemblies.

Abhishek Ghosh: Okay and Sir the loss in IL JIN in the current quarter this is more to do with the commentary that you mentioned that the price hikes could not be initiated with the newer customers that you have boarded on right that's the way to look at it?

Jasbir Singh: Two factors, yes one was this factor which you spoke second was as Sanjayji told that we started this financial year in anticipation of hitting about 35% to 40% growth and so our fixed expenses went up, which could not be reduced due to this lockdown period of two months' time that also impacted but now I think next 9 months you will see a good decent growth in IL JIN and EVER.



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Abhishek Ghosh: Sir all these relatively smaller motor and the PCB makers, they would be also in deep trouble because of the overall volatility and the issues which Mr. Sanjayji spoke about, any thoughts on the overall industry?

Jasbir Singh: I think everybody suffered because of the chip shortages and these kinds of disruptions. So, I have not seen anybody who has passed on clearly, most of them have gone through the same cycle.

Abhishek Ghosh: Sir in terms of Sidwal, given the newer opportunity that you were talking about, what is the total addressable market size or opportunity that Sidwal will typically kind of bid for because it includes railways, metros, dumper so how should one look at the total addressable annual opportunity size for Sidwal?

Jasbir Singh: Its volatile right now, the addressable market because in railways if you see only 30% of the coaches being produced in the three factories were air conditioned till last year, now with the new notification that has gone up to almost 50% and number of coaches production is also going up. So, if we combine that plus as our honorable minister last week suggested that almost 1,071 km of metro new lines are being laid out in 27 cities, so combining that plus the other addressable market for Sidwal, it is going to be a good market size. Earlier it used to be in a range of just 600 to 700 Crores but now it is going to double and triple.

Abhishek Ghosh: Sir just two last questions from my side. You know we have seen lot of inflation in the overall AC product itself because of the issues we discussed plus the whole norm change will further increase, so what is the total increase that one should expect over the last six months to one year that would have happened in the overall product of an AC.

Jasbir Singh: Abhishek total 10% to 12% impact on finished good pricing has been passed on to the consumers by all the brands, some dealer in one shot and most of the brands we did in staggered manner, but the beauty of the market is that despite of 10% to 12% increase in the product pricing, you know everybody was positive in Q4 and also in July we have seen a robust growth. So, I think markets have very well accepted that 10% to 12% increase and plus as you asked about the BEE impact which I stated that it will be in the range of about Rs.800 to Rs.1200 per air conditioner depending on model to model as we have seen in the past also that it has never disrupted the industry by volumes, in fact consumers have tend to be shifted towards more premium products which saves more energy.

Abhishek Ghosh: One last question from my side, for the PICL there is also this change in norm which is coming for fan so would you also go in for BLDC motors for fans and other things because you spoke about for IL JIN and EVER but for PICL also would kind of open up that opportunity for you guys?



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- Jasbir Singh:** We are doing that, in fact we did not have BLDC portfolio earlier, now I mentioned that in my commentary that we have done the capex we are ready with the product for AC industry, now we will be diversifying the portfolio in different applications.
- Abhishek Ghosh:** Great thank you so much and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Vineet Prasad from Investec. Please go ahead.
- Vineet Prasad:** Good morning Sir, I have one question, Sir if we look at, what our customers have reported in terms of the Q1 performances, if you look at their segmental performance it appears that these companies are carrying slightly higher than the usual inventory, so would that mean that for next quarter or so volume uptake from Amber could be slightly lower than what it is generally?
- Jasbir Singh:** No it is not like that, in fact you know we have only four or five players out of 52 brands who are listed in the industry and if we see about the Japanese players and Koreans and other brands they are not sitting at that high inventory levels. So overall our take is that the inventories in overall numbers are less than as it was last year in pandemic and the month of July has been positive, so inventory is getting liquidated whatever smaller numbers we have so it will come to a normalized level by September, October.
- Vineet Prasad:** Just one more question regarding the volume numbers, which you mentioned, can you just give us hints how business was or how volumes move in each of the three months just to indicate how demand is coming back and how much was it of impacted due to the second wave?
- Jasbir Singh:** I do not have actually month wise data in hand right now, we will provide it separately, we will send it to SGA which can coordinate with you, but we have done 4,78,000 against I think 1,90,000 last year.
- Vineet Prasad:** Sir even qualitative color on this would be helpful how it moved over in April?
- Jasbir Singh:** April we were growing, I think April we were about 25% up as compared to this then last 10 days got disrupted but we differentially started with a very good sign and July also has been very positive.
- Vineet Prasad:** Okay. Thank you so much sir.



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Moderator: Thank you. The next question is from the line of Naval from Emkay Global. Please go ahead.

Naval: Thank you for the opportunity sir. Just to check the numbers you stated that your volume number this quarter was 4,78,000 so if I imply, our realizations have gone up almost 19% on y-o-y basis so can you throw some color on this product mix, purely product mix or we also added gas refilling revenues in this because earlier it was not, so any color there?

Jasbir Singh: Gas filling volumes have not been added in these 4,78,000 numbers but the revenue has been added in there because that is primarily a job work kind of a thing. It is not a very big revenue which is contributing to the whole 708 Crores but overall yes it has been a little bit of a product mix change because that is not in our hand, we move as per the market so some of the high value premium products were sold more and little bit high RM cost also contributed so it is a mix-and-match of couple of factors.

Naval: Okay second question is on commercial AC if you can give incremental insight there how we are progressing, any order book update you want to share, some insight there?

Jasbir Singh: We started with two products last Q4 where we did about 7-8 Crores of revenue, this year we are expecting about 45 to 50 Crores revenue from CAC and product profile is adding but we have Sachin here on the call. Sachin would you like to answer, throw some light here.

Sachin Arora: Sir as Jasbirji told that CAC we started with mainly two products which was under the range of Ductable and light commercial air conditioner outdoor unit, so now with the regular focus on our R&D and the product line up expansion, we are able to have lot of new products, so primarily being the Cassette series for the indoor site. So if you see today, whatever sells in India majorly two brands are manufacturing, rest all are imported to our country. So, we will be first company in the country to come up with our own design for the cassette series, apart from this we will starting with the Ductable range of 8.5 ton and 11 ton. Last year our prime focus was 5.5 ton, so this year with add-on of the cassette series plus add-on of the bigger ton of Ductable, we shall be targeting somewhere around 40 to 50 Crores of turnover from CAC.

Naval: Got it, thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity International. Please go ahead.



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Madhav Marda: I just want to understand on the Middle East exports, you said that we have already started exporting RAC as well, could you help us with how much volume we have done in the first quarter and how do you expect volumes to fill up in the next FY2022 and FY2023?

Jasbir Singh: Good morning Madhav, first I would say sales towards Bahrain and other countries, components are definitely going from last two years but room AC was the first shipments, which we did. I think Sachin can you throw some light on the Middle East market.

Sachin Arora: Sir if you see sir, Middle East basically we have divided into two kind of products, one is the range of 50 hertz, second is the 60 hertz. So, we started with the 50 hertz of the products and you know the biggest challenge to serve this country is getting the G-mark and PD certification which we are not able to get in India, so we have to get those certification from China which took us almost 8 to 9 months. So, we have received our certification in the month of March this year and post that we got the product approval from this market. So, the quantities that you are asking for the first quarter, we did somewhere around 2,000 numbers, which included Bahrain and Dubai and moving ahead, overall we shall be closing in the region of 8,000 to 10,000 of exports in FY2022. Moving ahead we see once our products reaches to that market so we have lot of customers who are asking us for the fan flow plus we are now moving ahead with the 60 hertz as well, so we will be able to add our product reach to the Middle East sector as well, so we expect like 30% to 40% of the growth in the next three years for this export market for Middle East.

Madhav Marda: Understood and when we are competing in the Middle East market how is our competitiveness versus Thailand and China, are we able to compete reasonably well in the cost side and the design factor that is according to the market?

Sachin Arora: Sir if you see more or less the value addition in India in terms of component, we make everything including motors and PCBs, so our dependency lies majorly primarily on the compressor part only. Now the compressor part for the China or Thailand market is also outsourced, Thailand does not make any compressor even it is outsourced for them, so more or less we are competitive in fact the greater advantage better lies with our country rather than from China. So, what we have seen is that there is a disability of maybe 2 or 3% in terms of FOB prices but with the freight coming into picture, so we are like set off against China.

Jasbir Singh: Understood and US market we are expecting FY23 for the approvals and some export to pick up basically for the next fiscal?

Sachin Arora: US market is a bit different. In the Middle East, the challenge was to get the certification while on the products side in India more or less with a small tweaking we were able to send



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it to the Middle East market. But US is a totally different story where we need to come up with a new product line up, so right now we are in the designing phase with the customer inputs we are able to come up I will say to the mark-up stages so next one year will go in terms of making the final tool and sample, then next year we take up into approval, so we expect that by 2023 we should be finishing up spending initial lots of maybe 1000 to 2000 quantity.

Madhav Marda: Just one more question for US market for many products that the duties that US imposing on Chinese imports is quite high, is that like a similar duty advantage that India would have because of the US-China trade war if the imports from China into US?

Sachin Arora: Right now the target segment that we are focusing is primarily the high volt unit so that has the same duty structure from China as well as India. So the products maybe you are referring to are commercial products and heat pumps, but room air conditioners have similar duty structures.

Madhav Marda: Okay. Thank you so much sir.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir just two clarifications, out of the India whatever 5.5, 6 million whatever is the volume, is it fair to assume 78% of that is outsourced and within the 50% is what we address?

Jasbir Singh: No this number used to be 34% when we got listed, now almost 45% industry is outsourced, out of that 45% we are doing 70%. This is let us say for last year i.e., FY21

Pritesh Chheda: My second question is we talk about the component landscape so since half of the volume is any case outsourced so I am assuming that some of the basic components like heat exchanger, copper tubes all of these would ideally be manufactured in India, is it fair to assume that what is a bigger opportunity is basically the motors and what you know in IL JIN and EVER, which is basically circuits so if you combine these three to four products what is the opportunity available for outsourcing, I am assuming that lot of it is imported today so for these three to four main components what would be the size of the file?

Jasbir Singh: Well on the motor front almost about 70% of the motors were being imported as of last year, electronics almost 67% was getting imported and heat exchangers and sheet metal were not getting imported, they were getting outsourced within India. We supply heat exchangers to many customers, and we supply sheet metal to many customers and supplying molding to many customers. For Cross flow fan, 60% of it is getting imported



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plus the copper, aluminum and compressor part of it. So we are into six categories of components so we are giving solutions in sheet metal, injection molding, inverter PCB boards and now starting into cross-flow fans.

Pritesh Chheda: So now this electronics, motors, and cross-flow fan what should be as per unit of AC?

Jasbir Singh: This will be approximately close to about Rs. 4000 for an air conditioner.

Pritesh Chheda: Okay, in which almost 60% to 70% is imported basically.

Jasbir Singh: That's right.

Pritesh Chheda: Other than us who is the player in these three categories?

Jasbir Singh: All three categories have different competition. In motors, we have Nidec which is a Japanese company and we have US based company called Regal Beloit under the brand name Marathon, which was earlier GE Motors. These are the two companies competing with us. In PCB board, we have Japanese maker De Diamond and then we have Indian manufacturer MKM, then we have Chinese company Megmeet and there is a Korean company also, so four competitors in that space and in cross-flow fan 60% is getting imported, lower version is basically the injection molding company like PR and one more company.

Pritesh Chheda: So what I can understand it was Rs.1600 Crores odd opportunity which is still imported, how much of it should ideally flow to us?

Jasbir Singh: First of all Rs.1600 Crores opportunity of this will convert into last year sales, now let us see the number which is coming in five to six years from now, so at a CAGR of 15% to 16% of the industry, as per the Boston consulting group report and Frost & Sullivan report, industry will hit a number of almost about 24 million in next eight to nine years' time, so if we compare that and at that economies of scale, at least 10 million mark will be exporting from India so we are talking about 35 to 40 million Air Conditioners getting produced in India in next eight or nine years' time. Now if we talk about that, the number comes out to be very big numbers.

Pritesh Chheda: Okay. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.



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Nirav Vasa: Thank you very much for the opportunity, so I just had one clarification on the capex number that you shared, so Rs.350 Crores of capex is for FY2022 and FY2023 both or one year?

Jasbir Singh: So basically Nirav as we declared last year after we completed our QIP that we are coming up with Greenfield facilities, so both the new Greenfield facilities are getting to a production start level within this year, majority of the investments will go this year so Rs.300 Crores is going into the two plants there and plus the R&D capex and the subsidiary capex, so Rs.350 odd Crores will be invested in this year, then next year will be another portion which is close to Rs.100 odd Crores.

Nirav Vasa: Thank you Sir.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Direct. Please go ahead.

Hitesh Taunk: Thank you for the opportunity. Sir my question pertains to the new customer additions, which has happened during this lockdown, I just wanted to know what kind of incremental or volume are we going to generate out of these four customers which are already with us for ODM works, so what would be the incremental volume from those four customers Sir?

Jasbir Singh: Hitesh we expect to bring in additional 8,00,000 numbers of volume by next financial year because of these new customers addition.

Hitesh Taunk: Thanks Sir and Sir my second question is from the IL JIN and EVER front, this new five customer which you have added, these five new customers are those same customer which came for the refilling purpose or these are apart from this?

Jasbir Singh: No they are very different customers, they are our existing customers in number, who were earlier buying inverted PCB boards from China and other countries so since we developed these products about 18 months back and then this is the most critical functional component of Air Conditioner, almost parallel to compressor, so if inverter PCB board does not function you will not be able to save your energy and the product will not even start and no brand gives us approval without conducting a proper validation assessments and the validation assessment periods are as long as 18 months to 24 months depending on customer to customer, so with these five customers we have already crossed that stage and we have come to a mass production level, few more are in addition right now as we speak so I think by next financial year those customers will also be completing their validation assessment and then start.



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Hitesh Taunk: Okay great and Sir my other question from the export point of view, there is some client who is under the approval process from the US, Sir can we get some idea what kind of revenue potential not one year or two year I know that is the kind of future one but some qualitative work what would be size in terms of that client to get work done from us?

Jasbir Singh: You see US is importing close to 19 to 20 million Air Conditioners annually and largely from China and Thailand, so China is contributing around 75% and 25% is being contributed from Thailand and India is trying to pitch in, we from India is trying to pitch in into that category for the products. There are four milestones to travel in export markets, the first one is the product availability. Second one is to get the regulatory clearance because this is the product which is regulated by bureau of energy efficiencies of each and every country. Then, third is to get the foot in the door and the fourth is to increase the share of business. So like Sachin appraised that with the Middle East we have already crossed two milestones, now we have come to third one. In U.S markets we are at the first one, so the first one and the second one should be crossed by next year and then we should see some volumes coming up that is the reason why from last year since we started our exports commentary we have maintained that this is a mid to long-term strategy, so we should see somewhere about three to five years' time export contributing a decent amount in the balance sheet.

Hitesh Taunk: Okay Sir that is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Thank you for the opportunity. Just one clarification I think I must have missed it so did you share what is the market share we have at this point of time and how has it has been versus the last quarter?

Jasbir Singh: We have been maintaining our market share of almost about 24% in this quarter.

Prashant Kutty: Which is very similar to the last quarter as well?

Jasbir Singh: I think little better than the last, last quarter it was about approximately 22% and this quarter it is 24% so it is not a very big change.

Prashant Kutty: Okay and Sir given the fact that we are going to be seeing, actually a lot of other players are also kind of adding up capacities on that front in that sense do we have any worry on that Sir because incrementally how are we trying to kind of keep a check on that because the fact being that while the components out of the business will keep improving on the back of



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PLI and will probably keep getting alters over there but on the actual AC side of it how do we tend to hold on to those market shares at least improve upon that, is there a scope for that given that there are a lot of other capacities coming in as well?

Jasbir Singh: Well, capacities which are coming is in the OEM category and we are into ODM category, so practically they are not competing with us because we are not people who actually take the OEM jobs. This is the only first time we have taken the gas charging part because the notification came just at the cusp of the season so at such a short notice you cannot build up new tools and you cannot even shift the existing tools from other countries that is the reason why we opted this two-way strategy but other than that in ODM categories we do not see any big R&D capabilities being built up. So assembly lines are getting added where we do not think it should impact our market share.

Prashant Kutty: But at an industry level from an outsourcing standpoint like you highlighted about 45% to 50% is outsourced, how much of that would be ODM and how much of that would be OEM at this point of time?

Jasbir Singh: At Amber we are about 97% ODM now.

Prashant Kutty: Okay so only you would be ODM, the other would-be OEM?

Jasbir Singh: No there are other companies also like E-Durables who's another ODM player with us but they are not that backward integrated as we are with 15 plants in India and their product portfolio is not as strong. Also, no other company has motors and inverter PCB boards developed by their own fronts, so that there are many reasons why we become first stop shop for the customer.

Prashant Kutty: And one last question Sir so right now you said that it is about 45% to 50% as the year ends will that number keep increasing because you said that it will probably end with a six million number and if I assume a 50% of that number and on that 50% you do about a 70% kind of outsourcing on your own that technically means about close to a 30% plus market share so just understanding what would be the calculation going wrong over here.

Jasbir Singh: Well I cannot comment on what holds for future but I can give you a brief history of outsourcing trend, the whole outsourcing trend started about 15-16 years back and it was earlier 5%, then it came to 10%, it was hovering around 16% for many years and then it jumped to 30% so asset like strategy is getting very popular between the brands and they are very focusing on the core competencies of their own branding and sports service sales and other things, so when we got listed this was 34% now it is 45%, as per Frost report which was released three years back, they had predicted a number of 52% by 2023 so I do



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not know how it will shape up but yes outsourcing as a trend is evolving not only in this sector but we see it in other sectors also, in TV, in washing machines and other parts, even out of consumer durable market also and we have strengthened our R&D capabilities looking into the same trend, we expect that it will go up but what will be the number, it is very difficult to predict right now.

- Prashant Kutty:** Sure, all the very best to you and thank you very much.
- Moderator:** Thank you. The next question is from the line of Rahul Soni from Smiths Limited. Please go ahead.
- Rahul Soni:** Thanks for taking my question. Sir our current capacity is around 5 million units for RAC so going forward post the commencement of a new plant, what will be our capacity for RAC manufacturing?
- Jasbir Singh:** Rahul we had almost about 4.5 million capacities earlier and now since two facilities are getting added, we are adding almost two million more so it will be about 6.5 to 7 million.
- Rahul Soni:** By FY23?
- Jasbir Singh:** By end of FY23.
- Rahul Soni:** Okay and second question is on your volume and realization side, so like since you are considering one IDU and one ODU as separate unit, so when you report your volumes so is it a mix of 50-50 between IDU and ODU or this mixer varies?
- Jasbir Singh:** No this mix keeps on varying because some of the customers are only buying IDUs from us, some are buying complete units and some are buying only ODUs from us so this mix keep on varying that is why from beginning we have maintained only in terms of units.
- Rahul Soni:** Okay so if I want to have an idea of what is your realization for IDU and ODU separately?
- Jasbir Singh:** It will keep on varying because within IDU we have more than 70 SKUs, so from 0.75 ton to 2 ton it varies, we sell IDUs worth Rs.4000 and we sell it for Rs.7000 also so it completely varies.
- Rahul Soni:** Okay and Sir like you said before that the increase in realization was due to the higher portion of premium ACs, so have you seen actual growth in the demand for a premium AC or it is due to the decline in overall volume?



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Jasbir Singh: No, basically industry is moving towards inverterization, As of FY20, more than 50% of industry was inverter and now with the new BEE table change, I think 80% to 85% will get into a inverter AC, which is a very premium product.

Rahul Soni: Okay so what is your percentage in inverter currently?

Jasbir Singh: We are moving as per industry trend so almost about 60% is inverter.

Rahul Soni: Okay thank you Sir.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir thank you for taking my questions. Sir my first question is in line with one of the previous participants that when you have these conversations with your customers because many of those customers have a pretty high degree of reliance on you today with 40%-50% of their product being manufactured by Amber, is there a concern amongst them of having very high dependence on just one third-party manufacturer, so I mean that is something that does come up in a lot of our conversations so it would be good to get your view on how your customers are thinking about having significant reliance on one third-party manufacturer?

Jasbir Singh: Well I mean we have not seen that kind of conversations with our customers, but I would say that you know if our customers look at Apple model, so Apple has been relying on Foxconn to a large extent and they have only two or three worldwide suppliers consolidating into that and that is what our customers are also tending to be. Yes, some of the customers they did try bringing in other competitors as well but there was not a very big success because of many reasons because this is a product which requires a lot of R&D and the geographical expansion presence in pan India and different locations in the customer clusters plus backward integration, we have done that over a period of two decades so matching Apple to Apple comparison with Amber's profile cannot be done overnight, I mean it is not rocket science but certainly it can be done but it will take time if somebody has to do it, but yes we feel that even the customer who has been relying more on us they are growing our business so that means it is a positive sign for us.

Pulkit Patni: Sure Sir. Sir my second question is have your conversation with the customer change a little bit after the PLI on assembly has not come out, any views on how that could progress because some of your customers were talking about doing more insourcing if the PLI would have come on the assembly part as well?



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Jasbir Singh: Well I mean we are not talking about finished goods because that has not been covered in the PLI but in the component side, yes every industry is excited because this is after three or four decades we are actually looking, you know green shoots are now visible and we are looking for a good landscape change on the component ecosystem in the country for room AC sector. So, I believe that up to three or four years from now Copper, Aluminum compressors, motors and all these PCBs will be 100% getting manufactured here in India, which is very positive for the whole industry so that is what we discussed with our customers also.

Pulkit Patni: Sure Sir that is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen due to the time constraint this was the last question for today. I would now like to hand the conference over to Mr. Jasbir Singh from Amber Enterprises for closing comments.

Jasbir Singh: Thank you. So, with the growth opportunities we foresee on the domestic and export front along with the government support, we believe we are very well positioned to capitalize on this opportunity.

Thank you everyone for joining us, I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or our investor relations advisors, Strategic Growth Advisor, SGA. Thank you very much, have a nice day ahead.

Moderator: Thank you. On behalf of Amber Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.