"Acquisition Update Conference Call of Amber Enterprises India Limited"

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Moderator: Good Morning, Ladies and Gentlemen. Welcome to the Acquisition Update Conference Call of Amber Enterprises India Limited. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the 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. Since this call is for acquisition update, we would request all to restrict the questions relating to the current acquisition and avoid questions on Q4 and FY'19 outlook on the company. I now hand the conference over to Mr. Jasbir Singh – Chairman and CEO of Amber Enterprises India Limited. Thank you and over to you, sir.

Jasbir Singh: Good morning, everyone and a warm welcome to our acquisition update call. Today, I am joined by Mr. Daljit Singh -- Managing Director and Mr. Sudhir Goyal – CFO and SGA our Investor Relation Advisors.

We have uploaded our Acquisition Update Presentation on the stock exchanges and I hope everybody had an opportunity to go through the same. This call is being scheduled for investors and analysts at large to address the update on our latest acquisition and hence we would request all to kindly restrict the questions about the acquisition update and not on the quarter or full year outlook on Amber or Industry.

We are pleased to announce that Amber has entered into definitive agreement to acquire 80% equity in Sidwal Refrigeration Industries Private Limited which also includes business of Sidwal Technologies, a sole proprietorship firm of the promoters of Sidwal. The said transaction is expected to be closed on or before 30th April, 2019 after the successful completion of certain conditions precedent.

Let me take you through brief background about Sidwal Group: Sidwal Group started its operations in year 1975 by Mr. Sidhu. Headquartered in NCR, they have three fully integrated manufacturing facilities across North India with capabilities to undertake the entire heating ventilation air-conditioning manufacturing process in-house. Sidwal has diversified portfolio in the Heating Ventilation Airconditioning Solution and cater to major six verticals, that is Indian Railways, Metros, Bus Airconditioning, Defence, Telecom and Commercial Refrigeration. Sidwal is a market leader in Indian Railways and Metro segment with the track record of supplying more than 15,000 heating & ventilation air-conditioning units for mainline coaches and 2,000 plus heating & ventilation air-conditioning units for metro projects. They are also one of the leading players in the defence segment, along with the manufacturing capabilities, they also have a Pan India service network to provide after-sales service to the customers. In this acquisition, Amber will acquire 80% equity in company Sidwal Refrigeration Industries Private Limited.

The business of Sidwal Technologies, a sole proprietary firm will be acquired by SRIPL through a slump sale. Due to some conditions precedent pending completion, we will not be disclosing the price at which the company is acquired but once the closure is done on or before 30th April, 2019, we will disclose the price to public at large. The funding for the said acquisition will majorly be done from internal accrual and partial debt would be taken on the books of Amber. Existing promoters of Sidwal, Mr. Sidhu will be working with Amber for two years in order for smooth hand-holding and smooth transition. The balance 20% equity is agreed to be acquired after two years through a staggered buyout based on certain milestones. We also have a non-compete clause with the existing promoters. The synergies which we gain from this acquisition is that it enables us to enter the product segment which has very long approval cycles. It enhances our product portfolio and increases our customer base, which has high entry barriers. To penetrate and get approval from customers like Defence and Indian Railways is very challenging. Entry barrier to this business is nearly about six to seven years. Also, along with the entry barrier to set up an all India service network for maintenance of the coaches makes the entry for new player even more challenging. Through this acquisition we can service these high entry barrier customers and get them onboard. Sidwal's strong technical background will also act as a catalyst to provide more comprehensive solutions to our existing customers for products like commercial air-conditioners, air-handling units and fan coil units. We see horizontal deployment of certain products of Sidwal in our existing customer base. Unlike our RAC business, this is a non-seasonal business which will reduce the delta of seasonality in our business up to a certain extent. Since the raw materials in this business is common for both the company, we will be able to leverage our procurement capabilities to further bring down the raw material cost.

The acquisition helps us to add a new business vertical in the form of mobile application and commercial application of air-conditioners, that is mobile and commercial segment within the heating ventilation air-conditioning segment. With successful integration, Amber will emerge as the market leader in mobile and commercial segment of HVAC industry in addition to its leadership position in the RAC, room air-conditioners outsourcing segment. We are also confident of maintaining this leadership position with long-standing clientele base with strong order book and annual maintenance contracts which gives us revenue visibility. We see immense growth opportunities due to more and more metros coming across the country and increase in the number of air-conditioned passenger coaches in the railways over the years. Mostly, as the urbanization is happening, the consumers are actually preferring more air-conditioned travel. So there is a big demand of air-condition travel in the buses, even in tier-2, tier-3 and tier-4 cities and also in trains and metros. Not only the inter and intrastate trains but the local trains within the cities are planned to be air- conditioned over the years.

On the financial front, all the numbers will be consolidated for SRIPL and Sidwal Technologies, a sole proprietary firm. Revenue without eliminating intercompany transactions for FY'16 for this company was Rs.115 crores, FY'17 was Rs.124 crores and for FY'18 was Rs.165 crores on a base of FY'17 the group revenue grew by 33%. Revenue split for FY'18 was 72% from Indian railways and metros, 9% each from defense and bus air-conditioning and the balance from telecom and commercial segment. Of the 72% between Indian railways and metros, 40% is from Railways and 30% is from metros which is the direct B2B business. In metros, the company supplies air-condition to the coach manufacturers like CAF in Spain, CRRC from China, etc, these are complete B2B businesses. In Indian Railways, the customers are like rail coach factory Kapurthala, Integrated Coach Factory, Chennai, MCF, Rai Bareilly, etc., EBITDA margins for FY'18 are in the range of (+20%) with the PAT margins of almost 13-14%. Company has no long-term debt on the books and debt in the form of short-term working capital requirements are to the tune of only Rs.7-10 crores. Due to high gross margins in this business, the working capital requirements of the company is not high despite retention clause in Railways business, the net working capital days are in the range of almost 180-days. ROCE for the company would be near about 40% and is not a capital-intensive business and has a higher asset turns which will improve our consolidated return on capital employed in near future. This acquisition is high ROE, ROCE business and is EPS-accretive for Amber on consolidated basis. Revenue for FY'19 is likely to be in the range of Rs.195 crores with an EBITDA margin of close to 21% and PAT margins of 15%. Company operates in full tax environment and has no tax benefits available.

As my closing remarks, I would like to highlight with this acquisition Amber will have three broad verticals under Heating Ventilation Air-Conditioning segment: First one are Room Air-Conditioner division where we have leadership position in the outsourcing industry. Second, our Components division for Air-Conditioning and Non-AC which is growing at a faster pace. Third, our newly added vertical of Mobile and Commercial segment where we see immense opportunity due to the infrastructure and transport boom across the country and will also help us gain a competitive edge for our commercial segment to cross-sell across our existing clients. As we expect the growth of approximately 10-15% in our RAC segment in coming years, so revenue contribution of newly acquired business shall be around 8-9% on a consol basis. With this addition to our vertical we are confident of delivering an improvement in financial performance over the years. I take lot of pride in disclosing that the new generation Train 18 which has been recently started by Indian Railways and was inaugurated by our Hon'ble Prime Minister Shri Modi Ji, also have Sidwal air-conditioners fitted in it.

With this, I open the floor for discussion.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Sir, my first question is that because you have done acquisition of two companies, can you just quantify the revenue and EBITDA of both the companies because when we look at the Sidwal Refrigerator revenue for FY'17 and the margins, so the revenue was something which is reported as Rs.95 crores with an EBITDA margin of 12.5%, so is there some inter royalty structure which goes to Sidwal Technologies, that is how the revenue gets stacked up on the higher side? What are the nature of transactions being done between the two -- what is Sidwal Technologies doing and what is Sidwal Refrigerator on the revenue front? #2, my question is if it is not a higher working capital requirement here of Rs.8-10 crores is what you are stating, I do not think the gross block would be high, that is why your ROCE looks little higher of 40%, then Rs.60 crores EBITDA assuming what you said 21% margin, boils down only close to Rs.6-7 crores PAT. So where is the anomaly, just wanted to know that?

Jasbir Singh: They have not yet uploaded the '18 numbers. So '18 numbers is Rs.135 for Sidwal Refrigeration and balance is for Sidwal Technologies. There is no royalty structure which goes between the companies but they do almost similar kind of a business. So that is the reason why we ask them to merge the two companies before they hand over it to us. So that is one of the CPs before we take over and the process is right now on, they are merging the two entities together. Put together at Rs.165 crores sales, the EBITDA margins are about 20.5% and PAT margins of 13% in total and this year Rs.165 crores will go to Rs.195 crores, we are almost sitting five days closure of financial year, it will close at Rs.195 crores, with the close EBITDA in a range of Rs.40-41 crores and with the PAT margins of close to about Rs.24-25 crores, so which is a very healthy margins. On the working capital front, this company does not require a working capital from banks because it is a high gross margin business. There is a retention clause by Railways. In some clauses there are 10%, in some clauses there are 5%. That is a natural way the business is conducted and it comes after close to certain milestones achievement after the air-condition is fitted on the coach. So that is when they give it back, but they do not require working capital from banks because it is already a high margin business. If you see the balance sheet of '17 and '18, which has net interest cost which they have levied is only Rs.60 lakhs, which is close to negligible.

Nitin Arora: What is the nature of Sidwal Technologies here in terms of work scope?

Jasbir Singh: Sidwal Technologies does bus air-conditioning business largely and some commercial refrigeration business and heat exchanger business. In Sidwal Refrigeration it is Indian railways and metros. That is how the company was split, but we wanted it as a one entity. So we kept it as a condition precedent for them to merge these two companies before we enter, so we will have only one structure to handle.

Nitin Arora: Sir, why then a question of intercompany transaction needs to get eliminated if both are doing separate customers?

Jasbir Singh: Sidwal Technologies having heat exchanger plant which they supply to Sidwal Refrigeration. So that is why we want to inter-eliminate the two part which is not very big amount. It is close to about Rs.15 -20 crores between the companies. So if I net off out of Rs.195 crores, so it will be a company which will generate Rs.175-180 crores with the Rs.40-41 crores of EBITDA margins.

Nitin Arora: Sir, on the EBITDA margin both the companies are at same level?

Jasbir Singh: Almost same level.

Nitin Arora: Because if we see the FY'15, '16, '17 numbers of Sidwal Refrigeration the margins are pretty low, so that is why I was confirming?

Jasbir Singh: There has been a large shift towards very light weight and smart air-conditioners in Indian Railways also because Indian Railways wanted to carry more passengers per engine load, so they came up with the concept of new generation air-conditioners which are riveted stainless steel structure in a lighter weight and these are two units which are fitted on one coach. So if you reduce 300 Kgs out of that on the two basis so they can bring one more coach additional in the same engine. So that has actually enhanced their capability and that has enhanced the margins. So margins improvement has largely come from the improvement and the technology upgradation in the products which is going to stay long.

Nitin Arora: In terms of the margin profile, considering it is a very niche business where assuming you have about 7-8 vendors in today's time in Railways and metro, you almost have 40, 50% market share, so we have seen that as soon as the revenue scaling up in such niche business, the margin tends to fall, do you see that scenario and what is your take on that?

Jasbir Singh: Yes, definitely anything can happen once the competition goes up, but the way we look at it is this company has a substantial market share in Indian Railways which contributes only 40% to its revenue, 30% comes from metros which is a B2B supplies and the rest comes from the bus and defense air-conditioners and commercial which is yet to pick up. Because this was run like single handed structure by Mr. Sidhu, he was not concentrating on other verticals. So we see lot of growth coming from bus air-conditioning and commercial refrigeration and the AHU and fan coil units which we can easily integrate within our existing clientele base. That is where we are very confident that the margins profile will remain in this range for future also.

Moderator: Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: On the target market, currently if we look at lot of metro projects are coming and we would have already seen some of the order inflows also coming in, can you elaborate on the order book status of Sidwal?

Jasbir Singh: The order book currently in hand is Rs.200 crores including the AMC contract which they have and order book from both Indian railways and metros are very positive and very long in coming future. I will just brief you about six years back there were only 800-900 coaches which were air-conditioned and today there are almost 5,000 coaches which are air-conditioned and Government of India has mandated to take this number to 10,000 because the demand of air-conditioned coaches is quite high now. On the metros, as 40 crores population living in urban cities is moving towards the 60 crores in next 10-years, there will be the mass mobility of passengers through metros and this company has got approval from almost all the suppliers of the coaches like CAF in Spain, BEML, this company is likely to get the order upfront. So order book is quite strong right now. In hand order book today is Rs.200 crores as we move ahead.

Manoj Gori: So sir, in this Rs.200 crores if we look at, normally what is the execution period for such orders in railways and metros?

Jasbir Singh: In Railways, execution periods are generally 12-months to 15-months.

Manoj Gori: So you have a better clarity for FY’20 on this?

Jasbir Singh: That is right, we have a very strong clarity on that.

Manoj Gori: In terms of margin profile, when we are talking about AMCs and everything, how it has changed over a period of years and what is the margin profile for your core orders and your AMC orders?

Jasbir Singh: AMC orders, the margin profiles are quite big, but AMC quantum is quite less; AMC quantum is close to about Rs.20 crores only and remaining Rs.180 crores is from Indian Railways, metros and the defense where margin profile is almost similar to what we have explained about 20+ EBITDA percentage.

Moderator: Thank you. The next question is from the line of Kunal Seth from B&K Securities. Please go ahead.

Kunal Seth: Sir, I have two questions: One is that can you give us addressable market size for each of the segments that the company can cater to, it currently supplies to railways, metro, defense?

Jasbir Singh: The market size in each of the verticals are different because defense is at very niche stage right now, they have just started to set up and the orders have started moving up, but it has taken about 8-9-years for this company to penetrate into defense. On the bus air-conditioning side, the number of buses which are being air-conditioned today in the country are more than 12,000-13,000, on Indian Railways side, 5,000 coaches are being air-conditioned today which the number used to be 800, six or seven years back and it has been mandated by government to take this number to 10,000 because two more coach factories are coming up in India , so there will be five Indian Railways coach factories in all and along with that there are 18 refurbishing centers for these coaches. So order keeps on coming from all the places. I think the right number to look at right now it should be about 5,000 to 6,000 coaches which is expected to go to about 10,000 coaches. The main growth is also coming from the bus because this company’s contribution of bus air-conditioning is very less because it was not a very focus area and we would love to bring it into focus area as well as the commercial air-conditioner part and AHU and fan coil units, our existing clients we are confident that we will be able to horizontally deploy these products within the existing client base of existing heating ventilation air-conditioning customers which we have like Voltas, Blue Star, Hitachi, Carrier which are pure air-conditioning companies.

Kunal Seth: Sir, my second question is while this company seems to be profitable and growing very fast, so can you help us with the rationale of why the current promoters are selling out?

Jasbir Singh: Current promoter is 81-year-old. He is having two sons; one son is in US, he had some health issues, so he has not joined his father's business back in India and he works as a biomedical science field in some hospital; and second son who is into water cooler business and some cold room refrigeration application. That company we have not bought. He wants to be more focused. Mr. Sidhu is an American citizen as a passport holder and he came to India 40-years back where he was given an opportunity by US embassy to work with and that is how he started. He was the pioneer to bring in the roof mountain package concept for Indian Railways and he has been a very successful entrepreneur. At 81-years it has succession issue.

Kunal Seth: But the second son's company is under the same promoter group or he runs it independently?

Jasbir Singh: No-no, he runs it independently, it is a small company, it is about 20-25 crores company, he is happy to run that.

Moderator: Thank you. The next question is from the line of Abhineet Anand from SBI CAP. Please go ahead.

Abhineet Anand: First, on the margins, it looks reasonably good. On the working capital side, you did indicate some net working capital days as large. Can you just explain because railways typically have a long gestation in their projects?

Jasbir Singh: On the net working capital days, this company is operating in a range of 180-190-days where we feel that we will easily be able to bring it down in a range of 100-120 days in a period of two to three years time because we see lot of inefficiencies on the inventory management side and also on the creditors and debtors side. Having said that, this company does not need to get funding limits from the banks for working capital because of the high gross margins they enjoy. There is a retention clause due to which an amount of 5% or 10% is held by Indian Railways or metro which is paid after the warranty period expires and after the air-condition is fitted on the coach, that is what expands to 180, but because of the higher margin it does not need a working capital infusion from the banks.

Abhineet Anand: Is the large retention money remain still with Railways and metros as on date?

Jasbir Singh: Yes, it is a cycle, for example, after six to seven months they will get it back but the new one keep on getting retained.

Abhineet Anand: The other thing is you did touch upon the horizontal deployment part. Is that one of the segments which this company has not grown but looks very-very promising to you because I think it has a very strong core to the existing customers, so in your thought if you were to say three years you will expand that business which has huge potential?

Jasbir Singh: That is what we look at the synergy with our existing customers where we have already soft touch base with our customers regarding this and they are expecting us to give the solution in hand and I believe within a year or two years time we will be easily able to provide these products into existing heating ventilation air-conditioning companies we have.

Moderator: Thank you. The next question is from the line of Nidhi Agarwal from Angel Broking. Please go ahead.

Nidhi Agarwal: My question is who are the competitors for Sidwal?

Jasbir Singh: There are different kinds of competition; in metros we have multinational companies like Toshiba , Hitachi, etc as competitors and in Indian Railways there are smaller competitors like Amit Engineering, Daulat Ram, which are one-fifth the size of the company, there is also another company called LeeL which is one of the competitors in Indian Railways segment. In bus air-conditioning segment, the companies like Carrier and companies like Thermo King with this. In Defense, because it is a very niche and very different type of tailor-made solutions, there is no competition.

Nidhi Agarwal: Since we are saying with 50% market share, the market will be growing in excess, right?

Jasbir Singh: Yes.

Nidhi Agarwal: There is no maintenance contract?

Jasbir Singh: There are maintenance contracts. As they are growing older, the AMC quantum is increasing. So they have maintenance contracts of almost close to Rs.140 crores which is to be actually serviced in next three years to four years time.

Nidhi Agarwal: Are these maintenance contracts having higher margin?

Jasbir Singh: Yes, AMCs have always higher margins.

Nidhi Agarwal: Sir, in the whole acquisition process, who were the other bidders for this company?

Jasbir Singh: No, we do not get into a bidding process. That is our way of acquiring companies. Whenever there is a bidding process, we move out. We were eyeing this company from last four years and we were looking at it. There were certain other players which were looking at it, but they chose to go with us because of the credentials we had.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: First question is could you quantify the gross margins in four or five of your segments?

Sudhir Goyal: Gross margin in Indian Railways, metros and bus air-conditioning are almost about 40-42% range and in Defense it is about 56% range, in telecom it is just 20% range and in commercial refrigeration it is about 27% range.

Aman Vij: For FY'17 the revenue of the combined entity was Rs.124 crores. So could you split it in terms of Sidwal Refrigeration and Sidwal Technologies as well as if you can give the segment wise breakup also?

Jasbir Singh: We have '18 numbers with us; in '18 we did 165 crores of sales, in '17 Rs.95 crores was Sidwal Refrigeration and Rs.30 crores was Sidwal Technologies, in '18 Sidwal Refrigeration is going to Rs.135 crores and this remains at Rs.30 crores, so it is Rs.165 crores in total. Till date they have **done 190 crs** crores. So I think they are expecting Rs.5 crores more to close it by another 5-days which should touch Rs.195 crores for FY19.

Aman Vij: Basically, the growth has come most from the metros, railways and maybe defense because Sidwal technology is stable at Rs.30 crores level?

Jasbir Singh: That is right.

Aman Vij: We are planning to focus, you said, more on bus?

Jasbir Singh: No, we will focus on all the verticals of course. We would like to increase the market share in metros and railways also. That is the core business. Bus, defense and commercial refrigeration will be our core focus. So we can grow that sector also to a tune where the split becomes 50:50 between the verticals.

Aman Baid: What is the advantage on say commercial segment because there are a number of entrenched players, I understand metro and all those maybe have been a very high entry barrier?

Jasbir Singh: On the commercial air-conditioning side, we have two sets of customers today with us; one is pure heating ventilation air-conditioning companies like Blue Star, Daikin, Carrier, Hitachi, Voltas who's bread and butter is air-conditioners. So for them we have already penetrated into room air-conditioners segment and we would love to get into their commercial side of the businesses to grow our wallet share with those customers. In another set of customers where we have appliance companies like LG, Whirlpool, Godrej and Panasonic, where air-conditioners is one of the products they have. In that we are increasing our component strength in the other verticals of refrigerator, washing machine. That is where the growth is going to come on a consolidated basis.

Moderator: Thank you. The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade: I understand Sidwal is into autos through an exposure to bus air-conditionings and the contribution is quite less, around 9%. So how do we see it ramping ahead? And post acquisition do we intend to take it to the passenger vehicles and trucks, etc., where the opportunity size is quite large?

Jasbir Singh: That is what we are envisaging. One is truck air-conditioning and refrigeration both, which has been made mandatory by Government of India. So trucks, cabins and everything will be air-conditioned in future. Also in the buses air-conditioning this company started about three to four years back. It was not a very big focus area but yes, they have grown in that sector, but we see a lot of potential because like we have added Panasonic, Hitachi, Daiichi, we would like to add some bigger clients who are manufacturing buses here, could be a possibility of likes of Ashok Leyland, Volvo, Tatas who are making buses and trucks. So that is one part. There are very big coach builders like JCBL and other five bus services which are manufacturing coaches on their own. So those are also potential clients for us. So we will focus on all the areas and try to grow the segment because we see lot of opportunity happening there. In future, no one is planning to have non-air-conditioned buses with them until and unless they are operating in only rural areas. So that is where big potential lies and we must encash this opportunity.

Pankaj Bobade: Right now we are tied up only with Tata Motors and Swaraj Mazda I understand from the presentation. So are we planning to have a tie up with other manufacturers who are based maybe in southern side of India?

Jasbir Singh: We will definitely expand the network. It will not happen immediately because it is related to passenger comfort. So share of business grows gradually. I think in next three years time you will see this segment doing well for Sidwal.

Pankaj Bobade: Are we planning to focus on passenger vehicles segment?

Jasbir Singh: No, we are not coming into car air-conditioning. It is already a very competitive space of passenger vehicles. We will not like to come to that space.

Pankaj Bobade: We will be restricting ourselves to buses and trucks only?

Jasbir Singh: Yes. Buses and trucks.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: First question is how do you win project -- is it a bidding process to get this order, how does it work?

Jasbir Singh: There are different parameters for each vertical; in Indian Railways, there is a online tender system which you have to fulfill, but before online tender system you have to technically qualify, so for technical qualification you need to have all the RDA source approvals and capacity assessment, capability assessment, you should be part-2 or part-1 supplier. So it is a long period, for example, if somebody has to start today, it has to go through the prototyping and capacity assessment, capability assessment, then RDS approval and then you get a prototype order and then you remain part-2 until three years passed or a satisfactory performance is gathered from all the places, then you become part-1 supplier, where if you are the lowest bidder, you get about 50% of the order book.

Keyur Pandya: Second, the order book that you mentioned, so it is more or less around one year's revenue for the company. So do you see this is a smaller number or how do you see order book moving?

Jasbir Singh: I think it is a decent number for us to begin with. We already have a strong order book and as we move ahead there are new orders which are coming, just last week only there was a tender for new Train 18 for 300 coaches, so that means 1200 (RMPUs), Roof Mounted Package Units. The company which has won that order, we are already enlisted with them. So we expect this number to go up as we proceed ahead in the year.

Keyur Pandya: Lastly, you mentioned that Toshiba, Carrier, and Blue Star kind of companies are already there in this business. So do you see any conflict of interest in this kind of business where rather than being their vendor, you are becoming their competitor?

Jasbir Singh: No, it is completely non-conflicting because if you see all the companies have very separate verticals and separate reporting system and a separate corporate center and all. So in room air conditioners, Toshiba room air conditioner is total different to Toshiba roof mounted package or industrial application, and even in Carrier, Carrier has already offloaded its room A/C business to Midea, so Carrier only competes in bus air conditioning, they do not compete in railways and metro. So there is no conflict we envisage there.

Keyur Pandya: Last question on the debt front. So you are planning additional capacity in south for room A/C and this additional acquisition. So, any guidance on how our balance sheet would look or the debt profile would look?

Jasbir Singh: As a management of Amber, we have a very strong policy that we will not go beyond 1.75x of consol EBITDA and that is what we will keep in mind and it is not a very expensive acquisition for us, it is a very decently placed acquisition, in the single digit numbers, what we see is that we will remain in the range of 1.5 to 1.75x of EBITDA.

Moderator: Thank you. The next question is from the line of Gaurav Walia from Halos Capital. Please go ahead.

Gaurav Walia: Are there any margin opportunities or do you expect the margins to change over the next year or remain stable at this rate?

Jasbir Singh: We think that we will be able to slightly increase the margins from where it is because of our purchase leverage and inventory management and of course on the creditors side because we have a larger purchase leverage. So that is where we look at it, but we see that it should be in the same range as going forward as we grow the company.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Just continuing with the same question what Keyur asked about the balance sheet, when we look at today what you got is Rs.75 crores gross debt and Rs.28 crore cash. What you trying to see is this acquisition is less than Rs.100 crores for you, that is why 1.5x or 1.75x EBITDA of consol that you wanted to keep, because if this acquisition is less than Rs.100 crores then the leverage comes to be 50 crores assuming as you take a debt of Rs.50 crores only, that is why you become EPS-accretive because still it is Rs.7 crores PAT company on FY19, so just wanted to understand is this acquisition less than 100 crore?

Jasbir Singh: Let me clarify, on FY'19 number, the company's PAT is expected to be in the range of Rs.23 to 24 crores with EBITDA of Rs.40 to 42 crores, it has no interest cost, it has interest cost of only Rs.67 lakhs and because it is not a capital intensive, the depreciation is less than a crore, so you can add 34% of tax rate, this company will have PAT of about Rs.24 to 25 crores which makes us EPS-accretive. On the amount of acquisition, I would not like to give you number right now, but yes, I can give you a broad range where we have acquired this company in the range of 5.75x to 6.5x of EBITDA FY19 basis.

Nitin Arora: What sort of leverage you want to keep it here as a debt because our accrual…?

Jasbir Singh: Because on a consol basis, we will keep our leverage close to 1.5x the EBITDA.

Moderator: The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Can you please elaborate on the fixed assets and CAPEX plans in the next few years for the company?

Jasbir Singh: For Sidwal Technologies, the net block is very less, the gross block is about Rs.25 crores and the CAPEX requirement in these kinds of business is very less, we do not require large CAPEX. I think in next four years, we should not be investing more than 15 to 20 crores in this company.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Just wanted to understand, who is currently supplying to the likes of Volvo, Ashok Leyland and Tata?

Jasbir Singh: Carrier refrigeration and Thermo King is supplying to them.

Aman Vij: We are in a way competing already, but in buses, are we planning to…?

Jasbir Singh: We will attempt to get into that because that is a growing segment.

Aman Vij: What is the advantage in this bus segment versus other players?

Jasbir Singh: Advantage in the bus segment is that any transporter today who is having more than 50 buses they do not plan anything; no non-air condition buses, so they are planning for completely air-conditioned buses, even tier-3 cities have launched air conditioned bus services and local buses even in Delhi, NCR launched by Government of India that is also having air condition in it like Tata, Marco Polo and all. So there is a lot of potential in this segment which we want to leverage.

Aman Vij: Basically, we will be one of the players not taking market share from the current, but if the …?

Jasbir Singh: We will be targeting the growth potential of that part.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for the closing comment.

Jasbir Singh: Thank you every one for joining us. I hope we have been able to answer all you queries. In case you still require any further details you may please contact us or our investor relations advisors, Strategic Growth Advisors (SGA). Thank you very much.

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