"Amber Enterprises India Limited Q4 FY2019 Earnings Conference Call"

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Moderator: Good morning ladies and gentlemen and welcome to Amber Enterprises India Limited Q4 FY2019 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 and 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 Mr. Jasbir Singh, Chairman and Chief Executive Officer of Amber Enterprises India Limited. Thank you and over to you Sir!

Jasbir Singh: Good evening everyone and a very warm welcome to our Q4 FY2019 earnings conference call. Today I am joined by Mr. Daljit Singh, Managing Director, and Mr. Sudhir Goyal, CFO and Strategic Growth Advisors, our Investor Relation Advisors.

We have uploaded our updated result presentation on the exchanges, and I hope everybody had an opportunity to go through the same.

So I will just take you through the acquisition update, on May 2, 2019 Amber acquired 80% equity in Sidwal Refrigeration Industries Private Limited, which will include business of Sidwal Technologies for a consideration of Rs.202 Crores of which Rs.146.5 Crores was paid by Amber as cash consideration and balance was debt taken on Sidwal's book.

Sidwal is a leading player in the mobile air conditioning and refrigeration industry, providing diversified HVAC solutions to Indian Railways, metros, defense, telecom & Bus and commercial refrigeration segment. This acquisition will give us entry into high entry barrier, customers with long approval cycles like Indian Railways, metro and defense. Also, Sidwal's strong technical background will help Amber to cross sell and provide more comprehensive solutions to our current set of customers.

Despite the RAC industry not doing well in FY2019 due to unseasonal rains in H1 of FY2019 and inventory pileup across channels, we were confident on achieving our yearly targets as guided. Our air conditioner volumes grew by 43% for Q4 FY2019 as anticipated and guided for the full year. We were able to sell 9.62 lakh units for Q4 FY2019 as compared to 6.72 lakhs in Q4 FY2019.

Our FY2019 volumes are 2.12 million units which is higher by 11% as compared to FY2018 outperforming the industry growth. During FY2019, Amber has added new customers and new energy efficient models, which will enhance our revenues and margins going forward. We are seeing increased demand in room air conditioners from small and large players across segments, brands, factors like custom duty hike, logistical hassles of imports and changing dynamic conditions of room air conditioner market and hence we are confident of outperforming the industry growth going forward, as well. I would also like to highlight that not only our RAC division, but our A/C components and non-A/C components division are gaining momentum and our penetration level with customers is increasing. We have seen strong growth in our A/C and non-A/C components in the last financial year due to our acquisitions in IL Jin and Ever electronics. A/C and non-A/C components now comprise of 37% of our total revenue of FY2019 on consolidated basis.

I will now take you through the financial numbers, let me take you through the standalone highlights first.

Amber standalone, the total revenue of Q4 FY2019 stood at Rs.971 Crores up by 40% as against Rs.692 Crores for the corresponding quarter last year. The revenue from A/C grew by 43% from Rs.568 Crores in Q4 FY2019 to Rs.810 Crores in Q4 FY2019. Revenue from components grew from Rs.124 Crores to Rs.161 Crores in Q4 FY2019 a growth of 30% year-on-year basis. Total revenue for FY2019 grew by 14% to Rs.2188 Crores of which A/C revenue comprises of Rs.1740 Crores as against Rs.1540 Crores year-on-year and components revenue is Rs.448 Crores as against Rs.383 Crores Y-o-Y basis.

Despite of the industry headwinds and slowdown, we were able to deliver a growth of 14% in revenue outperforming the industry growth on a consistent basis. Our operating EBITDA for Q4 FY2019 stood at Rs.98 Crores with an EBITDA margin of 10.1% as compared to Rs.68 Crores in Q4 FY2018. EBITDA margins for Q4 FY2019 expanded by almost 30 bps. With higher margins of Q4 2019 and increased prices passed onto the customers we were able to deliver better margins. Operating EBITDA for FY2019 stands at Rs.188 Crores has a growth of 10% as compared to FY2018.

We had a one-off expense write-off in Q4 FY2019 on account of investment written-off for our wholly owned subsidiary, Appserve Appliance Private Limited to a tune of Rs.1.7 Crores. We have discontinued the operations of Appserve and hence this was written-off fully in Q4 FY2019.

PAT for Q4 FY2019 stood at Rs.61.6 Crores as compared to Rs.33.8 Crores of Q4 FY2019 a growth of 82% year-on-year basis. PAT margins for Q4 FY2019 stood at 6.3% as compared to 4.9% for Q4 FY2019 as an increase of 145 bps. FY2019 PAT stood at Rs.92.5 Crores as compared to Rs.62 Crores for FY2019, a growth of 49% with margin expansion of almost 100 bps. Our net debt as on 31st March for standalone entity stands at about Rs.120 Crores, our working capital days for FY2019 is around 66 days.

Moving onto the consolidated results, our revenue for FY2019 grew by 29% from Rs.2128 Crores to Rs.2752 Crores. Growth from Ever has been significantly up as compared to last year and margins in both IL Jin & Ever has increased.. Our A/C and non-A/C revenues now comprise of 37% of our total revenues as compared to 28% of FY2018.

Revenue for IL Jin for FY2019 is Rs.335 Crores as compared to Rs.334 Crores in FY2018. Ever grew by at 21% taking the total revenue to Rs.272 Crores. Only six months revenue of Ever has been consolidated, since Ever became our subsidiary in H2 FY2019; however, full year consolidation will happen from coming year.

PICL degrew by 4% taking the revenues from Rs.143 Crores in FY2018 to Rs.137 Crores in FY2019. Operating EBITDA for FY2019 on consolidated basis stood at Rs. 213 Crores as compared to Rs.183 Crores in FY2018 a growth of 16%. EBITDA margin stood at 7.7% for FY2018 down from 8.6% because of IL Jin and Ever operating at a lower EBITDA margin of 5% and 2.2% respectively.

However, we are optimistic of increasing the margins in both these companies for FY2020 by close to 50-100 bps, which will have higher EBITDA margins on consolidated basis going forward. EBITDA margins for PICL stood at 5.4%. PAT for FY2019 stood at Rs.95 Crores as compared to Rs.62 Crores in FY2018 a growth of 52%. PAT margins on consolidated basis stood at 3.4% as compared to 2.9% for FY2019 an increase of 50 bps. PAT margin for IL Jin is in the range of 1.72%, Ever is 1% and PICL is -1%. Integration of IL Jin electronics and Ever electronics was successfully done in last year and we will be able to deliver higher growth for next financial year through addition of new customers in these subsidiaries.

We expect margins to expand in the subsidiaries due to operating leverage playing out and various cost control measures adopted in the previous financial year, fruits of which will be seen in FY2020.

Also, Sidwal acquisition will help us foray into new product segment of heating & ventilation air conditioning industry like railways, metros and defense with immense business opportunity to cater and capitalize on the growth going forward.

With this I open the floor for discussion.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Good morning Sir. Sir just wanted to understand why was there such a big disconnect between our performance, and performance of broader room A/C sector and what is it that led to strong growth for Amber in Q4. A related question is that has there been a case that companies were anticipating a strong summer and therefore placed orders on Amber and given that, that has not panned out in Q1, we may start to see Amber's growth slowing down as well?

Jasbir Singh: Actually the main reason why we did outperform industry to such a large extent is that we have added customers, we have added Havells, we added Carrier Midea, we added Flipkart we added Amazon in our kitty, these all customers primarily started business in Q4 and moving forward you would see that since these customers have just come in the Q4 or late Q3, there will be a complete reflection on the yearly basis in FY2020.

So, this was largely because of customer addition and also due to our new indoor model lineup which we launched in Q3, late Q3 in December, which has given these robust results. And going forward, we continue to focus on our R&D and as I told you that these customers will have a year on business now in this FY2020. So, definitely on Q1 basis you would see that there will be a substantial jump. Just to tell you in April and May, this Q1 is a very robust quarter for us, we are anticipating a complete growth of almost about 25% to 30% in Q1 April we have already demonstrated 50% in volume terms.

Aditya Bhartia: And of the existing customers, do we continue to garner higher wallet share and if you could also give the split between indoor units, units outdoor units and window A/Cs for the year and the quarter?

Jasbir Singh: Yes, so total out of 2.1 million numbers almost 3.5 lakh units were window air conditioners and close to 1 million units we have indoor units and remaining is the outdoor units. As far as our wallet share concerns in the customers, we have added wallet share in primarily all the customers because our product offering has expanded, and we have not lost any wallet share with any customers in Q4.

Aditya Bhartia: And Sir my last question is on working capital wherein receivable days appear to have risen quite sharply what has that been on account of and do we expect that to be normalizing going forward?

Jasbir Singh: Well, you see 45% of the revenue which is close to about Rs.900 odd Crores has come in Q4 and the new customers which were added have a credit base in the range of close to about 60 to 90 days terms and if you say we have done a turnover of close to Rs.380-odd Crores in the month of March and close to similar lines in the month of February so almost Rs.700-odd Crores were pending to be paid by the customers in these months and that is the reason why this has been elongated.

As moving forward, it will depend on the kind of customers' business because largely the customers, which have been added as I told you are in the range of close to about 60 to 90 days' terms and on a quarterly basis, if you see this number would look like in the tune of 55 days on the debtor side.

Aditya Bhartia: So as far as days are concerned those possibly have not risen, it is just that bulk of our sales were centered around Q4 and within that February and March this year and to that extent, the year end number looks much higher.

Jasbir Singh: That is right yes. Because it is a seasonal industry and Q1 and Q4 are our strong quarters, that is the reason.

Aditya Bhartia: And do we do bill discounting as well Sir?

Jasbir Singh: No, we do not do any bill discounting.

Aditya Bhartia: Perfect. That is helpful, thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from IDFC Securities. Please go ahead.

Bhoomika Nair: Yes Sir. Congratulations on a great set of numbers. Sir if you can just highlight what finally Sidwal kind of close the year had because I think earlier during the call, we have discussed about nine-month number. So, if you can just share FY2019 and I also missed your number on IL Jin revenues and the PAT margin for the year.

Jasbir Singh: On Sidwal we have closed the whole year at Rs.180 Crores, close to Rs.180 Crores though the accounts are yet being closed for FY2019 and moving forward we have a strong order book of close to Rs.200 Crores in the company and that company is participating for new tenders coming up for metros and railways of Train 18, which was launched recently. So, order book is very robust.On the EBITDA side that company almost did Rs.35 Crores to Rs.38 Crores EBITDA last year in the range of that, which is a very healthy EBITDA of close to about 19%, 20% range and I think moving forward the company is having a strong growth and new order book is lining up. On IL Jin, I think the PAT margin stood at about 1.7%.

Bhoomika Nair: And the revenue Sir sorry I have missed the revenue of IL Jin in your opening remarks?

Jasbir Singh: IL Jin revenue was Rs.335 Crores.

Bhoomika Nair: Sir in IL Jin & Ever, if you can just elaborate what are the kind of new customer addition, how are we seeing the growth going forward and when do we expect to consolidate complete acquisition of Ever?

Jasbir Singh: When we bought these companies they had only two customers LG and IFB and immediately after we stepped in, we started introducing them to our customers, set of customers for horizontal deployment of these products and successfully, we have been able to add four customers in Q4 in IL Jin, which has just recently started, because the reliability cycle of inverter PCB board is quite high because the whole products performance is dependent on the functionality of this inverter PCB board and hence the customers are taking time to approve it on the final cycle, but core customers have already approved and March production have already started for these customers and moving forward we expect more than Rs.100 Crore plus revenue from all these core customers in IL Jin and Ever.

On EVER side, we have received the RBI approval, and we will be shortly closing our remaining 51% stake within a week or 10 days' time.

Bhoomika Nair: So, when you seeing consolidation in FY2019 that is largely just about 15%, 20%?

Jasbir Singh: No, consolidation will happen on 100% on the whole basis because the management control and the board control are from day one with Amber.

Bhoomika Nair: Sure. Sir you have started off fairly well for us and you spoke about that you have expanded your IDU range and which has helped garner some higher market share in 4Q. So, if you can just talk about how IDU versus ODU margins are working capital, how is it different, so on that and overall FY2020 outlook in terms of growth.

Jasbir Singh: Actually, Bhoomika we are now catering a lot of SKUs in IDU starting from 1 tonne, two star, three star, four star, five-star range and then expanded to 1.5 tonne and to 2 tonne and also in the inverter category range. So it will be very difficult for us to tell you SKU-wise margin, but on a broad basis, if I see that indoor margins are now expanding towards positivity more on the north side because the volumes are increasing and when we started the indoor four years, five years back our volumes were hardly 2 lakh units, but this year we have already touched 1 million units. So that is positive going forward.

Bhoomika Nair: And on the volume guidance for FY2020.

Jasbir Singh: Volume guidance what we want to say on the volume guidance is that we will again outnumber the industry by 4% to 5% as it is a seasonal industry last Q1 we saw unseasonal rains, so we do not know about Q4 but as going forward whatever industry does I think we will outnumber industry by 4% to 5%.

Bhoomika Nair: Okay, great Sir. Thank you very much, I will get back into the queue.

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

Abhineet Anand: Yes, congrats on a good set of numbers. My first question is on working capital, you did explain that the fact that Feb and March was quite lumpy and large, but your commentary that some of the companies that you have added on the client that you have added have a 60- to 90-day term. Does this is in any way increase your overall debtors' day which used to be around 50, 55 days to any higher number and how do you factor that, do you have a higher margin profile for this company and how do you factor that?

Jasbir Singh: Abhineet basically on the debtor days we are in the same range of 55, 56 days on a quarterly basis, it does not add to much larger numbers, because this is a seasonal lump. So, balance sheet is made on 31st March and that is the reason why it looks like that. But, yes, on an overall basis, I think new customers keep on getting added and now also we have just recently added Toshiba in Q1 and we are expecting two more customers to be added in Q2 and Q3 so this will continue and they are all coming in the cycle of 60 to 90 days.

Abhineet Anand: And just wanted to know what has been the capex for the full company and what is the guidance for FY2020 for the capex?

Jasbir Singh: Yes, so on the Capex we have done Rs.103 Crores capex in FY2019 almost Rs.30 Crores capex has been a maintenance capex for all the 12 plants we have close to Rs.20 Crores we have done R&D and almost Rs.20 Crores has gone into building a new building in Jhajjar where we have expanded our footprints in the Jhajjar area for giving solutions to our customers. So, we had added a new building and Rs.30 Crores has gone into the capacity expansion and plant and machinery, that is how the whole Rs.103 Crores has spent out. On FY2020 guidance, so as maintenance capex will be the same around Rs.25 to 30 Crores range and we do not want to slowdown our R&D initiatives so we will continue our R&D endeavor by bringing in more models and we believe that we will be doing about Rs.18 to 22, 23 Crores range in R&D and apart from that Amber existing plant does not need more capex this year; however now board has decided to bring up a new plant in Tirupati in the Southern India because customer cluster is moving that side and we have been asked by one of our customers to be ready before next year summer comes, not the coming season. So, we will be doing a capex there we are in the process of buying land and we expect about Rs. 40 to 45 Crores Capex in the land as well as partially building remaining Capex in that plant will happen in next financial year because we have to be ready by September next year. So, you can see the range of FY2020 capex could be in the range of Rs.100, 110 Crores.

Abhineet Anand: If I go by your commentary that again 2021 also would be probably in the same range right?

Jasbir Singh: A little bit same, it depends on what capacities we will be putting up in Tirupati. So largely you can say because maintenance capex and R&D if we continue in the same range then yes it should be in the same range.

Abhineet Anand: Thanks a lot Sir.

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

Pritesh Chheda: Yes, Sir, on the ROCE side now since we are putting up capex at Tirupati, but the whole asset now is there a scope for ROCE improvement and today what we are recording at about 14%, 15% is there a scope and where it will come from whether it is margins or whether it is working capital or whether it is further asset turns?

Jasbir Singh: Actually if you see the adjusted ROCE, the final capex which we have put will be giving us results in this year and if I take out that part of the capex we have done recently, our ROCE is at about 16.6% and as moving forward yes because order book is very, very strong and Tirupati will give us more customers as well as geographical presence. We are looking forward for adding to ROCEs every year moving forward because of the complete profitability is also increasing as well as the free cash availability will be there.

Pritesh Chheda: So, it will come from better margin or it will come from better asset turns.

Jasbir Singh: It will come from both actually.

Pritesh Chheda: And my second question is, being a seasonal business your year end balance sheet looks really different. So just wanted to know what would be the mid year debt that one would see in your balance sheet and how your midyear balance sheet would look different from the year end balance sheet how lower the midyear balance sheet becomes?

Jasbir Singh: Well, it depends on all how the season and off season goes. Sometimes we have seen that order book in off season also is stronger if it is a pipeline in the inventory cycle that the retail side is not there. So, it is very difficult to say what kind of this will be there because it is a completely dependent on the cycle of business at different, when GST was launched the whole quarter was disrupted. When demonetization was there, things were different and we have seen in past when there have been great summers sometimes like this year I am anticipating a good offseason also. So, because none of the brands are carrying large inventories with them and as the geographical presence southern and western coastal regions are almost yearly round businesses. So, it will come, the depth of the seasonality curve is reducing. So, it is difficult to say exactly that how it would look like, yes, but different, you should look, I think the better part of looking into the balance sheet will be in the quarterly numbers as we are going forward.

Pritesh Chheda: And lastly Sir, you gave out the volume growth guidance for A/Cs if you could give out some guidance on the components business in some total when you consolidate the balance part and you talked about customer addition in some of the IL Jin so some total what will your components business grow in FY2020?

Jasbir Singh: So, as we have already graduated from 28% to 37%, our long-term endeavor is to bring it to 50/50 in next four to five years' time. But yes 37% last year will definitely grow to some portion maybe about 40% this year.

Pritesh Chheda: So, it will grow faster, so components will grow higher than the 25% volume guidance that you think for the A/Cs.

Jasbir Singh: Yes, it depends on sometime happens at companies want us to use those components captively and give them a simple solution in air conditioners. So, then things will change, but largely on the component production side yes it will be increasing much larger.

Pritesh Chheda: Thank you and all the best to you Sir.

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

Nitin Arora: Sir when we look at the standalone numbers and assuming that all of this is an A/C sale not much component in the standalone part, your realization still is very low, we have done such large volumes and assuming the new clients would have come and I am assuming those clients would have also come because their OEMs like Zamil and LEEL has gone bankrupt. Despite that we do not see any pricing power as such and even on the EBITDA per unit, you have grown by 5% on such high volumes. If you can throw some light that would be helpful?

Jasbir Singh: See largely the volumes have been driven by indoor units and indoors as I told that the volumes were less and we could not get more operating leverage and this year volumes have come up and they are further growing at a good speed of 20%, 25%. So you will see margin expansion in the indoor unit also and also largely when last year the season was down Q1, industry was having lot of inventory so the price increase which we were suppose to get by Q2, Q3, we got in Q4 and that is what has driven, so we were able to get that when the trade is having inventories you get price increase with a lag impact and that is what happened. So, by Q3 the inventories were liquidated and Q4 we were able to get price increase from all the customers and that is the reason why it is looking like this?

Nitin Arora: And just one more thing you said in Q1 you are growing at 20%, 25% right?

Jasbir Singh: 25% to 30%.

Nitin Arora: 25% to 30% on a declining base of 4% in the Q1 last, I got it. And Sir if it is possible to share the quarterly number of PICL revenue, EBITDA and PAT?

Jasbir Singh: I have the yearly number right now I think yearly number we have done a total turnover of Rs.137 Crores and with the EBITDA of 5.4% close to about Rs.7.39 Crores.

Nitin Arora: Got it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: Thanks for the opportunity. Sir I wanted that the amount that we paid for Sidwal could you tell me once more, what is the consideration that we paid for Sidwal and how will it be accounted going ahead in the balance sheet?

Jasbir Singh: Yes, so we have paid in total the consideration for 80% stake was Rs.202 Crores out of which Amber has paid Rs.146.5 Crores and remaining almost Rs.55 Crores debt has been taken on Sidwal books as it was a debt-free and cash-free company.

Ansuman Deb: Okay and Sir what is the net debt as of now consolidated level for Amber?

Jasbir Singh: For Amber?

Ansuman Deb: Yes.

Jasbir Singh: Standalone is Rs.120 Crores and on consolidated level on 31st March, total is about Rs.206 Crores.

Ansuman Deb: Thank you Sir.

Moderator: Thank you. The next question is from the line of Utkarsh Nopany from Edelweiss Securities. Please go ahead.

Utkarsh Nopany: Congratulations Sir for a great set of numbers. Sir as you have guided is that June quarter sales volume guidance of 25% to 30% growth and outperforming the industry by 4% to 5%. So, do we see that the industries are going to grow at more than 20% to 25% in the June quarter.

Jasbir Singh: Yes, so I think we have been talking to all the brands and every brand is bullish so every brand is, we are seeing good numbers so I think industry should end up growing 15% to 20% in this Q1.

Utkarsh Nopany: And Sir can you please help me out with Ever revenue for FY2019, Ever revenue EBITDA margin and PAT margin?

Jasbir Singh: Ever revenue was Rs.272 Crores as compared to Rs.224 Crores last year and revenue consolidated in the books is Rs.137 Crores because we bought this company in H2. So, half of it has been consolidated in our books and on total basis, we can tell you that at Rs.272 Crores, the EBITDA margin stands at close to 2.5% at Rs.6.7 Crores.

Utkarsh Nopany: Okay, and PAT margin.

Jasbir Singh: PAT margin is 1%.

Utkarsh Nopany: And Sir what was the EBITDA margin for IL Jin in FY2019?

Jasbir Singh: EBITDA margin for IL Jin was 5% last year FY2018 it was only 3.2%. So, after we took over we bought a lot of productivity improvements and innovations there and also with the new customer which are adding at a higher margin but these all customers got added in just Q4. So, we expect about 50 to 100 bps further increase in IL Jin in this year FY2020.

Utkarsh Nopany: Sir one last question is that we have observed that there is a big gap in net profit margin of standalone and the subsidiaries so standalone net profit margin is close to around 3.2% whereas subsidiary is 0.2% in FY2019. So, can you guide us whether this difference can be bridged in a material manner over the next two to three years and if yes how we are planning to bridge this gap?

Jasbir Singh: So, yes, as I told you that IL Jin and Ever were just assembling PCBs earlier, so now we have successfully added R&D component in that and we have been able to deliver solutions and the customers which are being added are at higher margins. So, you will definitely see margin growth expansion in IL Jin and Ever both and also PICL we are now bringing in a disruptive motor called BLDC, Brushless DC Motors, last year we launched resin-core motors and that has successfully started. Unfortunately for PICL the exports did not pickup for the Middle East market. It is still subdued and that is the reason why it could not deliver well, but now the domestic consumption of PICL offering is about 85% and the exports is only 15% which earlier use to be 55% two years back. So that is the reason, PICL margins will also expand now in the coming year.

Utkarsh Nopany: So, like how much improvement we can look at in FY2020 or FY2021?

Jasbir Singh: It will be difficult to state a number here because it all depends on product mix and component mix plus the customers and the cycle. So, we would not like I mean we would not be able to comment on what number you should look at but yes definitely the management is endeavoring to improvement on all the sides in all the subsidiaries as well.

Utkarsh Nopany: Okay Sir all the best.

Moderator: Thank you. The next question is from the line of Mehul Mehta from SPA Securities Limited. Please go ahead.

Mehul Mehta: Good morning Sir. With regards to at the time of IPO, we had shared outsourcing industry our market share was about 55% and outsourcing industry itself like was about 34% of total. So where does the number stand today can you share it?

Jasbir Singh: We do not have a research report on the exact number right now, we need to gone through it, but yes I think the outsourcing as a concept because if you see the online market space has grown from 3% to 10% now in our country for A/C industry, two years back when we had done IPO it was just 3%, 3.5% now it is 10% and online is largely outsourced and remaining all brands are outsourcing now. So, except barring one or two, I think outsourcing component would have definitely increased my gut feel is that it should be around 38% or 39% now.

Mehul Mehta: Yes, so it is on the up kind of?

Jasbir Singh: Yes.

Mehul Mehta: One more question is on debt level, if I look at like gross debt or even net debt I think you shared about Rs.206 Crores if I am not mistaken?

Jasbir Singh: Yes, that is right.

Mehul Mehta: Sure. And one last question if I can squeeze in is about each despite like even if I look at PAT increase of about at console level about 50% this year also there is no dividend declaration so any thought process behind it?

Jasbir Singh: Actually, we did not declare a dividend because our Tirupati expansion was declared and we did not want to borrow debt, but now this year going forward, we will have a free cash flow. So definitely you will see a dividend this year.

Mehul Mehta: Thank you.

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

Keyur Pandya: Sir just one book-keeping question. So, the finance cost the line item finance cost what would be the bifurcation between actual interest cost and the finance charges because it does not add up with your debt level?

Sudhir Goyal: See actual finance cost and breakup in the other finance cost like LC charges so out of that Rs.14.5 Crores around Rs.2 to .2.5 Crores is the other charges balance is the pure interest cost.

Keyur Pandya: For full FY2019?

Sudhir Goyal: Yes.

Keyur Pandya: Okay at the consol level Sir what would be it, so Rs.25 Crores of finance cost?

Sudhir Goyal: Out of the total around 3.5 is the other charges like LC commission etc., balance is the pure finance cost.

Keyur Pandya: Perfect and Sir last question when we see our standalone results quarterly numbers so for the entire H2, our employee cost was stagnant and even for the entire year it is more or less similar level. So how should we read this?

Jasbir Singh: I think there is a lot of operating leverage which comes when your order book is strong, so your cost does not go up on the employee side, there will be only a variable cost which will go up on the contractual labor part.

Keyur Pandya: And, similar trend would continue?

Jasbir Singh: Yes, similar trend will continue.

Keyur Pandya: Perfect, okay. Thank you and all the best.

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

Pankaj Bobade: Thanks for taking my question and congrats to the management on good set of numbers. Sir first question, the component business seems to be a drag on the margins of overall consolidated entity. So, what are the steps we are taking to improve this and second question is currently we are having around 60% of capacity utilization and we would be coming up with a new capacity at Tirupati, can you please help with the contuse of the new capacity?

Jasbir Singh: Sure. On the capacity utilization as we have already explained you that we have already done by about 55% jump in April and we have seen similar trend in May also this year. So, capacity utilization definitely went up to close to about 75% to 80% and that is the reason why we put in about Rs.25 to 30 more Crores in expanding our capacity base. As far as Tirupati goes but we would not need a further capacity expansion in North India part. On Tirupati, we will be putting up close to about 500,000 number of capacities initially for both indoor and outdoor. We are not planning to put in window air conditioners there and that will be the capacity which we will be adding in next year and going forward as the customer base increase and the demand on the southern markets improve, we will keep on adding but the added capacity will not come at a large cost that is only the lines which we will need to add because the sub shops of heat exchangers and paint shops, powder coating shops and press shops and other things will be having a larger capacity initially also and what was your another question can you please repeat the first question you wanted to ask about the I think about the IL Jin and Ever?

Pankaj Bobade: Component business is a drag on overall margins. So just wanted to…?

Jasbir Singh: Yes, on the component side when we bought these companies, IL Jin had EBITDA margin of 3.2% and Ever had EBITDA margin of only 2%, so they were just assembly markets but the reason why we bought these companies were, these were the largest inverter PCB board manufacturer today in the country for refrigerator, washing machine and air conditioners and all. As air conditioning industry was graduating towards inverter A/C we thought that this is a good component to add as a backward integration. So we were able to expand the margin from 3.2% to 5% in IL Jin this year and moving forward also, we are looking forward to add at least 50-100 bps further increase in IL Jin because the reason is that the new customers which are coming will be at a higher margins and also we have done a lot of purchase leverage due to Amber's capability of purchase and also productivity improvement.

Pankaj Bobade: And are we going to restrict ourselves in this component business to just white goods or we would be open for electronics and automobile-related sector?

Jasbir Singh: We are doing very small business in automobile sector which they are catering as a Tier II supplier. In Amber, also we have a small portion of automobile business in the sheet metal fabrication for Isuzu SML, Mazda, for John Deere and for Mahindra Tractors. But yes that component business is growing but it is about loading the plants. As far as the loading happens from automobile or electronics or healthcare sector it does not matter to us. But largely in the electronic companies IL Jin and Ever, the growth will come from the electronic and the home appliances sector only as of now.

Pankaj Bobade: And Sir finally currently we are having capacity of 3.5 million. So, with this Tirupati plant, we will be moving up towards to 4 million right

Jasbir Singh: If you see on an annual basis, we have a capacity of 4.8 million because in April itself we have done 414,000 units on annual basis but that is not how we normally see from a seasonality point of view because that is a right way to see our industry. On seasonality point of view, I think yes the numbers what you are talking is almost similar.

Pankaj Bobade: Thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Gaurav Nigam from Catamaran. Please go ahead.

Gaurav Nigam: Thank you sir for taking my question. Sir I have one question. On the technology of the A/C industry over the next four to five years what are the new technologies that you are expecting based on your R&D and interaction with the industry and what is the impact that you are expecting of these technology on the pricing. I am coming from the fact that if this happened in TV industry and mobile industry based on the new technology disruption led to significant price erosion. So, what is your view on the new technologies and how it will have impact on the pricing?

Jasbir Singh: So the A/C industry is not susceptible to a large technology for a sense kind of like TV and mobiles but there has been technology upgrades in air conditioning industry like earlier multi-flow condenser was launched for better energy efficiency and lesser use of refrigerants and lighter way and then now inverter PCB board is more dominant, inverter PCB board started about four year, four and a half years back and now it has taken about 70% of the market share where it consumes less power and going forward a lot of IOT based and the AI based models will come and as the Bureau of Energy Efficiency is reviving that even next year so you would see a technology upgradation in terms of energy consumption goes and also moving forward four years or five years down the line you can expect inverters, home series of inverters where if it is a smaller inverters VRV models coming up in the room air conditioner sector also.

Gaurav Nigam: And all these technology, will they lead to any significant price reduction or if it will like incrementally price improvement going forward?

Jasbir Singh: No there will be no price reduction on this side because like inverter A/Cs came so there was a bill of material addition of inverter PCB board in the A/C which in fact increased the price and if you want to have features of AI base or IOT base that will only increase the price. We do not foresee any price reduction or maybe disruption as it happened in TV or mobiles.

Gaurav Nigam: Fair enough Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC. Please go ahead.

Ankur Sharma: Hi Sir, good morning and congratulations on a good set of numbers. Sir in one of your remarks you said that there have been price hikes, which have been taken during Q3 and even in Q4. So, has this been across the board and what was the quantum because our feedback was that given the inventory in the channel, the price hikes have been even not there or very limited?

Jasbir Singh: No see we are in the manufacturing space and we give solutions to customers and our costing to customers is on a price variation clause. And so on any kind of commodity or currency is passed on with a quarter lag, but last year what happened was because there was inventory in the system, so our quarter got further extended and finally we got a price increase in beginning of Q4 and it was to a tune of almost about 2.9% to 3% which we and it was across the board every customer gets it.

Ankur Sharma: And Sir second question was on the balance sheet debtor days and I guess what you said was that there has been a lot of debtor days in the end of the quarter given the seasonal nature of the business which is why we are seeing this higher debtor days, that is always the case even if I look at Q4 last year or Q4 of any of the years, typically Q4 and Q1 will be heavy in that sense. So why do you think your debtor days should come down say as of FY2020 and Q4 should not it be on the higher side given the seasonal nature of the business?

Jasbir Singh: You see it depends on customers, so we have got customers who will pay us in 30 days, 45 days and we have customers in the range of 60 and also 90 days' terms. So, it all depends on the sales going forward from those numbers like last year what happened was the customer which had lower payment terms we got more orders from them and that is the reason why it looked less. So we feel that we are not going to extend more credit days this is a maximum what we have done and we are bringing down we are trying to bring down the credit days with the customers going forward and that is the reason why we think that we can bring it down on, but on the quarterly side I think it will be in the same range what it is going on right now about 37 days of lag

Ankur Sharma: Sorry 37, 40 days is it.

Jasbir Singh: Yes 37, 40 days, I am talking about the networking capital days.

Ankur Sharma: Just a last question Sir on this Sidwal group what would be the margin that you expect to make going into 2020 on the EBITDA level?

Jasbir Singh: Sidwal is a company where it is a 19% to 20% EBITDA company and we think that we will be able to maintain those margins going forward order book is very strong so we are hoping you should see in the same range.

Ankur Sharma: Alright Sir great thank you so much and that is all.

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

Naval Seth: Sir congratulations on good set of numbers. Again my question is on working capital as you said that incremental customer addition is happening on higher credit period terms while you are trying to cut that down also but will that also mean that your larger customers where you are more dependent can also ask for better credit terms and eventually your working capital cycle will remain where it is right now or can further increase or deteriorate.

Jasbir Singh: See if any customer asks for revision of extension of credit days, one it is not going to happen because it does not happen that way when you start acquisition you negotiate on that basis only, you do not change the creditors in-between and if any customer comes up. We have not seen any customer coming up like that but if any customer comes up there is a cost added to it. So, it depends on what kind of request is from the customer but largely we have never received any change of credit terms days with any customer as of now and even in the past also.

Naval Seth: So, in ballpark terms as you said that there will be additional cost attached to that so that means a better realization for you. So, what would be the realization difference if that happens?

Jasbir Singh: If that happens…

Naval Seth: Yes, but if I take the current example where you have added so many new customers, Sir what would be the realization difference between them and the older ones, range percentage term will also do over here?

Jasbir Singh: It is only actually there are so many factors involved. First is the product which we are talking of, then it is volumes what we are talking of and of course if somebody is sitting at a lower volume and you demanding 60 days' credit terms you will not get the same kind of pricing as compared to 30 days and more volumes. So, it has to come from… the complete pricing has to be made accordingly only. So, our rationalization it totally depends on the volumes, on the product which we are talking of and on the terms.

Naval Seth: Are they similar on PBT terms. PBT margin would be similar for all these new and old customers there?

Jasbir Singh: No, I think you can expect the better PBT margins from the new customers.

Naval Seth: And secondly on Sidwal at the time of acquisition you had stated that focus will be on reducing working capital days there as well. So as now that is being consolidated what is your plan for FY2020, if you can state how many number of days you are looking at in terms of reducing that?

Jasbir Singh: Sidwal when we took over on 2nd May it stood at 180 days of networking capital days and what we have analyzed in this month itself is that they were paying everything in advance and we have started reasonably sitting with all the suppliers to take the credit days to 30 or 60 and that started happening. So almost five suppliers have already agreed and other one is still in negotiating phase. So, there will be difference yes of course on the inventory side also our team has started this work and you will see that after a year there will be good incremental jump in terms of networking capital days it will reduce.

Naval Seth: Okay. Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Hi Sir, just wanted to know what would have been our growth rate during the quarter excluding the new customers added I mean roughly what would have that 40% growth will look like excluding the new customer addition?

Jasbir Singh: Excluding the new customer addition it will look like around 15% to 18% increase.

Ravi Swaminathan: And the terms of trade with players like Flipkart and Amazon is it better compared to say existing customers given the fact that existing customers they know the trade much better than Flipkart and Amazon. So, do we have better pricing, and do we have better terms of trade with them or how is it?

Jasbir Singh: Yes, Ravi you were asking question.

Ravi Swaminathan: Yes, terms of trade with Flipkart and Amazon specifically is it like, is it better terms of trade and in terms of margins, working capital etc., and can these two entities be a very sizable portion of the industry over a four- to five-year period?

Jasbir Singh: See as the online trade is graduating every year and Amazon and Flipkart tried with their own brands this year Flipkart tried with MarQ and Amazon tried it with Amazon Basics and they got very good response so coming year yes definitely there will be a manifold growth in their volume but since their volume base is very less, so you will find a good growth numbers from there. So, this year they have been talking of smaller numbers of 25000 to 30000 but next year of course you can see and they came in only Q4. So next year all online even Croma is also planning so all online people are planning for bigger numbers and industry is graduating towards that. So as far as the margin goes because the volumes are less and certainly for us, it is a better realization.

Ravi Swaminathan: Got it Sir. And one question on, book-keeping question that quarterly numbers of ODU, IDU and Windows you can give the realization?

Jasbir Singh: For the Q4 number?

Ravi Swaminathan: Yes, Q4 sir you had mentioned annual numbers I guess but if you can give the quarterly numbers also?

Jasbir Singh: I am not having that in handy right now in Q4 numbers but annually I told you that it is about 3.5 lakhs is window and remaining are 3.73 is actually window and 1 million is about IDUs and almost 7.1 lakhs is ODUs.

Ravi Swaminathan: Okay Sir.

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

Manoj: Yes, thanks for the opportunity, Manoj here from Equirus. Sir just wanted to understand on the Sidwal front so sorry if I missed out but when are we consolidating the operations into our performance?

Jasbir Singh: So, from June onwards itself we will consolidate their operations. We have already taken majority share and May 2nd is when we acquired and close the transaction. So, post that in the very first quarter, you will find a consolidated numbers.

Manoj: Okay so it would be by June end.

Jasbir Singh: Yes.

Manoj: Okay and Sir you also mentioned on the debt part. So, what would be the total debt that we would be availing for Sidwal?

Jasbir Singh: For Sidwal?

Manoj: No, what kind of debt we would be raising?

Manoj: Sorry I was not able to convey my question properly, but I am just asking like the total debt that Amber would be raising to by Sidwal?

Jasbir Singh: So, see the transaction is funded partially through internal accruals and partially through debt and it is majorly through internal accruals and very less debt instruments had been taken. So as of now Sidwal is having about Rs.55 Crores of debt.

Manoj: Okay. That is all Sir thanks a lot with you all the best.

Moderator: Thank you. Ladies and gentlemen due to time constraint, we will have to close the call. I now hand the conference over to the management for closing comments.

Jasbir Singh: 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 Advisors/SGA. Thank you very much.

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