



# **“Amber Enterprises India Limited”**

Q3 FY21 Earnings Conference Call

February 01, 2021



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**Moderator:** Ladies and gentlemen, good day and welcome to the Amber Enterprises India Limited Q3 FY21 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 involved 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 Mr. Jasbir Singh, Chairman and CEO, Amber Enterprises India Limited. Thank you and over to you Sir!

**Jasbir Singh:** 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, CFO and Strategic Growth Advisors, our Investor Relations advisor.

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 Q3 and nine months FY21.

The consumer durable industry has witnessed a positive momentum as consumers have identified the need to make their living spaces better one as they understand they will spend more time at home than outside even when the situation normalizes. People are opting for value added products that help them multitask and make their lives easier.

The RAC industry which had witnessed demand uptick in the September quarter led by steady improvement in consumer sentiments continued its improvement trajectory in December quarter as well. The Q3 demand was also aided by strong festive season sales, retailers have adopted omni channel strategy to cater to consumer across channels, retailers are also offering affordable finance schemes, extended warranties, same day installation services, which has helped to attract first time consumers.

The channel inventory at the end of December 2020 stood at normalized levels.



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Now let me talk about the government interventions, which will provide the much needed impetus to the industry and at Amber we are confident to see this opportunity.

**1) Import Ban on Refrigerant filled air conditioners:** As mentioned in the last earnings call the ban on imports with refrigerant filled ACs has opened new opportunities for the domestic manufacturers, post this notification we have signed six new customers. Over longer-term OEMs will prefer to set up either their own facility in India or have complete air conditioner manufactured in India through ODMs. Since the notification has been recently announced setting up a new facility or placing orders for complete manufacturing of air conditioners will require sometime, so OEMs at the momentum are preferring a stop gap arrangement to gas charge in the first phase and in phase two they might start with complete manufacturing of air conditioners where we will offer our solutions both in finished goods as well as in components in room air conditioner space.

**2) PLI scheme:** As communicated earlier the government is under formulization of PLI scheme for air conditioners wherein Rs.5000 Crores worth of incentives are expected to be provided to the AC and its component manufacturing industry; however, concrete details on the scheme are soon to be notified by the government. The mentioned policy changes will help create a component ecosystem within the country and make India a global manufacturing hub. This would allow us to participate in AC production for both domestic and exports markets as well as component supplier to enlarge manufacturing space.

With this opportunity in hindsight, we are all geared up for the growth in domestic manufacturing of room air conditioners and its components and would endeavour to grab majority of the market share. We believe this opportunity will further strengthen our presence in the domestic market and create a solid foothold for exports market too.

We had recently announced two Greenfield facilities, one in Supa region near Pune and other one in south India. We have completed acquisition of land for our new Supa facility near Pune and will be starting with construction work soon. We expect to operationalize the Supa plant by Q4 of FY22. 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 **consolidated financial highlights**.

On the revenue side, our consolidated revenue for Q3 FY21 stood at Rs.765 Crores as against Rs.788 Crores in Q3 FY20 almost flattish as compared to last year same quarter. In Q3 FY21 room air conditioner segment contributed 54% of total revenues while components and mobility application contributed 46% of the revenues.



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On the operating EBITDA side for Q3 FY21 we witnessed an operating EBITDA of Rs.62 Crores as against Rs.52 Crores in Q3 FY20. Operating EBITDA margins for Q3 FY21 stood at 8.2% as compared to 6.7% in Q3 FY20.

PAT for the quarter stood at Rs.28 Crores as compared to Rs.25 Crores in Q3 FY20, PAT margins for Q3 FY21 stood at 3.6% as compared to 3.1% in Q3 FY20.

Now coming to **standalone financial highlights** of Amber:

On the revenue side our standalone revenue for Q3 FY21 stood at Rs.576 Crores as against Rs.568 Crores in Q3 FY20 almost flat as compared to last year same quarter.

Operating EBITDA for Q3 FY21 we witnessed an operating EBITDA of Rs.42 Crores as against Rs.25 Crores in Q3 FY20. Operating EBITDA margins for Q3 FY21 stood at 7.3% as compared to 4.4% in Q3 FY20.

PAT for the quarter stood at Rs.18 Crores as compared to Rs.12 Crores in Q3 FY20. PAT margins for Q3 FY21 stood at 3.16% as compared to 2.03% in Q3 FY20.

Now coming to **subsidiaries financials**:

**Sidwal**, our mobility application subsidiary, Q3 FY21 revenues for Sidwal stood at Rs.44 Crores, operating EBITDA stood at Rs.9 Crores and margin stood at 21.4%. 9MFY21 revenues for Sidwal stood at Rs.120 Crores with operating EBITDA of Rs.27 Crores with operating EBITDA margin at 22.5%. Our railway and metro business segment has been able to withstand all the challenges from COVID-19, we have been able to acquire new orders and strengthen our order book despite week economic scenarios.

Motor subsidiary **PICL**, revenues for PICL stood at Rs.35 Crores for Q3 FY21, operating EBITDA stood at Rs.3 Crores and operating EBITDA margin stood at 7.7%. We expect some margin expansion over the next two to three years' time this is on the back of increase in product offerings and enhancement of our capabilities. We believe we will be able to cater domestic and export market in more meaningful way in the near future.

Our electronic subsidiary **IL JIN and Ever** for Q3 FY21 revenue for IL JIN stood at Rs.91 Crores and in Ever stood at Rs.33 Crores, Q3 FY21 operating EBITDA margin for IL JIN stood at 6.3% and Ever stood at 6.6%. 9M FY21 revenue for IL JIN stood at Rs.189 Crores and Ever revenue at Rs.95 Crores. 9M FY21 operating EBITDA margin for IL JIN at 5.3% and for Ever at 3.8%. 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



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of our in-house developed inverter PCB board for RAC industry, we have added four new customers in IL JIN and few more customers are in the proposal of approval.

To conclude I would like to reiterate that our constant endeavour would be to increase penetration and increase our wallet share in the existing customers, continuously add new customers, create a foothold in the exports market and **enhance our** products with new technologies by focusing on R&D. 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 Sankur from HDFC Life. Please go ahead.

**Sankur:** Good morning. Thanks for your time. Couple of book keeping questions first, one if you could tell us the AC volumes, which we sold during Q3 FY21 and last year if possible to split into IDU, ODU and windows?

**Jasbir Singh:** The total volume was almost flattish; it was 543,000 units as compared to 572,000 last year.

**Sankur:** Any split you can say Sir or is there something I know you have not been doing that?

**Jasbir Singh:** We actually avoid telling the splits.

**Sankur:** Secondly again on the standalone side the split between air con and component if possible we have given that consolidated?

**Jasbir Singh:** Components has contributed total Rs.163 Crores and room ACs have contributed Rs.412 Crores.

**Sankur:** Secondly also on the gross and net debt number and if possible the debtor number as well of the balance sheet?

**Sudhir Goyal:** So consolidated net debt number is Rs.263 Crores as on December 31, 2020 and last year it was Rs.343 Crores on net debt level and if I talk about the gross debt level, so gross debt is around Rs.471 Crores this year and last year it was around Rs.407 Crores. These numbers exclude data for current maturities.

**Sankur:** If possible the debtor number?

**Sudhir Goyal:** Debtors are at around Rs.650 Crores odd as against last year it was around Rs.550 Crores odd.



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- Sankur:** Just one question to Jasbir Sir, so now that from your commentary it seems like the inventory is largely kind of consume, when we look at some of the listed players their numbers also have been pretty strong at least on the primary, so fair to assume that as we get into Q4 of course we also have a lower base from last year we should start seeing strong growth combined on the room AC side?
- Jasbir Singh:** Sentiment overall is very positive, customers are bullish now given the Q3 results of primary sales as you rightly pointed out, so we are expecting decent growth in Q4.
- Sankur:** That is all from my side and thank you so much.
- Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial Services. Please go ahead.
- Praveen Sahay:** Thank you for taking my question. As you had referred the last call that the inventory level in the channel reached to pre-COVID level of five to six lakhs what is the situation right now because now we are past January so how is the situation in the channel inventory?
- Jasbir Singh:** There are two point of view here one is that many companies' brands have been able to push lot of inventory into the primary sales due to the expected cost increases of the product due to commodity and commodity impacts, so their inventory level is very less because they have been pushed quite a bit and some of the brands who did not push they have inventory level, but they are at a pre-COVID level, the standard inventory levels, which used to be earlier in this kind of scenario of December or January.
- Praveen Sahay:** Secondly as you had mentioned regarding the commodity prices, so this time we had seen a good improvement into gross margin, so what we are, is it possible to sustain these gross margin or commodity price inflation is going to get some pressure on that?
- Jasbir Singh:** We have been able to pass on the increase in commodity prices on a quarterly lag basis and the prime reason for the margin expansion is basically two factors to that one is the change in the product mix, which will be of course looks to be sustainable level, but another factor is that we had old inventories lying up with us, which were at a lesser cost, so moving forward we have got increases whatever increased in the commodity has happened, we have been able to successfully pass on that to our customers, so we expect this price variation clause to be applicable in future also.
- Praveen Sahay:** Okay and lastly Sir on the Pune expansion plan how big the facility and any details of that can you give me?



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- Jasbir Singh:** We have bought 10-acre land in Supa region, this is adjoining plot to Toshiba manufacturing plant and Carrier Midea plant, so in this 10-acre facility we will be constructing first about 2.5 lakh square feet area where the construction will start soon, maps are getting ready and approvals are getting in place after that we will commence the production. Production is expected to start by Q4 FY22.
- Praveen Sahay:** Any number on the unit how much you are going to do Sir?
- Jasbir Singh:** We will be having a facility of one million units to start with and some components also directly to be supplied to customers.
- Praveen Sahay:** Whether you are going to serve this PICL, BLDC motors here as well?
- Jasbir Singh:** PICL will directly serve to the customers, but not through Pune factory.
- Praveen Sahay:** Thank you Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Madhav Marda from Fidelity. Please go ahead.
- Madhav Marda:** Good morning. Thank you so much for your time. I had couple of questions. The first one was any updates on the side on the export like any movement that has happened in terms of the samples we sent?
- Jasbir Singh:** Good morning Madhav. On exports as I told in the last call also that there are two components part to export market one is our component facility where PICL has been able to crack orders and that is moving positively, in fact the margin expansion in PICL has also been contributed by some export sales and on the finished goods side calendar year FY21 we will be submitting our samples because the US markets have different type of construction required for air conditioners, they do not use side through window air conditioners, they do use top through window air conditioners and they do not have high wall mounted splits, they have a very different PTAC units, so that is under construction right now, I think March or April we will be submitting our samples and this calendar year 2021 is going to be validation period and next year is when we are expecting some orders to flow in for room air conditioners.
- Madhav Marda:** Okay, got it and the other near term question was this commodity cost inflation, which has happened could you give us a sense in terms of how it could impact room air conditioner demand in India for this season?



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**Jasbir Singh:** The commodity has short off the roof and I think at least about 5% to 7% range of cost increase on the finished goods side will be impacted. It is still to be seen as sentiments are very positive and not a very big inventory lying in the system right now, it depends on how good or bad the season would be, in anticipation of a good season I think that industry should be able to grab, but there has been incidents in the past when any sudden increases of 5% to 7% markets have taken about a year time to digest this, so it is like wait and watch scene right now, so let us see how it goes up, but yes there is some resistance by the retailers which I heard from brands that they are not happy with the situation, but then nothing can be done about it. It is not only for air conditioners segment but to all other segments like auto and construction other things also.

**Madhav Marda:** In general when these price increases happened the consumer will try to delay the decision by when to purchase the AC, is something like that happen I am just trying to understand what happens?

**Jasbir Singh:** It is difficult to say actually. If it is very good summer or I would say a scorching heat kind of a scenario then persons cannot wait, it is about impact of Rs.1500 to Rs.2000 per air conditioners will not matter, but for someone who is planning to may be replace his ACs or someone who is planning to shift from coolers on an EMI kind of a scheme he may defer it, so it will be a mix and match of both.

**Madhav Marda:** Understood. Alright Sir, I will come back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Amman Fenster from Newport Asia. Please go ahead.

**Amman Fenster:** Thanks for taking my question. I am just wondering about if you can comment on the current market share that you have and market share potential given that the new plant is coming up and you also said that you want to try to take the lion's share of the opportunity that the new policies will bring about so maybe you can talk about what the potential is for market share going forward?

**Jasbir Singh:** Good morning Amman. Basically, right now we are at 24% of the room AC market and in the ODM space also we have quite a substantial share of almost 70%. The gas charging facility as I explained that we have added six new customers so the opportunity I think we will be able to grab the majority part of it to begin in phase one. Now in phase two there could be two possibilities one is that larger companies may think of setting up their own facilities where we are already gearing up to serve component business to them and second one is where they are seeking for ODM supplies there is where we see long term contracts coming in for Amber, so in both the scenarios we will come to know about the strategies





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largely after this season now by July or August where we will be able to move in tandem with them, but we are looking forward to grab majority share in both the opportunities.

**Amman Fenster:** Second question is just about the export opportunity because it is early days for that so does that take like two years to ramp or longer, what will make India competitive in supplying globally beside the China Plus One strategy that some OEMs might undertake?

**Jasbir Singh:** In component side it takes about 18 months to 24 months for getting the validation done because the products like heat exchangers, inverter PCB boards or motors are such that they are reliability components. The final products' performance is dependent on the functionality of these components. So after crossing the validation period then it is a slow growth of share of business increase so that process has started. With some of the customers in PICL subsidiary, we have already crossed that validation period and now the initial orders have started coming in and I believe that in the next two to three years from now on the share of business will also start improving. On the finished goods side, the PLI scheme will play a very important role because that is where we are going to get incentives to a tune of 5% to 6% for the next five years so that will make us more viable. On the other side as I explained that we were not ready with the right product mix for those markets. Now within this year the calendar year 2021 we will be ready with the product mix and next year onwards we expect that PLI will also be notified and it will be right timing for the company to start getting eligible and more competitive for exports.

**Amman Fenster:** Great. Thank you.

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

**Dhruv Jain:** Thanks for taking my question. Sir I had a question with respect to the gas charging opportunities that you spoke about, what would be the volumes and margins for this gas charging business and by when do you expect manufacturing from the OEMs to actually move to India so if you could just walk us through the timeline for that?

**Jasbir Singh:** In phase one for the gas charging, imports which were earlier happening for almost about 2 million units has already started shifting because companies have started gearing up. Earlier they were not expecting that Indian government will come up with such kind of ban or barrier, non-tariff barrier, but it has happened. Quickly because it was announced just at a cusp of the season, I would say nothing was remaining apart from getting it gas charged so that has already started. Now looking into the longevity of this notification companies have started exploring different views. I think by August or September things will be very clear, which customer is looking for long-term manufacturing contracts with ODMs and which



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one would like to go for their own units, but yes as far as Amber is concerned, we would like to take advantage of both the situations.

**Dhruv Jain:** Sir the second question was with respect to PLI scheme, we know that the government has announced it, but the brands have also been putting up capex, they have been talking about putting up capex, so in terms of competition how do you see the brands manufacturing affecting Amber?

**Jasbir Singh:** Well, there are total 16 manufacturers in the country at present and 16 manufacturers catering to about 7 million market. So on one side markets are poised to grow at about 15% to 16% CAGR and on another side brands who have the manufacturing facilities already existing they would certainly like to take advantage of PLI and continue to manufacture in-house and take advantage of PLI at the same time, but what will happen is that most of the brands, which we are seeing who are manufacturers themselves and specifically multinational companies they are actually thinking to shift the geographies for the exports market to be catered from Indian operations. So there are some multinational companies who have operations in India for which Amber is already supplying components to they are talking of big numbers to shift exports to where in similar lines to what has happened in mobile phones where many of larger companies have shifted their geographies out of different parts of the world to India for catering and taking advantage of PLI scheme, so that is one shift we are seeing, which will happen and they will continue to manufacture for exports and for domestic manufacturing where Amber will benefit by supplying components to them and on the other side directly on the competition side yes we are seeing some news that brands themselves are planning to come into OEM or ODM outsourcing model, but then it will create a conflict for them being a brand and supplying to Indian market let us see how it poised out to be, but yes as far as Amber is concerned with the geographical spread having already 15 plants plus two new facilities coming up, we will be at a very strong foothold to cater to all geographies as well as in all the product mix category.

**Dhruv Jain:** Thanks Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Hiren Trivedi from Axis Securities. Please go ahead.

**Hiren Trivedi:** Thanks for the opportunity. One small question is on the schedule order book and the new orders during the quarter and what has been the performance of Sidwal during the quarter if you can just help me with that please?



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**Jasbir Singh:** So Sidwal has actually grabbed two or three new orders worth about Rs.120 odd Crores within this quarter and there was sluggishness in Sidwal on sales side because of slow uptake from railway side. I think post COVID level all the railway factories had a very slow uptake on the production side and hence the air conditioner requirement was also slow, but there is no change in the share of business and there is no cancellations of any orders and we are growing in the order book. In fact, the metro division of Sidwal is doing pretty well where we grabbed two new orders from DMRC and one more metro division for our air conditioners supplies.

**Hiren Trivedi:** That is fine. What will be the current order book be if you can help with that?

**Jasbir Singh:** So current order book as we speak is close to about Rs.400 Crores, which will be supplied in two financial years.

**Hiren Trivedi:** Thanks. That helps. Thank you Sir.

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

**Hitesh Taunk:** First of all congratulations on a very good set of recovery. Sir I have two questions. First of all Sir you talked about your new client additions around six clients you have added during this period which is very good, just wanted to know whether these clients are going to add revenue from the Q4 onwards or this client addition would start contributing revenue from the next financial year onwards?

**Jasbir Singh:** So these six new clients, which have been added is in the gas charging side where it is primarily not exactly a sales of manufactured air conditioners but just the gas charging part where it will be a sort of a job work kind of a thing. The production has already started, we are glad to announce that since December we have started it and now January and February, we are picking up from our Pune facilities and Jhajjar facilities, both of the units are catering for the gas charging part.

**Hitesh Taunk:** Okay and Sir one question this is a book keeping question. Sir can you please give us some Y-O-Y numbers for your subsidiary the Q3 FY20 numbers like you shared for Q3 FY21 numbers?

**Sudhir Goyal:** If I talk about for Sidwal only, so last year Q3 we did around Rs.69 Crores with operating EBITDA margin of Rs.18.2 Crores and in Ever it was Rs.59 Crores turnover with operating EBITDA of Rs.1.8 Crores and IL JIN it was Rs.66 Crores with operating margin of Rs.4.28 Crores and PICL it was Rs.43 Crores with operating margin of Rs.3 Crores.



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- Hitesh Taunk:** Thanks. Last question if I may squeeze in one of the last one Jasbir Sir this is for you what could surprise you positive or negative in the coming budget, one positive point or one negative point if you can say that will be very helpful?
- Jasbir Singh:** We are expecting some bit of announcement on the phase manufacturing programme, which was earlier talked about in various media reports also that is pending so air conditioner industry actually requested for gas ban, refrigerant fill air conditioner ban, which has happened then we also requested for PLI, which is under the way and the third one request was for the phase manufacturing programme where gradually expected custom duty increases on the component side and on the finished goods side so that could be expected. Our expectation is that we may hear something today and on the negative side is yes if there is a larger stress, which comes up, which hits a COVID stress or a big ticket, which actually goes negative for the consumer sentiments then definitely that can be a negative.
- Hitesh Taunk:** Okay that is all from my side Sir. If I have more questions I will come in the queue. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Pravin Swaminathan from Spark Capital. Please go ahead.
- Pravin Swaminathan:** Good morning. Thanks for taking my question. My first question is with respect to the two new facilities, which are coming in, is there a chance that we are likely to come under the PLI scheme and if you can give some more details on the PLI scheme we hear that close to Rs.3000 Crores would be for the manufacturing and Rs.2000 Crores for the components, etc., why cannot Amber set up a compressor facility also given the incentives, which I have given if you can give your broad thought process it will be great Sir?
- Jasbir Singh:** Well both the facilities yes will be able to take advantage of PLI scheme and we are hearing that the structure is still under formulation at the DPIIT. We expect that in February month we should have some draft guidelines coming out officially and then it will go for the notification. So from April 2, 2021 we are expecting the notification or may be by April 15, 2021. Yes both the plants should be eligible under PLI scheme and on the components side also our subsidiaries are also gearing up to take advantage of PLI scheme. Right now it is very difficult to say whether Rs.2000 Crores will be for components or Rs.3000 Crores until and unless the real structure and guidelines comes into place.
- Pravin Swaminathan:** Got it Sir and is there is any plan to set up a compressor facility I mean we are the largest kind of manufacturer here and compressor constitutes close to 30% to 35% of the value with 5% to 6% advantage, which is being given are there any thoughts on that?



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**Jasbir Singh:** Well to be honest we actually are waiting for the PLI to come out and after that we will decide. It could be a possibility that we may go in for some kind of a joint venture with some customer or may be some compressor manufacturer if it comes to putting up a compressor plant.

**Pravin Swaminathan:** Got it Sir and my next question is with respect to HVAC space so how much have we forayed into it and what is the opportunity there, what percentage of our revenues are coming from the HVAC space if you can give us a broad thought process?

**Jasbir Singh:** So room AC is also part of HVAC that is contributing about 54% in the revenues and we have recently started our commercial air conditioner line with 3.5 and 4.5 tonne units that has already started and we are building up new products to add to go to about 17 tonnes. In the next two years we will be coming up with about 22 more products in that category catering to the complete commercial and industrial applications that is one part. On the other side on the HVAC mobility applications is contributing about 5.5% in the revenue now and it is also moving positive.

**Pravin Swaminathan:** Got it and this commercial refrigeration can it be a big number to our topline basically and do we need any capex for that because it is in the 3, 3.5, 4 tonne and up to 17 tonne you had mentioned right and that is a pretty sizeable market so can it be a big number to our revenue?

**Jasbir Singh:** Yes so we are the first company, which has started offering ODM solutions in this category, so I think customers are wanting ODM who can completely come up with a complete product range, so once the complete product range is completed within the next two years then it is going to be a good opportunity the space is very interesting and by that time and right now it is happening is because of the COVID situation I think the commercial buildings and the other part have taken a toss, so probably that is little bit going on the slower side, but in the next two years at one side we will be ready with the product basket complete product basket to be catered and on the other side the markets will come back to normalize level in the commercial space also so I think that will be right timing for us.

**Pravin Swaminathan:** Got it Sir and my final question with respect to exports, exports today is what portion of revenue and over a two-to three-year period how much it is likely to be?

**Jasbir Singh:** It is very difficult to forecast what would be the revenue contribution in the whole balance sheet moving forward, but what we can say is that we are very serious, and teams are getting very positive responses from the customers. Exports moving forward in mid to long term basis will contribute significantly in the balance sheet.



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**Pravin Swaminathan:** Currently how much it would be Sir?

**Jasbir Singh:** It is less than 1% it is very miniscule right now.

**Pravin Swaminathan:** Thanks.

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

**Keyur Pandya:** Sir first question just to get sense how has been the momentum in January if you can throw some more light as you used to mention from October and November so how is it tracking year over year as far as volumes are concerned that is first and second question is on PICL I think 30% is export for PICL as of now so based on say export orders how do you see this directly changing in the near terms say by FY22 or FY23 that are the first two questions?

**Jasbir Singh:** So January has been pretty positive and we expect Q4 also to be positive. I think moving in line to the positive sentiments, which are right now in the country as far as consumerism is concerned and on PICL side we also I think have confirmed it last call also that that we are expecting to double our revenues in PICL in the next two to three financial years. We are very much on track and right now exports have started contributing about 20% of the PICL revenue so we expect that this percentage to go up to about 30% to 35% as we move ahead in the next two to three years.

**Keyur Pandya:** Is it not 30% already?

**Jasbir Singh:** It keeps on changing actually with the product mix sometimes it is 20% sometimes it is 30% depending on this.

**Keyur Pandya:** Okay. Sir just two followups. First is on as to whatever price hikes we have taken say in Q4 with the current situation it covers all the inflation or we can expect any margin pressure on that and what are margin improvements that we have seen over here, any specific reason that you can assign for that and how sustainable it is?

**Jasbir Singh:** Well we are working on all the fronts. There has been some bit of cost rationalization also during the pandemic, which will continue and as far as the price variation clause is applicable in all the costing front and we have been able to pass on entirely whatever the costing has been done there were some customers where there was a lot of resistance seen while increasing and it did not happen in the very first day of January it happened by the mid of January, but it has happened now, so in Q4 I think the complete impact of commodity that has impacted us has been passed on.



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**Keyur Pandya:** Okay thank you and Sir just last question on the IL JIN and Ever side so more color on how the PCB development is going on, any plant addition or how the trajectory you are seeing for ramp up on the clients addition and including the non-AC port and non going for 42:15\_ IL JIN and Ever?

**Jasbir Singh:** IL JIN and Ever is moving positive. You must have seen that Ever has come back very strongly in the margins also from last year 3.5% to almost 6.5% now. Ever and IL JIN are now parallel to each other in terms of margins because of the product mix change and because of our ODM products gearing up and we have added larger customers, in fact Voltas has been added in IL JIN and Ever, Blue Star is there now and it is moving positive so we have reached to a mass production scale and few more customers are in touch with IL JIN where validation is happening right now and as the validation period will finish the mass production will start.

**Keyur Pandya:** Voltas and Phillips has already crossed commercial orders?

**Jasbir Singh:** Yes. These are commercial orders.

**Keyur Pandya:** I am done. Thank you.

**Moderator:** Thank you. The next question is from the line of Manish Agarwal from Edelweiss. Please go ahead.

**Manish Agarwal:** Good morning Sir. Two questions from my end. First is like couple of brands have reported numbers have shown very good growth in their AC divisions specifically like Havells and Blue Star so just some color on our growth has not been that great I understand there would have been some pickup towards December because of the imminent price hike, but is there something else that we should be looking at and Sir also the capex guidance for 2021, 2022 and 2023 that we are looking at for these two plants?

**Jasbir Singh:** So we are actually at the last leg of the supply chain. When pandemic hit, there was almost an inventory level of 2.4 million in the market so first that got consumed and then the inventories, which were lying at customers end that started getting consumed and now we have started getting orders so Q3 became flattish that was very positive for us. In fact Q3 we saw that brands did very positive so that means their inventory has started getting liquidated and I believe that now we will move in tandem with the industry growth whatever happens. Your second question was regarding?

**Manish Agarwal:** Capex Sir.



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**Jasbir Singh:** Capex so in the two plants we have earmarked Rs.300 Crores to be invested out of which the land portion has been bought so close to about Rs.15 Crores has already been done and remaining we will now do. It will be started. I think in this financial year and next financial year plus next to next financial year it will be about Rs.300 Crores will be invested in these two plants.

**Manish Agarwal:** Sir basically followup from the first question so basically Q4 will be a very good quarter for us I mean the channel inventory plus the brand inventory is normalized Q4 should be a good quarter because we have a good lower base and it is pre summer and then inventory is in our favor for that matter?

**Jasbir Singh:** Yes, all things are looking positive, sentiments are positive, winters are not looking to be elongated this year, but again the only deterrent, which can happen is the price increase how the markets accept the price increase of 5% to 7% on the finished goods side so that is yet to be seen.

**Manish Agarwal:** Thank you. That is all from me.

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

**Nirav Vasa:** Thank you very much for the opportunity. Just wanted to check most of my queries have been answered I wanted to check on the status of the new plant that we intend to set up in South India, so any finalizations on that locations or anything on that?

**Jasbir Singh:** Well actually I am travelling tomorrow to finalize the land piece. We are going for a Sri City as a location for again 10 acres facility and that is how we will proceed in South India.

**Nirav Vasa:** Thank you very much Sir.

**Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Security. Please go ahead.

**Amber Singhania:** Thanks for taking my question. Sir my first question is PLI as we said that our new plant as well as the subsidiary will also be eligible so is there any restriction in terms of number of licenses similar to what we have seen in mobile side and what kind of timeline we are seeing from the government side to get it finalized Sir that is my first question?

**Jasbir Singh:** So on component side, I do not think there should be some restrictions because that is the prime objective of PLI to create a component ecosystem. Local value add in our sector





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today is only 25% and PLI will address the larger part of that so this 25% should go to 75% in the next five years time after all the kind of components, which are getting imported should get started in manufacturing, but it is still not clear under how many will they restrict to the number of licenses until and unless the guidelines comes or there could be some threshold limits where somebody may not be eligible or somebody can be eligible so it is yet to be seen, but I think as far as Amber is concerned and subsidiaries are concerned, we should be able to participate in all categories for the components and finished goods both.

**Amber Singhania:** Any timeline on that?

**Jasbir Singh:** What we hear from different media reports and from the departments is that right now it is under formulation. In February they will come up with some draft guidelines and then it will go for notification, which may take another two months time.

**Amber Singhania:** My second question is related to the same when we will see PLI getting rolled out most of the brands will also participate in that what we understand so is it fair to understand that going forward post PLI our room AC shares will come down and the component will go up to cater to those brands because definitely they will be going for more in-house manufacturing of the finished goods?

**Jasbir Singh:** So it cannot be forecasted that way as I explained earlier. I think this question was asked previously also that there are 16 manufacturers in India and out of which 11 are the big brands, so the bigger brands will continue to manufacture on their own where Amber is supplying components and because of our geographical presence spread and the product mix spread the ODM part will also be growing so we do not see any larger shift there, but in case that happens Amber is well poised to serve in components also and I could say that we are having better margins than components so there could be some margin expansion if that happens what you are saying.

**Amber Singhania:** Okay and lastly Sir on the gas charging side you mentioned that you are putting up the facility for gas charging also, if you can just share some color about how much capex you will be incurring on that and what kind of margins and size of opportunity this would be?

**Jasbir Singh:** So there is hardly any capex going for gas charging pertaining to only gas charging facility because these are the only gas charging lines and they are fungible they can be used in any of the plants later on, so Jhajjar already had lines and Pune already had lines we have just added two new lines looking into the requirement for this season and not a very big capex, which will be going on for that.

**Amber Singhania:** Opportunity size and margin in this?



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- Jasbir Singh:** We cannot comment on the margin right now because all customers are at different margins looking into volume and looking into the timelines and everything, but yes I would say it is pretty positive as to what we are doing right now.
- Amber Singhania:** Sure thanks Sir. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.
- Nitin Bhasin:** Good morning. I have two to three questions. One is the compressor sales for the first nine months and where are we in terms of making some sort of a change in payment or time periods in which the customers pay you for compressors because that actually elongates better cycle?
- Jasbir Singh:** No. Compressors are supplied by customers to us so we pay them when we get paid so that has been going on for quite a long time and that is what has continued now also.
- Nitin Bhasin:** What is the compressor sales in the nine months roughly?
- Jasbir Singh:** Compressor sales we do not track because it is completely bought by customers themselves, but what we track is the imports, so I think imports have been in line with the compressors. For us our compressor purchase was about Rs.148 Crores from customers.
- Nitin Bhasin:** Sir if you were to set up a compressor joint venture as you mentioned at some point in time in the future any sense on what kind of a capex would be required for let us say even a 50:50 joint venture if we were to do and how much time will it take, you must have done some sort of a proforma study analysis and how much time will it take to actually produce one year, two year or three years?
- Jasbir Singh:** If it comes with a partner who is ready to shift their lines then it will not take more than a year, but otherwise if you have to put up a Greenfield facility starting from scratch and it will take at least 18 months to 24 months to set up a compressor facility. The capex requirement for compressor for about 2 million compressor facility is close to about Rs.250 odd Crores.
- Nitin Bhasin:** Presently India's all compressors are by the Chinese is it and the Japanese, so if you could help us understand that Dream, Idea, etc., and Highly, they are anyway on their own right now in one way or the other, which are the other players, which can potentially be a joint venture partners hypothetically?



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**Jasbir Singh:** It will be very difficult to comment on this question Nitin because you know it is like NDA situation, which is signed before you talk on that, but yes I can give you color on how many manufacturers in the world. There are about eight to nine manufacturers in the world largely of compressors like Panasonic manufacture compressor on their own, LG does it then we have Highly, which already is in India, which is a Chinese company, and GMCC, which is the largest compressor company of room AC in the world that has already come in India. Then Dream manufactures compressor, Toshiba manufactures compressors, so these are the compressor manufacturers where you can do some kind of alliance if we feel that we should come into the compressor plant.

**Nitin Bhasin:** Already Highly, GMCC and Dream have plants or are present in India?

**Jasbir Singh:** No, only GMCC and Highly is present in India in fact the GMCC plant was expected to be operationalized, but because of this pandemic and visa restrictions I think that is on hold right now, so currently there is only one manufacturer which is operational which is Highly.

**Nitin Bhasin:** The last question would be any break into any other consumer, but I remember one or two quarters back you were talking about how your dependence on washing machines, etc., for through motors or for that matter even IL JIN, Ever and possibly could increase, any sense on any developments around that in your other consumer durables?

**Jasbir Singh:** So we have actually been given a go ahead by Voltas Beko for refrigerator and washing machine components and then as we have bought Supa plant is going to be next door to Toshiba facility so there also we will be catering to refrigerator and washing machine components also in future and in motors yes we have started the washing machine motors, but we are getting resistance on the costing front because right now there is a disability in the price point, there are two customers who are ready to handhold us for next two, three years and if PMPs are announced that will be positive for the motor plant or even in PLI also we will be able to then crack into those kind of things.

**Nitin Bhasin:** In washing machine and refrigerator what sort of a per unit cost opportunity do you have today as per your capabilities?

**Jasbir Singh:** See in washing machine we are supplying washing machine tub assemblies and inverter PCB boards and also some of the injection molding components so all put together if we see, I mean, I think we can and motor contributes to a pretty strong bill of material parts, so I think we can cater to at least 25% of what washing machine manufacturing.

**Nitin Bhasin:** Refrigerator?



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- Jasbir Singh:** Refrigerator again we are into sheet metal, we are into door liner and case liners vacuum foaming and then we are into electronics, so three categories of products which we are into again in tune of 20% to 25%.
- Nitin Bhasin:** Right now any dependence in refrigerators anything?
- Jasbir Singh:** If you see the revenue mix almost about 20% of revenue is coming from non-AC components which are largely washing machine and refrigerator and microwave ovens.
- Nitin Bhasin:** Today client any one or two like is it Godrej, is it who is it today?
- Jasbir Singh:** Refrigerator we are catering to LG, we are catering to Godrej and we are catering to some time we cater to Whirlpool also for the extruded sheets, we are exporting other extruded sheets also and then on washing machine we have clients IFB is our client, Panasonic is our client, then now Voltage Beko has approved us and LG is also working with us in washing machine space.
- Nitin Bhasin:** This is largely semi-automatic washing machines right?
- Jasbir Singh:** No. Electronics goes for both semi-automatic and top loading.
- Nitin Bhasin:** The last one for me in terms of tomorrow later what stops you now because having so much of dependence and clients also why would you not get into let us say our washing machine fully what you are doing with the ACs right now or do you just want to not do it for the next two, three years, you are going to focus on anything?
- Jasbir Singh:** No, I think we have quite a good opportunities coming into our own space where we are right now where we belong to so that is going to be a very interesting space in at least for next three, four years so we want to be very focused, we do not want to get into a space where we need to just test waters but we want to be already be more aggressive in our own space giving solutions of comfort cooling products wherever human being needs starting from households to offices to mobility applications and to industrial and commercial applications everything.
- Nitin Bhasin:** Great, thanks Jasbir for that. Thank you.
- Moderator:** Thank you. The next question is from the line of Lokesh Garg from Credit Suisse. Please go ahead.



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- Lokesh Garg:** I just wanted to ask you in terms of and some part of this question already got discussed which is IL JIN and Ever capabilities in terms of PCB is quite generic apart from obviously having your own ODM solution for inverter boards for ACs what are other product categories where these PCBs are going and can go if you take outlook of two to three years and where are we in that progress subjectively and in terms of a milestone?
- Jasbir Singh:** Well, we have received a couple of inquiries from networking equipments from CCTV markets industry and fan industry because fan industry is now moving towards inverter fans, so we are looking to address those within IL JIN without doing any capex.
- Lokesh Garg:** What is the proportion of your own designed PCB board that goes today?
- Jasbir Singh:** We just started that. It took us about two years to develop our own PCB and we have just done a mass production so I think we will be less than 10% of our revenue right now as far as ODM is concerned, but next two to three years time we should be about 50:50.
- Lokesh Garg:** You started a new type of motor I think Nano motors or IC motors in PICL, any success that you have achieved in terms of some customer acceptance, milestones what is the market opportunity either looking at just India for both of these type motors combined together?
- Jasbir Singh:** We were not present into indoor motors that has started and indoor motor was largely imported so we have come up with one model right now and another three models are getting developed by June those will also get developed and then that is when where we see BLDC motors playing a big role in the revenue of PICL also.
- Lokesh Garg:** Okay sure thanks Jasbir.
- Moderator:** Thank you. Thank you, the next question is from the line of Aditya Bhartia from Investec. Please go ahead.
- Aditya Bhartia:** Sir it has just happened on the PLI scheme if the scheme is in a similar form as mobile phones these incentives may be available on incremental revenues. Now Amber Already has a very strong base with this high market share and revenues does that mean that it will get incentives not only existing revenues, but only on incremental revenues that it can generate and from that perspective from a brand owner's perspective or from a customer's perspective they may get incentives only on a very small proportion of overall business that we get to Amber is that how it may work out?



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**Jasbir Singh:** So it is difficult to say until guidelines are not published Aditya, but yes you are rightly saying that it will be for eligibility you will have to bring in incremental investments, for incentives you will get on incremental sales. Now until and unless the structure is formulated and disclosed by DPIIT I would not like to comment, but yes from incremental sale perspective they will take a pragmatic view on the investments as well as on the incremental sales, but we should be able to generally grab the share because of the ODM category, there could be a shift also from some of the players who may not do capex themselves they may adapt outsourcing model and take advantage of PLI.

**Aditya Bhartia:** Sure understood and secondly on the export opportunity while you have given a very good qualitative flavor on how it may pan out anything that you can share how would you like the export opportunity to pan out over the next three years can it contribute to like 30% of overall revenues of the company or will it be a slower progress?

**Jasbir Singh:** Well we are taking baby steps in exports we just started last year and I think we have done good we have started tracking customers and some validation periods are getting over and getting good traction so to give a comment that how much it will contribute on balance sheet it is very difficult to forecast at this moment of time, but yes once we have now global aspirations if we want that now government is also supporting us in PLI terms so we should be able to take advantage of that and we expect that at least in next four to five years time somewhere about 10% to 15% revenue should be contributed by exports.

**Aditya Bhartia:** Understood Sir that is very helpful. Thank you so much.

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

**Jasbir Singh:** With the growth opportunities we foresee on the domestic and export front along with government support, we believe we are well positioned to capitalize on this opportunity. Thank you everyone for joining us, I hope we have been able to answer to all of your queries in case you still further require any details you may please contact us or our Investor Relations advisors, SGA Strategic Growth Advisors. Thank you very much and have a good day ahead.

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