



**Amber Enterprises India Limited**  
**Q4 FY2022 Earnings Conference Call**  
**May 13, 2022**

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**MANAGEMENT:** **MR. JASBIR SINGH – CHAIRMAN & CHIEF EXECUTIVE OFFICER – AMBER ENTERPRISES INDIA LIMITED**  
**MR. DALJIT SINGH – MANAGING DIRECTOR – AMBER ENTERPRISES INDIA LIMITED**  
**MR. SUDHIR GOYAL – CHIEF FINANCIAL OFFICER – AMBER ENTERPRISES INDIA LIMITED**  
**MR. SANJAY ARORA – CHIEF EXECUTIVE OFFICER (ELECTRONICS DIVISION) – AMBER ENTERPRISES INDIA LIMITED**  
**MR. SACHIN GUPTA – CHIEF EXECUTIVE OFFICER (RAC & CAC DIVISION) – AMBER ENTERPRISES INDIA LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 and FY2022 Earnings Conference Call of Amber Enterprises India Limited. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in 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 & CEO of Amber Enterprises India Limited. Thank you and over to you Mr., Singh!

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

In the past two years, the growth in consumer durables was impacted due to COVID-19, induced lockdown in peak summer season. Now with weakening of COVID-19 intensity coupled with harsh summer across India consumer durables are experiencing a robust demand. The summer season is a critical period of appliances like AC. Almost 60% plus of the annual demand is met during the five months period that is from mid January still almost June and July.

Demand from B2B segment has improved in the last couple of months lead by reopening demand from schools, colleges and institutions. This trend is expected to continue for near to medium term. March to April has seen good momentum in urban as well as rural areas, which has further strengthened the demand environment. As the economy was recovering from COVID related impacts the geopolitical tension created due to war between Russia and Ukraine has lead to inflationary pressure on commodity prices including the crude oil. Further COVID induced lockdowns in China has lead to supply chain disruption, which has further added to the pain of the economy and availability of raw material for the components.

However we have been able to pass on majority of the prices and been to largely maintain our profitability. Another event which is being closing watched is BEE table revision which is going to be implemented by July 1, 2022. The customers are cautiously planning on volumes. We at Amber are fully geared up to address this stable revision. All our model



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lineup is ready and expect smooth transition to new table providing full energy efficient products to the markets.

I am pleased to report that the company generated record sales of almost of about Rs.4200 Crores. This is achieved highest ever revenue for the full year. After two years of slowdown, we are witnessing a robust demand comeback. Pre-COVID industry was at 7 million sets in 2020 which fell to 5.2 million sets and in the financial year gone by it has risen again to 6.4 million sets. Looking into strong demand due to peak summer we expect industry will demonstrate nearly 30% plus growth trajectory.

We at Amber are excited to see this jump in demand and are confident of outgrowing the industry. At our best estimates basis total size in the value terms of the industry is about Rs.17000 Crores; however, the manufacturing contribution is about Rs.12000 Crores. Looking into our wide offering of components to the industry our value contribution in RAC sector for both finished goods and components is around 26.5% as of today. As the component contribution with our customer is expanding along with CKD and SKD offerings, it is more relevant to look at value based contribution from here on. The company is providing very comprehensive and integrated solutions in component space and finished goods space.

We are glad to share that our revenue spread today stands at almost 50% - 50% level in respect of RAC and components and other businesses. Earlier this level was 76% and 24% in 2018 at the time of our listing.

Another important update during the quarter was on acquisition of 60% stake upfront in the equity share capital of Pravartaka Tooling Services Private Limited which is engaged in the business of injection mould tool manufacturing and injection molding components for various applications. This acquisition will help our company to have in house capability of injection molding tools, manufacturing and grow its components segments with focus on providing more diversified solutions of injection molded components for industries such as automotive, electronics, and consumer durables.

Now moving on to the divisional performance, **RAC division**, we were able to convert few customers from the first phase of gas filling to offering completely built units CBU's for our RAC which began this fiscal year. New customers have been added in this division. On the commercial RAC side, we have added entire product line up of commercial ductable ACs as well as cassette ACs, which we have started to offer to our existing customers. In the motor division, we have increased our products offerings to our customers by adding new models



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for both the domestic and international markets, very strong order book due to addition in new products, customers and geographies.

Our **Electronics division**, which comprises of ILJIN and EVERwe have added new customers and have started supplies for new age applications of smart wearables and hearables furthermore as the market is moving rapidly towards inverter ACs, we are confident of growing our revenue share from electronics division going forward.

On the **component division** we are adding new products, new customers and new geographies and our recent acquisition of Amber PR and Pravartaka Tooling is also part of this division. We are witnessing good business traction and integration is happening smoothly. On the mobility application which comprises of Sidwal we have on boarded new customers who are global leaders in this segment. We are progressing well with new product developments for various business segments. Recently we added products to cater to the data centres in this division. Our order book today in mobility division is very **(audio cut) 07:45**

**Sudhir Goyal:**

Thank you and I think apologize for this disruption. I will now take you through the consolidated financial highlights. On the revenue side, our Q4 FY2022 revenues stood at Rs.1937 Crores versus Rs.1598 Crores in Q4 FY2021. FY2022 revenue stood at Rs.4206 Crores versus Rs.3031 Crores in FY2021.

On operating EBITDA side, Q4 FY2022 operating EBITDA stood at Rs.133 Crores versus Rs.147 Crores in Q4 FY2021. FY2022 operating EBITDA stood at Rs.296 Crores versus Rs.229 Crores in FY2021. Operating EBITDA margins for Q4 and FY2022 stood at 6.9% and 7% respectively. Q4 FY2022 and FY2022 operating EBITDA does not include ESOP expense of Rs.4.08 Crores and Rs.15.67 Crores respectively.

On the PAT Q4 FY2022 PAT stood at Rs.59 Crores versus Rs.76 Crores in Q4 FY2021. FY2022 PAT stood at Rs.111 Crores versus Rs.83 Crores in FY2021. All divisions are ready to take advantage of multiple opportunities. Our goal is to capture the bulk of room AC and HVAC and component market share. We feel that this opportunity will boost our position in the domestic market while also providing a solid foundation for export markets going forward. That is all from my side. We are happy to take Q&A from everyone.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravi Swaminathan from Spark Capital Advisors. Please go ahead.



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**Ravi Swaminathan:** Good evening. Sir my first question is with respect to the mix of room air conditioners and components? How much was it during the financial year FY2021-FY2022 if you can do a broad breakup?

**Jasbir Singh:** Mix of room AC and RAC components or room AC and only components all put together.

**Ravi Swaminathan:** The components and the entire kit so basically if you can give the breakup?

**Jasbir Singh:** Actually what happens is when customer asks to give them the semi knocked condition or CKD condition that becomes a component for us. That does not go in for the finished goods category. Finished goods is very different, but if I talk about full year RAC room AC is Rs.1975 Crores and components have jumped to Rs.2231 Crores including mobility application.

**Ravi Swaminathan:** Including mobility application yes?

**Jasbir Singh:** So if you reduce mobility application which is Rs.289 Crores so almost similar size so almost about similar size of RAC is the components now.

**Ravi Swaminathan:** Got it Sir and with respect to the say the price increase that we would have taken over the past 12 months what would have been the magnitude of that and are there further price increases are they on the cards given the fact that demand for the summer is likely to be good so how is the price increase likely to be going forward and the kind of magnitude of increase which are likely to be associated with the BEE norm change also if you can talk about that? My next question is with respects to the price increase Sir past 12 months what kind of price increase that we would have taken and is there any further price increase that is likely to be there on cards given the fact that demand is being good and what kind of price increase is likely to happen across products due to the BEE norm change?

**Jasbir Singh:** So Ravi on the price increase because of the commodity increases in various quarters we have been able to pass on to our customer on quarterly lag basis so as of now if I see in the last three quarters, I think in totality of course it will vary from model to model but on an average I can say that somewhere between 8% to 9% is the price increases which has happened and on the BEE front which is going to be implemented from July 1, 2022 every model will have a different kind of a price increase when the new table gets implemented but somewhere we should expect finished goods getting expensive by at least Rs.1000 to Rs.1200 on a model to model basis.



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

**Naval Seth:** Thank you very for the opportunity Sir. I have two questions the first the clarification. Actually the revenue what you stated about RAC seems like a 3% decline on Y-o-Y basis so is my calculation correct and if yes what was the volume number for Q4?

**Jasbir Singh:** No in fact Naval basically there is almost about 22% jump in the RAC complete numbers. As I explained that is Rs.1975 Crores, last year it was Rs.1621 Crores just the RAC.

**Naval Seth:** Sir I am talking about quarter because I had deducted three quarters from your annual and Q4 I am talking about?

**Jasbir Singh:** Q4 I think we will come back to you because we have to just evaluate exactly because we need to still strip down the components and the kits front plus the finished good stuff category.

**Naval Seth:** Understood but any volume number you can share for Q4?

**Jasbir Singh:** Q4 yes we have done about 1.5 million numbers as of finished goods are concerned, kits and semi-knockdown conditions are there other than that

**Naval Seth:** Understood and second question on your gross margin so if I look at your standalone gross margins have kind of compressed to 10.5% which is kind of lowest since the time you have got listed so as you stated that large part of the cost increase has been kind of done with so it fair to assume that Q4 there was a lag and hence there is a pressure in Q4 margins or this is something which will continue as a new normal going forward?

**Jasbir Singh:** Naval we need to see that last three quarters on a quarter lag basis we have taken increases of about 8% to 9% but the last quarter which has just finished that number will be implemented in this quarter so there is a lag of one quarter so one quarter is missing. I think this trend if the commodity keeps on increasing in the similar fashion this will continue but if the commodity stabilizes then we will come back to our normal position back, over a period of four quarters.

**Moderator:** Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

**Bhoomika Nair:** Good evening Sir. Sir just to continue the previous quarter in terms of price hikes? You mentioned 8% to 9% increases so far? What would have been the cost increase and what



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further price increases are required to take back our margins trajectory to an 8% level which is what it used to be historically at?

**Jasbir Singh:** If you see on a yearly basis Bhoomika we are at 7% now and if I add up the quarter lag which is one quarter difference we should somewhere about the same percentage so getting back to the similar portion of course as I explained to Naval that in case the commodities keep on going northwards, we will always have a quarter lag. There will be one quarter where we will not be able to pass but once this commodity cycle stops then of course we will come back to our normal position cycle.

**Bhoomika Nair:** Sir right now what is the price lag of that one quarter which is yet to be passed on?

**Jasbir Singh:** So in this I think close to about 2% to 3% is the total overall basis because in a yearly if I see there is a total upwardly movement of close to about 11% to 12%.

**Bhoomika Nair:** Okay Sir the other question is on the subsidiaries? We have seen a fairly strong performance and we are looking at export opportunities as well for PICL as also from AC perspective if you can just give some more color on where we are on that entire export growth story?

**Jasbir Singh:** So in motors we have actually demonstrated almost about 81% of increase in revenue and the bottom line is also now very healthy as guided earlier we have achieved that from Rs.131 Crores we have already touched Rs.236 Crores and exports is moving fine. We have been able to do almost about close to about 1.5 lakh motors export to Middle East and to US markets and we expect this numbers volumes to double in the current financial year. So export is going very well. There will be 100% jump in value and volume in motors as far as the exports are concerned because now we are raising our share of business with the customers where we were earlier just having a foot in the door.

**Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead. Due to no response, we will move to the next question which is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

**Sonali Salgaonkar:** Good evening and thank you for the opportunity. Sir my first question is regarding the volumes. Could you help us with the volume numbers for RAC for FY2022 versus FY2021 and the industry as well and Sir also an extension to this what will be our guidance for volumes or even for the margins considering that you have mentioned that the price hikes that we have taken in Q4 is set to benefit us in the next quarter?



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**Jasbir Singh:** So basically as explained that industry was at 7 million and then fell to 5.2 and now as per our best estimates industry has closed at 6.4 million so from that perspective if we see I will hand over to answer Sachin is going to answer this question as far as the volumes are concerned for the complete division of RAC and how the trajectory is going to be. Sachin over to you.

**Sachin Gupta:** As we discussed in line to the industry like estimate is around 6.4 million so the same number for Amber stands to a tune of like 2.6 million so we had estimate of somewhere around 2.8 to 2.9 million when the order book was almost there in place but as we know that there was lot of supply chain issues from China so there are a lot of customers who could not supply us the compressors and controllers on time so that was the lag that may be reflecting in the next quarter.

The second thing is that if you see the energy rating table is scheduled to be implemented from January 1, 2022 so in line with that we have seen that the window as the category has come down so for us if I see that indoor contribution has increased and the outdoor structurally has changed so there are a lot of customers who are asking us it in a modular kit form so that is why it has moved from finished good to the component category and that is why you can see the split today stands at 50:50 so this is on the number sides.

**Sonali Salgaonkar:** Sir on the guidance side?

**Sachin Gupta:** Sorry.

**Sonali Salgaonkar:** Guidance Sir if any?

**Sachin Gupta:** Guidance probably industry somewhere is posed to like industry is talking of 30% growth so it should be landing somewhere around 8 million to 8.2 million industry size.

**Jasbir Singh:** Sonali what we have done recently is because of this larger shift structurally into more components business for us we have started looking at our market share from a value perspective so that is more relevant now because components is playing a big role and if you see room AC and the room AC only components, I am taking out all the other businesses. I am not considering refrigerator, washing machine, microwave or mobility applications. Only RAC and RAC business that today holds on we have a strong market share of 26.5% and I think we should be able to add at least 100 bps into this market share going forward because our components strategy is moving very, very strong.



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**Sonali Salgaonkar:** Got it Sir. Sir my second question is any update on PLI would like to share and also our capex number?

**Jasbir Singh:** So on PLI we have been already approved for Rs.400 Crores, Rs.100 Crores in ILJIN and Rs.300 Crores in Amber. The first financial year investment threshold has already been achieved by us. Now current financial year we will have to bring incremental sale on which we will start getting 6% benefit by the next year so next year will be the first year when we will start getting incentives from the government back and on the capex front, on the complete consol basis in the whole group we have done Rs.415 Crores capex including all our subsidiaries. This includes maintenance capex as well as R&D spends plus the new Greenfield facilities which are coming up. That is the capex which we have done.

**Sonali Salgaonkar:** Sir in FY2023 what capex to expect?

**Jasbir Singh:** So our Sricity plant is now almost under completion so that capex some part has gone last year completed now this year so we will. If I talk about all six subsidiaries plus Amber put together including the Greenfield facility of Sricity which is there, which is going to be completed this year we should be closing somewhere about Rs.350 Crores to Rs.400 Crores on the capex front this current year.

**Sonali Salgaonkar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** Good evening Sir. Sir the first question is you did mention that on the commercial side you recently launched some solutions for the data centre market so what kind of solutions are we providing because if I understand most of them are large size, high cooling chillers which are there so what are our solutions in this segment if you can elaborate and who are the customers with whom we are working?

**Jasbir Singh:** So these are not the chillers part. This is basically machine cooling solutions which we have developed. All the customers are multinationals in this case. I will not be able to name them because we have NDAs with them but we are glad to share the first PO has come and this is going to be a decent business contribution in Sidwal moving forward.

**Renu Baid:** What would be in to us from a perspective what will be the average ticket size of opportunity for us, typical say 5 megawatt or a 10 megawatt kind of data centre capacity?



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**Jasbir Singh:** This goes into the series of the racking system where this is purely a precision air conditioning which goes into the complete server racks. This is not the building data centres. You would need a chillers kind of a thing.

**Renu Baid:** I understand the product now.

**Jasbir Singh:** These are the products so these products are in various kilowatts capacity from 12 kilowatts. It goes from further down also 8 kilowatt to may be 14 kilowatt to 15 kilowatts depending on the rack size so the normal ticket size of this is about Rs.4 lakh to Rs.5 lakh.

**Renu Baid:** Related to this just one follow-up so this we are doing as an ODM solution or largely we are doing it for a couple of MNCs who were earlier importing and we are doing it as a local sourcing arrangement for them?

**Jasbir Singh:** No we have developed ODM solutions and as import substitute all.

**Renu Baid:** Got it. Sir the second question is as in your comments did mention about targeting diverse and markets now while earlier they were looking across components more focus around HVAC solutions? Some of the acquisitions on the automotive side increasing the presence and other initiatives that you mentioned so what is the business strategy on the components especially if you see the EMS space across multiple sectors and industrial and automotive we see the market opening up in a big way so what are our plans for the electronics business and the components to focus on the core HVAC business or actually go big on the overall EMS market in terms of the opportunities unlocking actually?

**Jasbir Singh:** Renu we are a very comprehensive integrated B2B solution provider and now since the divisional concept has come in, in the company every division be it room AC, be it motor division, electronics division, components or mobility they are growing on a very simple four pillar strategies. They are bringing up new products for different applications not necessarily for AC application or room AC applications but for different applications and plus they are increasing geographies. They are increasing wallet share within the customers and bringing new products so these are the four pillar strategies which every division is following up like in electronics. Now they have diversified into variable and they started giving it to board as a first customer . They are adding some new more customers into that category plus they are also now catering to fan industry plus motor is now almost finalized at a last leg of giving solutions to e-rickshaw motors and chimney motors. I think this current year we will see some small business happening but next year again a big number will come up and in the component space now since we have wide variety of components to offer so we are not restricted to only at HVAC space. We can give it into the refrigeration



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space. We can give the solution in the automobile sector, industrial sector and whatever sector it comes so that is what every division is doing and expanding in different ways so you will see a very different number from now on. When we got listed as I told that the spread was very different 76% contribution was purely room AC as the finished goods and the company was half the size of what it is today but now we have successfully done 50:50 and going forward if we talk I think RAC sector as a whole will come down to less than 50% so that is our strategy moving forward.

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

**Ankur Sharma:** Good evening. Thanks for your time. Sir just going back to the earlier question on volumes so like you said right 2.6 million is what you did for the full year which is if I am right is about 24% growth Y-o-Y and broadly in line with the industry growth going above 22% at 6.4 million so probably your market share is broadly the same as last year? Just trying to understand what kind of volumes will we do in 2023? You did say the industry volumes go up 30% and assuming you obviously will do much better given as you have said these customers who are doing gas charging and the complete solutions and you also I believe have a lot of capacity also coming in right over the next year or so, so any guidance on volumes where can we see both going 2023 or maybe 2024 whichever number you can share?

**Jasbir Singh:** So Ankur basically we expect that the industry will demonstrate a robust growth of plus 30% but what we are now looking at internally is a value driven proportion rather than a volume driven proportion. I will state the reasons why I am saying so because the moment a customer demands that we need to supply them kits or we need to supply them knocked down conditions, aggregate the components together minus the compressor, it becomes a component strategy for us. It is no more a finished goods so we are seeing lot of customers so what we are now looking into as is if 100 air conditioners are manufactured in India of course preferably all those 100 should come from us, but today whatever percentage 23% odd is being catered by us in terms of volume we would like this to go up but the other part which we are not catering the 76% which are being manufactured by other brands those number of ACs should have something of Amber in it so what we are looking at is that what is the value proportion Amber is bringing on the table in RAC and RAC components. It should not matter to us whether they want minus gas, minus compressor, minus fan or they want semi knocked conditions, they want half air conditioner, or they want full air conditioner so we have started looking in to a value proportion from point of view and today from our estimate we are at 26.5% as an industry as a complete RAC industry both in components and this space and expect that this number can go up in tune to or may be more



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than in tune to the industry growth so we will out value the markets again in the coming financial year as we go ahead.

**Ankur Sharma:** Sir and can you also share your subsidiaries the sales and EBITDA numbers for Q4 as also for FY2022?

**Jasbir Singh:** So PICL I think I have already told but I can repeat it. We have done Rs.236 Crores of revenue. In Electronics we have done total Rs.650 Crores of revenue both ILJIN and EVER put together. Mobility applications has done Rs.289 Crores of revenue and PR has done Rs.51 Crores and Pravartaka has done Rs.26 Crores actually Rs.25.59 Crores since we have added them in the last quarter so that is the revenue.

**Ankur Sharma:** The EBITDA on Pravartaka?

**Jasbir Singh:** PICL is Rs.24.63, Electronic is Rs.25.95, Sidwal is Rs.67.35 and PR is Rs.7.06, Pravartaka is Rs.2.97.

**Ankur Sharma:** Great thanks.

**Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

**Praveen Sahay:** Thank you for taking my question so my question Sir in the last couple of years correct me if I am wrong we are seeing a realization going down for the RAC segment so is there some change in the product mix? What exactly in this segment is going on?

**Jasbir Singh:** There is a big change in the product mix in the way that we are supplying more of indoor units and window as a category has gone down specifically after the commodity price increases. The delta between window and split has shrunk so it is more like a product mix change than anything else to put together and also there is a shift towards like all this online players they are largely into the one tonne category so that one tonne category has a lesser realization.

**Praveen Sahay:** Growth path you had given for a 30% odd for industry so do you believe the numbers like a lower tonne AC be here or go down from here further?

**Jasbir Singh:** Can you please repeat your question. We could not hear them clearly.

**Praveen Sahay:** So a followup on that like you are seeing this trend to continue and you will see a further decline in the realization as online selling is increasing or one tonne sales is in a higher side



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because on the volume side you had given a 30% plus for the industry and also the increase in the market share for you so is it fair to assume this realization to go down from here further?

**Jasbir Singh:**

Yes certainly and probably. The realization used to be monitored for the next one or two years. The reason is that so there is a major shift in the country so country has witnessed almost five energy revisions so now the sixth one is happening and because of that the fixed speed as a category getting out so it is not getting to a status of nil but today the contribution for stands 50% for the industry so it is coming down to 20% so the inverter market should grow up.

Secondly the window categories have come down so the realization of the industry will move in tandem to how the inverter category in the country happens. We expect five star contribution to increase in the product segment so the realization needs to be monitored for at least the next one or two years how like the inverter category spreads in the country and for sure we are seeing some demand for the lower tonnage AC like normally in India 8000 BTU ACs were not sold earlier but now we are seeing that demand for those kind of ACs as well so I would say that in the next one or two years of journey where we need to monitor this path.

**Moderator:**

Thank you. The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

**Rahul Gajare:**

Good evening Sir. Sir I wanted to understand if you can give us a sense on the distribution of volume across the region and if you are noticing a faster depletion in a particular region with the chance of stock out so that is the first question?

**Jasbir Singh:**

Well I think because we are in to B2B space brands will be able to answer this question in a better form but as far as our data north contributes to almost about 35% to 40% and South has started contributing close to about 30% to 32% and West and East contributes remaining portion of that. As far as the inventory liquidation is concerned today because of the peak summers there are many customers who have completely run out of the inventory but does not mean that they do not have any inventory at all so they do have inventories of some models and they do not have inventories of few models. The situation is varying from brand to brand. We are aggregator of demand and what we are seeing is a good uptake and a very good summer this time after a gap of two years.

**Rahul Gajare:**

Our channel just indicated that there is a shortage of two tonne air conditioners in the South market so that is the reason why I was talking about stock outs?



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**Jasbir Singh:** It could be a possibility that two tonne is a shortage because as Sachin explained that compressor availability due to China situation and container not available is really right now disrupting a few models supply chain and also looking into two bad seasons and the commodity increase impacts. Many of the customers they planned in very conservative manner. Nobody was anticipating such a high jump despite of commodities increase there is a shortage in the material so you can imagine what kind of demand is there for this kind a product.

**Rahul Gajare:** Sir my second question is on the compressor? Now GMCC is supposed to start manufacturing very soon and highly will set up a unit with Voltas? Can you indicate the kind of benefit that the industry will derive from moving away from imports to local sourcing besides the longer time period how much cost will be a factor of local over imports?

**Jasbir Singh:** So first of all it is a really a good step that this critical component will be available from India itself and we are seeing GMCC highly as you rightly said Daikin is putting up facilities so right now only 16% of air conditioners demand was being catered and compressor demands was catered within the country. The remaining 84% was imported and we expect that within next two years 80% to 85% of compressors availability will start happening in India so one it will help us to reduce our inventory turns and inventory position because we do not need to keep high inventory levels as far as the import is concerned and the dependability on the currency flotation exchanges that will also reduce and of course once this product starts get manufactured here and the economy of scale come there should be some good benefit of at least 3% to 4% points on the beloved material.

**Rahul Gajare:** Thank you very much for the answers. Thank you.

**Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

**Sandeep Tulsian:** A very good evening. Sir first question is pertaining to this entire movement from RAC to components what you highlighted is going to happen consistently just wanted to understand with these kind of investments coming under PLI do you think there can be a major shift to insourcing verses outsourcing which was currently driving in our favor say over the next five years how do you witness the overall share between in sourcing and outsourcing? Give me your thoughts over that because the investments are committed by all the larger brands and all of that is on components side?



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**Jasbir Singh:** Sure so basically what our business model is if you closely monitor the Amber's business model, we have mitigated to risks largely. One is brands changing the strategies of outsourcing to insourcing to outsourcing that is purely not in our hand. What is in our hand is to offer them very comprehensive solutions.

**Jasbir Singh:** What is in our hand is to offer them very comprehensive solution. If they want to insource we are happy to serve them in component space because if you see if they are putting up facility any brand which already has the facilities today. Out of 17 manufacturing companies in India which manufacture air conditioners almost 11 are brands and we are supplying them components so if brands are shifting their strategy to insourcing they have already asked us to be ready to supply critical components like cross flow fan or motors, nobody is putting up motors, nobody is putting up cross flow fan, nobody is putting up inverter PCB boards. A few of them are getting into heat exchanges but heat exchanges we are not supplying any large quantity to the customers so this is going to help us a value based proposition.

Second mitigation in our business model is brands exchanging market share. We have seen in past from 2004 till 2011 LG used to be undisputed leader of the markets having about 26% to 27% but then Samsung used to have a large share but then it started reducing because many other players came in so brands can exchange market share and in future also, so we have tagged along our solutions to the industry and we have seen that in past also when brands have exchanged the market share Amber has been able to demonstrate a very strong growth because we have been able to either supply finish goods or supply component in anyway.

**Sandeep Tulsian:** If you look at the overall revenue share that you mentioned 26.5% of this 12,000 Crores so broadly that comes to about 3200 Crores of which you mentioned 1975 Crores is RAC so balance 1200 Crores is the component is that the right way to look at it. The revenue would be non RAC component for the company is that the right way to look at it?

**Jasbir Singh:** Yes that is the right way to look at it.

**Sandeep Tulsian:** Can you give us a comparable number for last year just to see how these numbers have changed and second part to that would be on your central air conditioning you had given some guidance that it will start contributing to revenue from FY2023 so how much numbers can we expect on that side. Those are the two questions

**Jasbir Singh:** I think Sachin will answer your CAC question especially the commercial AC and ductable AC.



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**Sachin Gupta:** On the commercial side so as we discussed we started with offering of light commercial in terms of cassette and we added ductable so this is the first year we are ready in terms of offering to all the customer so today the contribution from CAC is somewhere to the tune of 20 to 25 Crores which we expect to go up by somewhere around 100 Crores is next two years so this is on the commercial side and coming to your previous question of the contribution from the component versus RAC probably it would be better that we can come back to your later on that.

**Sandeep Tulsian:** I will connect separately on that no problem.

**Moderator:** Thank you. The next question is from the line of Nikunj Gala from Sundaram AMC. Please go ahead.

**Nikunj Gala:** Good evening everyone. Sir my first question is with respect to our complete build unit of RAC. The number for the year 2000 Crores which you have mentioned over the last year if I look at that growth, revenue growth would be 20%. Even I subtract the first nine month and look at only Q4 RAC revenue growth that number is flattish what is the volume and the value growth as you mentioned 8% to 9% is the realization growth excluding the component market I am asking Sir. What is the complete built unit volume we have done?

**Jasbir Singh:** So in complete built units we have grown in terms of revenue by 22% last year it was 1600 odd Crores and this year it is 1975 Crores and on volume side we have already done close to about 2.6 million where as last year we were at about 2.2 million that is the broad numbers but as I explained in previous Q&A that there is a structural shift window has come down and ODUs use have shifted to kits form or CKD form so largely these are indoor units which we have done.

**Nikunj Gala:** So just to clarify you are saying 2.2 we have gone to 2.6 which is like 18% growth then in that case the realization growth is very miniscule right as compared to the inflation.

**Jasbir Singh:** See you are looking at realization you are picking up revenue and dividing by number that is not the current way of looking at realization. If you have to look from model perspective, if I am supplying indoor product that is a product ranging from Rs. 5000 to Rs. 6500, if I am supplying a window that is a product of almost Rs. 17,000 Rs. 18,000, if I am supplying outdoor units that is a product of close to about Rs. 11,000 Rs. 12,000 so it will keep on varying. This is not in our hand whatever customer demands we have to fulfill it. If customer wants indoor we have to give indoor. If customer wants semi-knockdown kits we supply that so that is what I am explaining to all of you that we need to see from Amber perspective today is that how on a value based proposition what we are contributing that



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number is very strong that number is 26.5% today. This will keep on changing. I have no idea if windows start selling again the realization number will go again. That is purely not in our hand. What is in our hand is to give complete solution to customers as and when wherever they require.

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

**Pulkit Patni:** Sir thank you for taking my questions. Most are answered. Just one question in terms of your employee cost. We have seen it on year on year basis increased from 100 Crores to 150 Crores. You mentioned something on ESOP which I did not understand if you could elaborate does this include the ESOPs and directionally how should we see these cost for the next couple of years should we see similar kind of increases.

**Sudhir Goyal:** Pulkit can you just repeat 100 to 150 what you have referred?

**Pulkit Patni:** Sir employee cost from FY2021 to FY2022 has increased by about 50 Crores overall. Gone from 102 Crores to 150 Crores so my first question this is almost a 50% jump how should we look at this cost for the next couple of years and second what is the component of ESOP that you mentioned which is included in this cost.

**Sudhir Goyal:** First I will answer you the ESOP so ESOP contribution in the full financial year is 15.67 Crores and in Q4 it is 4.08 Crores and on the employee cost so this 15.67 is included in the employee cost for the complete financial year and balances are inflationary impact. One is because of the volume increase and the value of the turnover increase and the increment which we have provided because the minimum wage has increased.

**Pulkit Patni:** Yes so that was what I was trying to understand that for the next couple of years should we assume for a percentage perspective similar magnitude, are we hiring a lot more people etc or now this will normalize in terms of growth something like that.

**Sudhir Goyal:** It will get normalized since we are adding new greenfield facilities and we have to hire some people in advance so that value is being added in the employee cost and going forward it will normalize over the period.

**Pulkit Patni:** Anything exceptional here that is paid for senior management of Pravartaka or PR as part of acquisition is that also included here.



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- Sudhir Goyal:** No. There is no exceptional thing which we have paid to anyone so all are in normal category. There is no exceptional item in this and we have not paid anything extra for the acquisition as well.
- Pulkit Patni:** Understood Sir. Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Madhav Marda from Fidelity International. Please go ahead.
- Madhav Marda:** Good evening. Thank you for your time. I just want to check that just continuing with the previous question. The ESOP of 16 Crores that does not continue into FY2023 right that will go away or that is a recurring item.
- Jasbir Singh:** Since we have recently announced our next level of ESOPs as well in today's meeting so a little bit increase will be there in the financial year 2023.
- Madhav Marda:** And also if I can request you to give us basically across our various kind of subsidiaries and the standalone business the components part of it which we do for non RAC businesses that we do. Could you give us a sense in terms of how the growth could be for the next couple of years basically across motors, PCB, Sidwal, and also component for non RAC segment?
- Jasbir Singh:** Yes we can talk about the divisional part like motors is growing closely about 25% to 30% CAGR and also mobility application is growing by 20% CAGR. We are seeing very robust growth in HVAC solutions which we are providing to metros and also to railways. Indian railways have also come up with new strategy they want more air conditioned trains so that business is increasing very well for us and that will continue to grow at least 20% CAGR kind of thing. In electronics we are seeing more than multiple jump. I would say exponential jump. We should expect in fact at least 50% to 60% jump in electronics division in the current year itself but of course subject to orders getting formalized with the customers but as of now the order book is very strong so we should be able to demonstrate a very strong growth in electronics division as well and both the Prarvartaka and Pioneer we should expect a growth of 25% to 30% year-on-year basis.
- Madhav Marda:** For the part of the component business where the non RAC component which we do. Like there was for refrigerator etc.
- Jasbir Singh:** Non RAC components as far as refrigerator is concerned, washing machine, micro wave, water purifier components, fan industry and others also so it will keep on varying from customer to customer and year to year but what needs to be seen almost about 7 to 8 years



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back this non room AC category was almost negligible in the balance sheet which is today almost about 25% in our balance sheet. So we have traveled this journey from 0 to 25% in five to six years and this is growing very well and it is margin accretive businesses for us.

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

**Keyur Haresh:** Thanks for the opportunity. I think the question that we lost some volumes of unavailability of some components or compressor should we assume that this quarter we will offset for that and probably there will be a flow through when you.

**Jasbir Singh:** Sir I am really sorry can you repeat the question.

**Keyur Haresh:** First thing that as you mentioned that due to unavailability of compressor we could not produce what we planned should that flow through in Q1 of the financial year.

**Sachin Gupta:** So Sir we are expecting the growth but the only challenge is, if you see the earlier quarter date Jan-Feb so we had an issue of the container because of port congestion at China but now since March you must be aware there are lot of cities in China which are under lockdown so still if you see the supply chain is not stable still. Still we are facing the big challenge; the demand is good but the challenge remains same so what we are expecting is that so the demand should move towards July and August as well. Plus there is a major issue I will not say major issue. There is a major challenge for the industry is getting revised from 1<sup>st</sup> July so all the brands are pre- cautioning on that side so the current model everyone wants to consume till maybe 15<sup>th</sup> or 20<sup>th</sup> June and then from 10<sup>th</sup> July they want to get into new models so what we see is that the demand rather than spreading into quarter it should go until August and September. This is what we are expecting. We are expecting the festive season to be good this time.

**Keyur Haresh:** But isn't it the function of temperatures in Q2-Q3 or does it move to the next summer only?

**Sachin Gupta:** Yes but if you see now with the e-com being dominantly strongly and if you see in August there is an independence day sale through all this retails like Chroma, Reliance, and E com then on the south side by the month of September we have Pongal so last year we were emphasizing a good growth but obviously because of COVID it could not happen, so this year the forecast of the discussion that are happening with brand. Obviously the curve is getting settled so we are expecting the demand to be spread across in the second half as well



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so earlier like it was just spread just five or six months. This time we are expecting it to run flat for 8 to 9 months at least.

**Keyur Haresh:** Okay understood. Can we give some guidance for the standalone business as well as for each component as you see more bullish on the component segment, Sir can you give some clarity of how to grow for the component business as well as for full AC business?

**Jasbir Singh:** The only guidance which we can give us that whatever industry does we will out value the industry in terms of percentage so if the industry is growing by 30% I think Amber should be able to demonstrate in value terms more than 30% of growth which means we will be adding some market share.

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

**Jasbir Singh:** Thank you everyone for sparing your valuable time and being present for this call. I hope we have been able to answer most of your queries and if you have any further clarifications you can please reach out to us or our Strategic Growth Advisors, SGA will be happy to address your queries. Thank you very much and have a nice weekend ahead

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