



Date: 30.01.2023

To
Secretary
Listing Department

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Listing Department

BSE Limited

Department of Corporate Services Phiroze
Jeejeebhoy Towers Dalal Street, Mumbai – 400 001
Scrip Code : 540902
ISIN : INE371P01015

National Stock Exchange of India Limited

Exchange Plaza, Bandra Kurla Complex,
Mumbai – 400 050
Scrip Code : AMBER
ISIN : INE371P01015

Dear Sir/Ma'am,

Subject: Earnings Call Transcript for operational and financial performance of Q3 & 9M of the FY 2022-23 under the SEBI (Listing Obligations and Disclosure Requirements), as amended.

This is further to our letter dated 19.01.2023 intimating the details of Earnings Call with Investor/Analyst (Participants) to discuss the unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended on 31st December, 2022, held on Tuesday, 24th January, 2023 at 9:30 A.M. IST.

In this regard, we are enclosing herewith the transcript of the Earnings Call Transcript. The same is also available on the Company's website at <http://www.ambergrouppindia.com/investor-events-presentation-head/> for your information and for information of members / participants and public at large.

Kindly take the same into your records and oblige.

Thanking You,
Yours faithfully
For **Amber Enterprises India Limited**

(Konica Yadav)
Company Secretary and Compliance officer
Membership No. : A30322

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“Amber Enterprises India Limited
Q3 and 9 months FY '23 Earning Conference Call”
January 24, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 24th January 2023 will prevail



MANAGEMENT: MR. DALJIT SINGH – MANAGING DIRECTOR – AMBER ENTERPRISES INDIA LIMITED
MR. JASBIR SINGH – CHAIRMAN AND CHIEF EXECUTIVE OFFICER – AMBER ENTERPRISES INDIA LIMITED
MR. SUDHIR GOYAL – CHIEF FINANCIAL OFFICER – AMBER ENTERPRISES INDIA LIMITED
MR. SACHIN GUPTA – CHIEF EXECUTIVE OFFICER - RAC AND CAC DIVISION – AMBER ENTERPRISES INDIA LIMITED



*Amber Enterprises India Limited
January 24, 2023*

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 Months FY '23 Earning Conference Call hosted by Amber Enterprises India Limited.

As a reminder all participant lines will be in a 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jasbir Singh, Chairman and Chief Executive Officer. Thank you, and over to you, sir.

Jasbir Singh: Hello, and good morning, everyone. On the call, I am joined by Mr. Daljit Singh, Managing Director; Mr. Sudhir Goyal, our CFO; Mr. Sachin Gupta, CEO of RAC and CAC Division; and SGA, our Investor Relations Advisors. We have uploaded our results presentation on the exchanges, and I hope everybody had an opportunity to go through the same.

I hope that you all must be aware that Amber was a pure room AC play when it got listed in January 2018 with revenue base of around INR 2,100 crores, and finished goods RAC contributing significantly in its revenues. During these four years, out of which two being COVID years, Amber has successfully diversified into four business verticals, namely room AC and components; electronics; mobility applications; and motors. I'm glad to inform you that all four cylinders are firing well and are on growth -- strong growth trajectory. Today at a higher base of revenue finished good RAC contribution has substantially come down at consolidated revenue.

I would now brief you about each business vertical division-wise performance, including its highlights and financial performance. Room AC and Components division. In 2022 calendar year, room AC industry witnessed a change in the manufacturing landscape, wherein some of the big brands shifted their strategy from outsourcing of RAC to in-house AC assembly with varied level of backward integration in order to take benefits from the PLI scheme.

This change in strategy of brands of in-house assembly of AC increased the requirement of components manufacturers, and Amber is one of the most preferred choice of customers for providing component solutions with its Pan-India presence in vicinity to customers.

We, at Amber, anticipated this shift in the industry and therefore, scaled up our capabilities for components manufacturing, which includes facilities like Chennai, SupaPune, SirCity area and Pantnagar. Our Components business grew by 109% in quarter three FY '23 from INR 545 crores in Q3 FY '22, to INR 1,137 crores in Q3 FY '23. Share of RAC in total consolidated revenue is



going down with increasing share of components, and we expect the trend to remain so in the near future.

Our strategy going forward is to maintain share of 26% to 28% in the manufacturing footprint of room AC industry. Apart from room AC and its components, this division is also gradually gaining its presence in other segments such as components for refrigerators, washing machines, microwave ovens, water purifiers and fans. At industry level, room AC industry in Q3 witnessed a muted quarter for October and November '22 witnessed lower sales, and we saw demand picking up from mid-December '22 onwards.

We expect the summer of 2023 to be buoyant with a strong summer driving pent-up demand. We are bullish about good summer, which begins at the end of February and lasts till the end of June. In long term, the Indian AC market is expected to grow at a double-digit CAGR. The industry will continue to focus on a new innovative health and environment-friendly products, changing lifestyle along with increased affordability that will fuel market growth.

As far as financial performance of this division is concerned, RAC and components for nine months FY '23, revenues stood at INR 2,822 crores versus INR 1,587 crores in nine months FY '22, representing a growth of 78%. As far as quarter three FY '23 is concerned, it's clocked a revenue of INR 1,025 crores versus INR 685 crores in Q3 FY '22, a 50% growth. The growth is fueled by a strong order book, new customer addition and expansion in newer geographies like Chennai, SriCity, Supa in Pune and Pantnagar areas. Components division include -- this division actually includes Amber PR and Pravartaka also.

I'll now take you through our electronic division highlights, which include ILJIN and Ever. This division has successfully entered into two new verticals, which are hearable and wearable, and telecommunications. We have been able to onboard marquee customers in these two new verticals. And so we expect a growth of more than 50% in this division in FY '24.

Electronics Division revenue for nine months FY '23 stood at INR 710 crores versus INR 371 crores in nine months FY '22, a growth of 91%. Operating EBITDA margin for nine months FY '23 stood at 4.2% versus 3.2% in nine months FY '22. We're also expanding the manufacturing footprint of Electronics division with new facility in South India. Commercial production of ILJIN Chennai commenced in December '22, and expect to add four new customers in ILJIN Chennai plant. It has started with 1 large customer right now, and we expect that four new customers will be added in FY '24, in ILJIN, South India.

As far as Mobility Applications division, which includes Sidwal, the revenues for nine months FY '23 stood at INR 310 crores versus INR 206 crores in nine months FY '22 with operating EBITDA growth of 49% on a year-on-year basis for nine months FY '23. Government trust on modernization of railways is providing positive traction for this division. In fact, we have gained orders for Vande Bharat Express and new RRTS, which is going to be Delhi, Meerut new category of trains, which are going to be launched very soon.



In Indian railway business, this division added new pantry business as a new product category to increase our wallet share within existing customers. Apart from railways, all other segments of this Mobility Division, such as metros, defense, precision air conditioning for telecom and bus air conditioners are on our growth path. Order book for this segment stands strong at more than INR 700 crores.

As far as Motor division is concerned, it is rapidly growing. And for nine months FY '23, revenues for this division stood at INR 202 crores versus INR 156 crores in nine months FY '22, representing a growth of 30%. Operating EBITDA margin for nine months FY '23 stood at 12.8% versus 10.2% in nine months FY '22. We have also received BLDC motor approvals from few customers and further few are in process. The strong order book with new product addition and geographical expansion gives us visibility of more than 30% growth for FY '23 and FY '24, sorry. Motor division is gradually gaining confidence with export customers, and expect its export business to grow by 30% to 40% in FY '24.

I will now take you through the consolidated financial highlights. On the revenue base, for nine months FY '23, the revenue stood at INR 3,924 crores versus INR 2,270 crores in nine months FY '22, marking a growth of 73%. For the quarter Q3 FY '23, revenue stood at INR 1,348 crores versus INR 975 crores, a growth of 38%. On operating EBITDA for nine months FY '23, operating EBITDA stood at INR 271 crores versus INR 163 crores in nine months FY '22, a growth of 67%. For Q3 FY '23, operating EBITDA stood at INR 89 crores versus INR 74 crores in Q3 FY '22.

Operating margin -- EBITDA margins for nine months FY '23 and Q3 FY '22 stood at 6.9% and 6.6%, respectively. Q3 FY '23 and Q3 FY '22 operating EBITDA is before impact of ESOP expense and other non-operating income and expenses.

On finance cost and depreciation, finance costs and depreciation increased to INR 29 crores and INR 36 crores as compared to INR 12 crores and INR 27 crores in quarter three FY '22, respectively. The increase in finance cost and depreciation was largely due to capex incurred during the period and increased interest rates.

With the thrust on building domestic manufacturing capabilities through PLI schemes for promotion of domestic manufacturing of air conditioners and phased manufacturing programs, the industry expects not to be dependent in the coming years on the vagaries of foreign supply chains and dollar fluctuations that affect prices and operating margins.

Thank you, everyone, for joining on the call. With this, I shall open for the Q&A session.

Moderator:

We have the first question from the line of Dhananjai Bagrodia from ASK Investment.

Dhananjai Bagrodia:

I wanted to ask you how many units of room AC would have been sold in Q3 this year? And versus how much would be last year?



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- Jasbir Singh:** Well, we are -- we have stopped giving the volumes for the room air conditioners because the strategy is now value-based proposition in the complete manufacturing footprint point of view. And in the past, we saw that this business -- this volume was picked up by our customers, and it was treated as a very -- tool to negotiate further. So this has become a company-sensitive information, and we will not be able to provide you any further information on this.
- Dhananjai Bagrodia::** Any breakup between room AC and room AC components?
- Jasbir Singh:** Room AC and room AC components. Yes, in nine months, if you see, out of total INR 2,822 crores, INR 1,137 crores is the components.
- Dhananjai Bagrodia:** And sir, your capex is INR 400 crores. What would that spread be between?
- Jasbir Singh:** Please say that again.
- Dhananjai Bagrodia:** Your capex of INR 400 crores, what will the split be between which divisions?
- Jasbir Singh:** No. Our capex will -- is not INR 400 crores. In fact, because of the strategical shift of brands going in-house, we took a very aggressive stand for -- from the long-term perspective, and we increased our capex by putting up our four new facilities in this year. And the capex will be beyond INR 600 crores, close to about INR 625 crores to INR 650 crores.
- This is because we have not only brought in a greenfield facility in SriCity, plus we have added three new plants in Chennai, Tamil Nadu, which was not anticipated earlier. That is for components of heat exchangers, injection molding machines, for copper tubings, electronics, PCBAs and crossflow fans and compressor parts for refrigerators. So all these new additions have been from the aggressive point of view and that's why the capex will stand about to be — in tune of INR 625 crores to INR 650 crores range.
- Dhananjai Bagrodia:** And my last...
- Moderator:** Mr. Bagrodia, kindly come in the queue for follow-up questions. We have the next question from the line of Dhruv Jain from Ambit Capital.
- Dhruv Jain:** Sir, I had a question on the stand-alone gross margin. So we've seen a very sharp decline there. So if you could just point out what's the reason for that? And how should we think about this going forward?
- Jasbir Singh:** So the stand-alone margin is hit -- in the percentage terms, it is hit by -- because of our new facilities, which have been onboarded within this year due to the expenses which has come up. From quarter one onwards, you will see it improving because now all the new plants have started commercial production.
- Dhruv Jain:** I was talking about the contribution margin specifically. Is it because we are doing a lot more components in the stand-alone business?



- Jasbir Singh:** So there are three things which have got added. One is components, of course, we have added. And within the components, we have also added some assembly businesses, which are at a little less margin because that is kind of a pass-through entity where customers asked us to add on a couple of more components and give us -- it is like bought out items, which are added on to our components and then sold to the customers.
- So that's the reason where we don't get complete 8% to 10% of EBITDA on those kind of pass-through things. That's why the percentage is -- you look a little bit lesser as compared to them. But as far as the components are concerned, we enjoy the range bound of 8% to 10% margins.
- Dhruv Jain** And sir, I had a question on...
- Moderator:** Mr. Jain, will request you to kindly come in the queue for follow-up. We have the next question from the line of Aditya Bhartiya from Investec.
- Aditya Bhartiya:** **My first** Question is on the Electronics segment, wherein you mentioned that we are anticipating over 50% growth next year. And within which we have added variables as well as telecom. Just wanted to understand what proportion of growth is coming from AC business related to electronics, and how much is coming from telecom and wearables and hearables? And within that, would we be getting the benefit of telecom PLI theme and which are the customers that we are working on the telecom side?
- Jasbir Singh:** Aditya, the AC contribution is growing at around about 25% to 30% in that division. We've successfully onboarded many customers from room air conditioners front, both in OEM as well as ODM category. In OEM, we are assembling the PCBs as per their design. And in ODM, we are giving our own designed PCBs. So both are -- both strategies are moving forward giving us a positive growth for the PCB assembly for AC to the tune of 25% to 30%.
- As far as the telecom and hearable and wearable is concerned, we are -- I think that's pretty much on the growth path. These are new customers, which we have added new business verticals. I believe you know the major chunk of growth will come from all the three factors because not only air conditioners in consumer durable and home appliances, we have now onboarded customers for fans, customers for microwave, refrigerators, washing machines. And on hearable and wearable, we have started smartwatch assemblies plus the PCBAs for that. And in telecom, we are doing 5G equipments, such as ONTs and RRH BBUs. So those are the kind of diversified portfolio electronic business has built up.
- Aditya Bhartiya:** And who could be the customer, sir?
- Jasbir Singh:** We will refrain giving any customer's name because it's a company-sensitive information. These are large customers, I can only tell that.
- Aditya Bhartiya:** Okay, sure. And the idea...
- Moderator:** We have the next question from the line of Sonali Salgaonkar from Jefferies India.



- Sonali Salgaonkar:** So my first question is regarding the industry restocking level. What is the kind -- what are the trends in restocking that you are looking at after the implementation of the new BEE norma? And what is the current channel inventory that we can talk about? What is the price hike that we will be taking for the new models and whether it will be margin accretive or not
- Jasbir Singh:** Well, as far as the price rise is concerned, all of the brands have already taken the price hikes in the market. You would have seen that the air conditioners prices were increased -- have already got increased by INR 1,200 to INR 1,300 because of BEE table change.
- And as far as the inventory levels are concerned, industry was quite optimistic for quarter three, but which ended up to be a very, very muted quarter for industry. October and November, hardly any sales. And then mid of December onwards, we saw the sales coming up for any goods, RACboth primary and secondary.
- Inventory levels is very -- it is completely at a varied level with some of the brands sitting still at a very high inventory levels, but some of the brands are not having that inventory and their sales is moving pretty well. So it's -- there is no thumb rule which everybody is following. It's everybody is at a different level on the inventory side.
- Sonali Salgaonkar:** Sir, my second question is regarding what is your net debt level as of December versus September? And also about the capex, but I just wanted to clarify, the INR 625 crores to INR 650 crores, you are expecting in FY '23, right? So what about your expectations in '24?
- Jasbir Singh:** So on the capex front, Sonali, we will be doing about INR 625 crores to INR 650 crore this year. But next year, our capex is going to be around INR 250 crores to INR 275 crores maximum. As far as net debt levels are concerned, today, we are sitting at about INR 900 crores of net debt level. Whereas we expect to close the financial year -- current financial year, in approximately INR 450 crore to INR 500 crore range.
- Sonali Salgaonkar:** So how will you pay down that debt, sir? I mean, is there a seasonality to that? Or...
- Jasbir Singh:** Yes, basically because the season starts and we start getting our payments from customers. Right now, because of the inventory build-up, the debt looks high.
- Moderator:** We have the next question from the line of Niteen Dharmawat from Aurum Capital.
- Niteen Dharmawat:** Sir, you mentioned about telecom sector and some 5G equipment manufacturing. So can you elaborate that? And if we have done any foreign collaboration for that? That is my first question.
- Second question is what is the peak revenue that we are anticipating with the current capacities that we are having?
- Jasbir Singh:** So, in the telecom sector, we have not done any joint venture or transfer of technologies. This is a pure OEM play which we are offering because we are a diversified PCB assembly. In telecom, you normally use multi-layered PCB assemblies. And we have that capabilities. And because of



our geographical presence in India, we got this order because the customer wants in both South India and North India.

And currently, we have started with the equipment such as BBU and RRH and some antennas plus EO&D devices. So these are all used in the 5G equipment, which is basically delivered by other big companies.

As far as the capacity of revenue is concerned, all the divisions are at different capacities. Today, if we see about the gross block, I think we can easily go to five times of the gross block of what we have today, as a peak kind of revenue base.

Moderator: We have the next question from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Yes, thanks for the opportunity. Sir on Ever and ILJIN, the margins are far lower than the PCBA players that we see, which are recently listed or otherwise in the market. So, at current level of EBITDA margin of around 4% odd, and the working capital, do you see these businesses generating return ratios in excess of cost of capital? And when do we see the margins improving in this?

Secondly, can you also elaborate a bit more on the export strategy, which you had spoken in earlier con call also, and any update on that? And lastly, the tax rate is higher than 25.5% in nine months, so what should be the guidance for tax rate for FY '23 as well as FY '24? Yes, thanks.

Jasbir Singh: The tax rate is basically because of the MAT. I think I'll leave that question for Sudhir to answer and then I'll answer your other two questions.

Sudhir Goyal: So as you know that — earlier it was also discussed that we have a MAT credit available, because of which we are not moving to the new tax regime, which is at 25.17%. Actual cash tax outflow for the — Amber Enterprises on standalone, I'm talking, is around 17%, balance will be utilized through the MAT, and once we utilize the MAT Credit, which is to the tune of INR 35 crores to INR crores, then we'll go to the 25% tax rate.

Jasbir Singh: And now answering your margins on the IL JIN and EVER subsidiaries we are in the range of 4%, 4.5% business. So we have businesses in this division from 3% to about 6.5%. Largely if you see the consumer durable and smart hearable and wearables are in this range only. Even if the peers would be comparative.

Auto and industrial and defense is at different level, which we are not into right now. So going forward in a long-term strategy, yes, we do have plans to enter into those segments, which will help us to increase our margins. But however even at the lower margins of 4.5% odd EBITDA levels where we are, the return on capital employed of this division is above — close to about 23% right now. And it will enhance going forward because the capex requirement is not more, but whereas we are expecting a growth of more than 50% in this division.



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As far as the export strategy is concerned, we have two from the export strategy, one is on the components and the second is for the finished goods. On components. As I highlighted during my call, that we are expecting in the motor division, which is already exporting right now. We expect the export business to grow by 30% to 40% by FY '24. And for the finished goods, we are at the stage of almost approvals — getting approvals from some customers.

First milestone was to get the products ready for those geographies. Second was to get the clearance of the BEE norms, because this is a regulated product by every country. So those two milestones in three basically finished goods category we have received and now we are endeavoring our foot in the door strategy.

These customers have been buying from almost about 25, 30 years from China and Thailand. So first of all, we must have the foot in the door with small volumes, which we expect to demonstrate by FY '24. And then the gradual share of business will start happening from FY '25 onwards.

Moderator: We have the next question from the line of Sandeep Tulsian from JM Financial.

Sandeep Tulsian: Sir, my first question is regarding all these new investments that we have done in the new capacities. What is the broader capacity or the average utilization at which we are operating, probably where you expect to end FY '23 and where do you expect this capacity utilization to get ramped up by FY '24?

Jasbir Singh: Well, the new plants have just begun, so the capacity utilization will be somewhere in the tune of 25% to 30% only and by next year we should have about 50% of capacity utilizations in these new plants. All the divisions are at a different capacity utilization levels.

So, I think looking at the complete balance sheet of capacity utilization will not be a right approach, because electronics is at different capacity utilization, motors is at different — in motors case if I speak, we are sitting at right now 50% of capacity utilization in FY '24. We have just shifted the motor plant to a new factory. So we have decent capacities there.

In Sidwal, we are sitting at a capacity utilization of almost 65% to 70%. And in room AC and components, as we have just begun, the new plants are at 25% to 30%, the old plants are running at 75% to 80%.

Sandeep Tulsian: Second question is sir bookkeeping, if you could also share the gross debt number at the end of 3Q and also the forex loss and ESOP number if any in 3Q that you have provided?

Sudhir Goyal: Yes, hi. So gross debt as in 31st December is INR 1,350 crores. Total ESOPs extensive in the nine months is INR 19.9 crores and there is a forex loss, which largely happened in the quarter one, but overall it is INR 32 crores in the nine months at group level.

Sandeep Tulsian: ESOP in 3Q was how much?

Sudhir Goyal: ESOP in the 3Q is INR 7.32 crores.



- Moderator:** We have the next question from the line of Madhav Marda from Fidelity International.
- Madhav Marda:** Just wanted to understand, given we've added a lot of capacity recently, would it be fair to say that there is a lot of operating leverage from fixed cost in the next two to three years? Because INR 650 crores for our business is a very, very large capex which we've incurred. So just trying to understand how that can play out and how much time do you expect to ramp up the new capacity to peak utilization level?
- Jasbir Singh:** Well, Madhav, you are right, because you know we don't need to do such large capex again. That's the reason why we are guiding that next year it's going to be in the range of INR 250 crores to INR 275 crores only. And as mentioned that capacity utilization of the new plants are only at 25%, 30%. So definitely the operational leverage will come, going forward and you will see the return on capital employed going up because of that operating leverage.
- Madhav Marda:** And the ESOP expenses, when does that start tapering off, is that FY'24 or FY'25?
- Sudhir Goyal:** Sorry, come again please, Madhav?
- Madhav Marda:** The ESOP expense which we are incurring, does that start going down from FY '24 itself or FY '25 that will go away?
- Sudhir Goyal:** No, it will start going down from FY '24 itself as well.
- Madhav Marda:** Okay.
- Sudhir Goyal:** So ESOP expense is always in the first year, it's largest, then it's fallen down every year in next four years.
- Moderator:** We have the next question from the line of Keyur from ICICI Prudential.
- Keyur:** Thank you for the opportunity. Sir just want to understand — first of all on the standalone side, our gross margin and EBITDA margin. So on steady state basis, what kind of profitability should we expect and does it — I mean it depends on our price hikes or with lower commodity prices we should be able to get those steady state margins? That is my first question.
- Jasbir Singh:** The price hike as explained in earlier quarters also, we have a price variation clause applicability with all customers. So it happens with the quarterly lag. Now like in Q3 also we took a price hike, but you know since the industry was muted so there was hardly any numbers on the components as well as this.
- So the range of -- complete in percentage terms, you know it's very difficult to tell, because we are now catering to various components which have various range of EBITDA margins. The finished goods range is very different and the subassembly range is very different.
- So it will be very difficult to predict what customer wants from us. You know they keep on changing their strategies from finished goods to components to subassemblies, or all the three

together or just one of them. So it will be very difficult to say what number, in the percentage term is concerned.

As guided earlier, I would like to guide again that looking into our balance sheet on the percentage terms is not the appropriate way, because of the diversified business verticals we have from 4% to 20% plus EBITDA margin businesses. I think what we would like to guide again in this call is, that we will try to deliver a range bound of 30% plus absolute EBITDA number going forward.

Keyur: And that will be higher than your sales growth? So basically your EBITDA growth will be faster than sales growth, because operating leverage with lot of capex and lot of opex is already in the numbers?

Jasbir Singh: Yes, it'll depend on what kind of revenue we get in case electronics starts moving very, on a high trajectory of 100% growth kind of thing, then definitely this statement is not correct. But in case it remains in the 25%, 30% range, yes, then the percentage of EBITDA and PAT will outnumber there.

Keyur: And the second question you have partially answered, but the similar guidance remains for FY '24 as well?

Jasbir Singh: Yes, I think similar guidelines for FY '24 and '25, that we will maintain that absolute growth of EBITDA.

Moderator: We have the next question from the line of Rakesh Wadhwani from Monarch AIF.

Jasbir Singh: I have one question. First question is regarding component supply or supply chain because there were some articles because of the COVID prices in China, the factories have been shut down. So just want to understand, as — compressor or other component supply is coming?

And second thing, just wanted to confirm, you said INR 2,822 crore is a nine month sales from a RAC and component. So can you please just confirm the amount for the components and RAC? That will be great. Thank you.

Jasbir Singh: So out of INR 2,822 crores, INR 1,137 crores is components, which is pure components, supplied to all the customers we have. On the on the supply chain due to the COVID in China, what we did is, we preplanned the shipments from China because of not that we knew that COVID is coming, but because of the Chinese New Year and that helped us to navigate out of this situation. So we were not affected because of COVID situation in China. But now that everything is opening up, so things are very streamlined right now.

Moderator: We have the next question from the line of Praveen Sahay from Prabhudas Lilladher.

Praveen Sahay: Sir, my question first related to the motor, as you had guided, there is order from BLDC motor and also the large order for export. Is that going to be a similar margin in that trajectory what we

are reporting, in these orders? And the second question is related to Sidwal for this quarter has seen a deterioration in the margin. What's the reason for that?

Jasbir Singh:

So, in Motors, basically export is similar margin to domestic manufacturing. But BLDC category is a slightly lesser margin, because of this product continues to be in the pressure due to the China supply chain. Chinese are still throwing it at a very cost price. But yes moving forward, as the scale comes in this category we will bring this — we expect that margins can be improved for this.

But overall PICL is doing well. PICL has already demonstrated its trajectory from 5% EBITDA company three years back to almost 10% to 12% right now. And as far as the Sidwal quarter three margins are concerned, that is purely because of the product mix and some delay in supply, where we got some LD clauses applicable.

But if you see on the nine month's case, I think we are maintaining the same kind of margin of 21% odd, as far as the full year is concerned. I think we expect that that FY '23 will close by — in the same range as nine months number, percentage terms.

Moderator:

We have the next question from the line of Abhishek Ghosh from DSP Investments.

Abhishek Ghosh:

Yes. So, thanks for the opportunity. Sir in terms of Sidwal, what will be your overall market share and given that there's so much happening around railways, metros and other things, how do you expect the, you know, overall this business to be next two to three years, any thoughts sir?

Jasbir Singh:

Abhishek this business is pretty much on a decent growth trajectory because of the complete infrastructure and upgradation push and urbanization of transportation, which is required by Ministry of Urban Development.

I think if you talk about the share of business in railways, HVAC systems, we will be almost about 50%. In metros in India, we will be about 60% share of business holder for the — all metros which we are catering to right now. As far as other categories are concerned, buses, we are very less. In bus we still need to ramp up our share of business. We will be at about close to about 5% or 6% at the moment. Whereas in defense and precision air conditioning, I think that that is where we enjoy close to about 60% to 70% of the market share.

Abhishek Ghosh:

Sir my second question is in this current quarter, we have seen you know, while Sidwal margins have been weaker, but both in PICL and in, your electronics part of it, you have seen healthy margin improvement. Are those sustainable? How should we look at it? And for the PCB part of it will you also look at the industrial and the defense part of it? Will you kind of look at because since you have the basic capabilities, would you look to also diversify into that segment? These are my only questions.

Jasbir Singh:

Well, we keep on diversifying now since the divisional CEOs are navigating their divisions into growth trajectory. So definitely, they have the diversification plans already. But these kind of

businesses of defense and railways kind of applications, it takes time to onboard customers and get the approval. So it's -- these are high entry barrier businesses. Yes, we will definitely try to attempt, but that will be in the basically long term, not on a short-term basis. As far as short term is concerned, the scale and efficiency at which we are growing, we expect that we will be able to maintain

Moderator: Mr. Goyal, you're reconnected. You may go ahead.

Jasbir Singh : Yes. Thank you. So as far as maintainability of the margins are concerned, in the percentage terms, it is very difficult to guide anything on the percentages. But again, I would like to guide that on a consolidated basis, we will maintain what we have guided. So that's the guidance we want to give. On each and every division, since we are now moving into a very diversified portfolio, it is very difficult to predict what kind of percentages we will be able to demonstrate.

Yes, though the endeavor is to grow the percentage of margins. But when you sit in the front of a customer, sometimes you start on the low margins and then you increase towards the higher trajectory, you have to take these calls. So percentages of the division will continue to vary from quarter-to-quarter. But on a consol basis, on a yearly basis, we will maintain what we have guided.

Moderator: We have the next question from the line of Sandeep Dikshit from Arjav Partners.

Sandeep Dikshit: Just coming to your margins. Your ESOP costs, why do you think they are one-offs? They are a part of our operating expense no?

Sudhir Goyal: Yes, it's part of the operating expense, but it's a noncash item. And this is one-off because we are not very regular in giving the ESOPs. It is first time -- two times only, we have given the ESOP. And that will -- the impact of the same will be over in the next two to three years' time.

Sandeep Dikshit: My second question is, you mentioned that raw material costs have gone up 1.5%.

Jasbir Singh: Right.

Sandeep Dikshit: And that's the primary reason for the contraction in margins. When can we expect it to sort of come back to the 6%, 7% kind of a range?

Sudhir Goyal: So like Mr. Jasbir sir has said, we are not looking at the margins in the percentage terms. We are largely focused on that how we can improve our margins in the absolute terms on each component and each product. So if there's a pass-through of product is there, so percentage terms varies a lot. So that is why we focus on that, how we can get the better margin absolute amount.

Sandeep Dikshit: So I should stay focused on that 30% growth in EBITDA on an absolute number rather than the margin? Am I right?

Sudhir Goyal: Absolutely.



- Moderator:** We have the next question from the line of Ronak Vora from AUM Fund Advisors.
- Ronak Vora:** Yes. Sir, what was the operating cash flow in the first 9 months? And I want to know the split in terms of term debt and working capital debt from our INR 1,300 crores of gross debt?
- Sudhir Goyal:** So in the gross debt, the term debt is around INR 600 crores. I don't have the exact number, but it's around INR 600 crores on the term debt. And what was the other question?
- Ronak Vora:** Operating cash flow for the first 9 months and for Q3?
- Sudhir Goyal:** Just a sec. Just give me one minute. I'll give you that number in some time. You can continue with the other questions. Just give me one second, I'll just answer this question.
- Ronak Vora:** Okay. Sir, my second question is, whenever we negotiate with our customer, you said that it's okay for us to start on lower margins and then entered up the business is growing. What is the baseline ROCE or return ratios that we look for when we negotiate with the customer?
- Jasbir Singh:** Well, it's a simple fundamental principle that in case we are unable to get our money back in four to five years, we don't go ahead. That's the fundamental base. Percentages doesn't matter. Sometimes, you have to take a strategic call with your customers, and sometimes, you have to support them as being the long-term association. And sometimes they support you. So it's just like once you are a strategic partner to any customer, you have to move hand-in-hand with their situation. And we need to take those calls. But largely, whenever we invest even INR 1 invested, if any return is coming beyond 4- to 5-year range, we don't invest. Operating cash is INR 150 crores, including other income.
- Moderator:** We have the next question from the line of Aakash Javeri from Perpetual Investment Advisors.
- Aakash Javeri:** My first question is with regard to BLDC for fans. So how big is the market -- how do you see the penetration? And who are we competing against? And what would be the margins like?
- Jasbir Singh:** We are not delivering products for BLDC for fans. What we are doing is we are doing basically PCBs for BLDC fans. Whereas in the BLDC motors, we've created these products, developed these products for bidding ventilation air conditioning applications. So we've started with BLDC for inverter splits and windows as well as for VRV applications.
- Aakash Javeri:** Okay. And so how are the existing motor manufacturers not being able to compete?
- Jasbir Singh:** And that's a very difficult question to ask -- I mean, to answer on their front. But I think we are very focused in heating and air conditioning and primarily because of our the R&D capabilities as well as the complete pan-India presence, which we have and the customer base which we have. This is a product mix with functional components. And in functional components, the final products performance depends on the functionality of such kind of components. The validation assessments are pretty long. So no customer will give you approval without validating your products for at least two to three seasons. That is the first leg of entry barriers. And second is they do not give you 100% share of business on day 1. They practically gradually grow you from



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5% then to 20%, then to 30%. So it's a trajectory of five to six years with each and every customer, which we are present.

Aakash Javeri: Understood. And you mentioned...

Moderator: Mr. Javeri, request you to kindly return to the queue for follow-up questions. We have the next question from the line of Dhananjai Bagrodia from ASK Investments.

Dhananjai Bagrodia: So with one of the players now with PLI -- plan for PLI with that capacity is going to come on this year for components, would that have any impact on our component business, question 1?

Jasbir Singh: We haven't seen -- I mean, the PLI basically was for only components. PLI was not for finished goods. So any applicant who has applied, all of them are putting up components. So let it be -- there were total 10 components, out of which, copper, aluminum and compressor is not our foray. So that is not something which we should compare.

Then when it comes to other components, like Amber has -- Amber was the biggest company or biggest yearly applicant basically in the component space, other than compressor and copper and aluminum, which has applied in all categories. So we haven't seen any such company which has applied in all such categories across pan India. And we are eligible -- the threshold limits are very much doable, and we are very much on track for the PLI incentive. But nothing has changed. In fact, the PLI -- because of the PLI, Amber has won a lot of awards and contracts, which you all are witnessing right now in the revenue stream of consolidated path.

Dhananjai Bagrodia: Sir, the question is we're not seeing anything from the other competitors yet in terms because their factories have not started yet operationalized?

Jasbir Singh: No. First of all, let us see. I mean the large PLI players are the brands. They are there anyway putting up like if you talk about Blue Star, their factories ready, they've already started production, even they've started production. Then Daikin factory is almost ready. They will be starting production soon. Voltas Pantnagar has already started. Chennai, they will start by next year.

So the shift has already happened. And we are beneficiaries of the shift because of our strategies of being into components and finished goods in both the categories. So I think probably the reason why we benefited is because of our pan-India plus the wide area of 70% of bill of material which we can address. Some of the companies have gone for high backward integration. Some of the companies have chosen not to go for higher backward integration. So depending on the level of backward integration, we have entered into the component strategy with that.

Dhananjai Bagrodia: Okay. And sir, what would be your guidance for next year?

Moderator: Mr. Bagrodia, kindly come in the queue for follow-up questions.



- Jasbir Singh:** Well, I'll answer that question. Our guidance, as I mentioned on the call is that we will try to maintain our share of business of the manufacturing footprint of room AC industry to, what you know, 26% to 28%.
- Moderator:** We have the next question of the line of Dhruv Jain from Ambit Capital.
- Dhruv Jain:** I had one question, actually two related to capex and fixed assets. So one is that, I think there has been a slight increase in your FY '24 capex guidance. So if you could just let us know what's changed there? And on the fixed asset part also, we've seen in the last two quarters or so, you're booking an item, called, a loss on sale of fixed assets. So if you could just throw some light, what's that? I know it's a very small number, but if you could just let us know, that would be great.
- Sudhir Goyal:** So it is normally like whatever assets are being written off and not usable and they are looking -- asking for more maintenance. So that we have sold off. So that is why there is a small amount of asset written off. Otherwise, there is no big asset, which has been sold off.
- Dhruv Jain:** About increase in capex. I think the earlier guidance is [inaudible 0:52:50].
- Moderator:** Mr. Jain, we are unable to hear you very clearly. Request to go off the speaker phone?
- Dhruv Jain:** Let us know about the increase in capex. I think the earlier guidance for FY '21 was about INR 200-odd crores. So you're talking about INR 250 crores to INR 275 crores?
- Jasbir Singh:** We -- I don't remember that we've given just INR 200 crores of capex because of '23 plants and plus the -- our endeavor to continue our R&D initiatives. And some new opportunities which are with our subsidiaries, not number, but subsidiaries are having very good opportunities. That's the reason why we are increasing this guidance. I mean if we have given -- but I think I remember giving this INR 225 crores to INR 250 crores as a guidance.
- Dhruv Jain:** And sir, so the ROCE guidance doesn't change, right, I think mid-teens?
- Sudhir Goyal:** Yes, no, that doesn't change. So the ROCE definitely -- we are now moving in tandem to the industry. So if we maintain our 26% to 28% share in the manufacturing footprint, I think that's a pretty decent market share to have, whether it be finished good or whether be it components.
- Moderator:** We have the next question from the line of Sandeep Tulsian from JM Financial.
- Sandeep Tulsian:** I have a couple of follow-up questions. First thing, you mentioned on the margins that, of course, finished goods as a share is coming down because brands have been recently in-house. But at the same time, we have picked up some subassembly business, which is, again, a lower margin business for us. So broadly, if you could categorize in terms of your percentage of sales, how this mix works between finished goods, components and I'm assuming subassemblies was very low in the past? And how this has changed and going to pan out or probably where you are currently, if you can give us some broader sense to understand the margin?



Jasbir Singh: Well, we see -- when we were listed in 2018, we were close to about 80%, 85% banking on room AC, and the revenue base at that time was 2,100. Today, revenue base has almost tripled, and the RAC banking will come -- has come down to 40%. So other 60% is the businesses of other divisions plus the component businesses. And it's a diversified portfolio. It's very difficult to say how in future will be panning out. You never know the customer shift strategy sometimes. If outsourcing starts again, the percentage will go up. But as far as two, three years are concerned, we see the horizon that RAC banking will be in the tune of 35% to 40% in the balance sheet. That will be all components and subassemblies plus other divisions.

Sandeep Tulsian That was more to understand between the difference between subassemblies and components because subassemblies is essentially what is pulling down the margins right?

Jasbir Singh: No, see, let us understand first that, subassembly, Are basically a component and then added the — on top of it, we add some bought out items. The 100% business is not subassembly. So we have businesses only for pure components sale also, which is at a higher margins. And when you are sitting with the customer, you can't say no if we want to put up certain three or four more components on it, and give it -- supply to them on just in time basis, and also maintain the inventory levels, plus deliver them the complete kit solutions. So that is a very added advantage to you, that by having that subassemblies, whether it is at lower margins, you are not putting any capex for that. There is hardly -- and in fact you earn out of that complete -- doing the subassembly work.

So we are not bothered about that lower margin percentage or something like that. I think that's why I'm repeating again and again in past, also I would like to repeat it this time again, that please don't look at balance sheet towards percentages of margins. Percentage of margin are function of product mix, component mix, finished goods, subassemblies, everything will keep on changing from quarter to quarter. It's very difficult to predict or forecast any kind of trend here, because it's all customer driven. And it is also function of commodity and currencies. If commodities go up, the percentages will look down. So we would like to guide that, we will maintain that 30% plus EBITDA range for the next two to three years' time, on the absolute number growth.

Moderator: That was the last question. I would now like to hand the conference over to Mr. Jasbir Singh for closing comments.

Jasbir Singh: Thank you, everyone, for joining on the call. I hope we have been able to address your queries well. For any further information, kindly get in touch with us,, or Strategic Growth Advisor, our Investor Relations Advisors. Thank you very much, and have a good day ahead.

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