Date: 01.08.2023

To
Secretary
Listing Department

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

To
Secretary
Listing Department

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 the Company for the 1st quarter of financial year 2023 - 24

This is further to our letter dated 21 July 2023 intimating the details of Earnings Call with Investor/Analyst (Participants) to discuss the Unaudited Financial Results (Standalone and Consolidated) of the Company for the 1st quarter of financial year 2023 - 24, held on Wednesday, 26th July 2023 at 10:00 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 https://www.ambergroupindia.com/investor-events-presentationhead/ for your information and for information of members / participants and public at large.

This information is submitted to you pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended. Kindly take the same into your records and oblige.

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

Konica Yaadav

Amber Enterprises India Limited

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

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"Amber Enterprises India Limited
Q1 FY '24 Earnings Conference Call"
July 26, 2023

MANAGEMENT: **MR. JASBIR SINGH – EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND WHOLE TIME DIRECTOR – 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 – WHOLE TIME DIRECTOR–ILJIN ELECTRONICS (INDIA) PRIVATE LIMITED
MR. SACHIN GUPTA – CHIEF EXECUTIVE OFFICER – RAC & CAC DIVISION – AMBER ENTERPRISES INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Amber Enterprises Q1 FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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, Executive Chairman and CEO and Whole Time Director of Amber Enterprises. Thank you, and over to you, Mr. Jasbir Singh.

Jasbir Singh: Hello, and good morning, everyone. On the call, I'm joined by Mr. Daljit Singh, Managing Director; Mr. Sudhir Goyal, CFO; Mr. Sanjay Arora, CEO, Electronics Division (please note he is whole time director of our subsidiary ILJIN Electronics (India) Pvt Ltd. It was erroneously mentioned as CEO Electronics division); and Mr. Sachin Gupta, CEO of RAC Division; and our Investor Relations advisors, SGA.

We have uploaded our results presentation on the exchanges, and I hope everybody had an opportunity to go through the same. Quarter 1 of FY '24, which is usually a strong quarter for the RAC industry, was marked by unseasonal rains and weather patterns. Owing to the muted demand that industry witnessed, the channel inventories together elevated levels and is expected to come down to normalized level by end of quarter 2 of this financial year.

In H1 of calendar year '23, industry has declined by approximately in the range of 20% to 25%. However, we expect RAC industry to grow by 7% to 8% on a year-on-year basis for financial year '24, which augurs well for Amber. As mentioned earlier, we had anticipated the changing trends in the RAC industry and have created diversified solutions by expanding our offerings under components and subassembly segment.

I will now take you through the consolidated financial highlights. On the revenue front, for quarter 1 FY '24, revenue stood at INR1,702 crores versus INR1,826 crores in quarter 1 FY '23. On operating EBITDA, for quarter 1 FY '24, operating EBITDA stood at INR138 crores versus INR131 crores in quarter 1 FY '23, a growth of 6%. Operating EBITDA margins for Q1 FY '24 stood at 8.1% versus 7.1% in Q1 FY '23.

Our component strategy, which led to product mix change, has helped to improve these margins during the quarter despite weak demand in RAC, owing to unseasonal weather patterns. Operating EBITDA is before impact of ESOP expense and other nonoperating income and expenses.

Now moving to the divisional performance. RAC and Components division. For Q1 FY '24, revenue stood at INR1,244 crores versus INR1,439 crores in Q1 FY '23. For quarter 1 FY '24, operating EBITDA stood at INR96 crores versus INR86 crores in Q1 FY '23. Margins during the quarter improved on account of component strategy, which led to product mix change.

RAC and Components division is expected to grow faster than the industry growth in FY '24. On Mobility Applications division, which includes Sidwal, for quarter 1 FY '24, revenue stood at INR104 crores versus INR95 crores in Q1 FY '23. For Q1 FY '24, operating EBITDA stood at INR21 crores versus INR26 crores in Q1 FY '23. Quarter 1 FY '23 margins had benefited from low-cost inventory base and hence not comparable with Q1 FY '24. However, sustainable margins of this division would be in the range of 20% to 22% at the current commodity prices. We expect Mobility Application division to grow in a range bound of 15% to 20% in this current financial year.

We are at last leg of receiving a large order in this division, which will take our order book to close to about INR800 crores. On the Electronics division, which includes ILJINand ever, for quarter 1 FY '24, revenue stood at INR267 crores versus INR208 crores in Q1 FY '23. For Q1 FY '24, operating EBITDA stood at INR11 crores versus INR9 crores in Q1 FY '23.

Electronics division has witnessed growth in revenues as well as operating EBITDA. Currently, a large part of the demand of PCBAs for non-smartphone applications is fulfilled by imports. Government thrust to manufacture electronics locally present a multifold growth opportunity for this division. Electronics division is expected to grow in a range of 35% to 40% in FY '24.

On the Motors division, for quarter 1 FY '24, revenue stood at INR87 crores versus INR83 crores in Q1 FY '23. For Q1 FY '24, operating EBITDA stood at INR10 crores versus INR10 crores in Q1 FY '23. We were able to maintain our revenues and operating EBITDA owing to new product range introduced in previous quarters.

And Motor division is expected to grow in a range of 20% to 25% FY '24. Exports grew by 40% in quarter 1 as compared to previous years. With this, I would now open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Ravi Swaminathan from Spark Capital.

Ravi Swaminathan: My first question is with respect to the Electronics segment. We have seen very good growth in the segment in the first quarter of this year. Margins are somewhere in the range of around 5%. Is there a scope for this to improve? What can be the drivers of improvement in terms of margins? And if you can talk about the growth drivers also for the segment slightly more in detail would be great.

Jasbir Singh: Yes, this margin, you're right, is in the range of 5%. When we bought these companies, it was in the range of 3% - 3.5%. We are moving towards a 6% range, and that's what we guided that in the next two years' time, we should be getting those numbers. Because the reason is that the new orders which we are taking and the new applications which we are entering into are coming with a slightly higher margins and we are very bullish on this divisional performance as well as the future growth prospective of this division.

When we bought this company, this was in line to air conditioners moving from fixed speed to inverters. But when we entered into this company, we saw that it's an ocean of opportunities, and we started diversifying it into various applications.

So today, apart from air conditioners, this division is serving refrigerator, washing machine, microwave ovens, water purifiers, fans and hearable, wearable and telecom sector, and we are also adding newer applications moving forward. So, we are very bullish about this division of ours.

Ravi Swaminathan: Got it, sir. Got it. Understood. And the second question is with respect to the mobility business. So what are the large -- is there any large order opportunities which are there in the pipeline from metro side or other railway segment side which can kind of give in large orders to this particular category?

Jasbir Singh: Yes. Certainly, I mean, you must have been hearing a lot of news on the modernization of railway program and about 25 to 26 new cities where tenders are getting opened from urban development ministry for newer metro lines and the existing metro lines are also expanding. So, we are having two strategies here in this division. One is, of course, our HVAC offering has now moved to railway and then metros, and we are serving all most every customer in this range.

And then we have strategized to move into deeper wallet share within the existing customer by offering products like pantry systems,gangways and doors. So that is also moving fine for us.

We have done two technology agreements with two companies, one is Canada based and one is a Taiwan-based companyfor the doors and gangways. We are hopeful to start getting orders in this category also. So larger aim and the long-term aim is to make Sidwal a multiproduct company in the rail subsystems category.

And moving into the line of India, which is a next 10-year story for railways and metros. So we are quite bullish on this division as well.

Moderator: Thank you. Our next question is from the line of Sonali S. from Jefferies. Please go ahead.

Sonali Salgaonkar: And congratulations on a great set of margins. Sir, my first question is regarding margins itself, about 7% -- more than 7% this quarter. You mentioned product mix changes. So could you give us more color as to what exactly were the product mix changes? And how sustainable do you foresee this margin trajectory to be in? Do you think the coming quarters can sustain at about 7% to 8% from here on also because of the PLI benefits coming in?

Jasbir Singh: Thank you, Sonali, and good morning. Yes, the margins expanded, and the prime reason is that as we explained in the last couple of quarters that we are shifting our strategy towards more of components. That is what led to this margin increase. in both AC as well as non-RAC businesses, which we've added in the last couple of quarters, are paying dividends now.

On the percentage terms, I will again reiterate what I've always said that it is very difficult for us to predict the percentage of margins because of the high product mix which we carry as a solution provider. Yes, but we will maintain our guidance that on the absolute EBITDA basis, you will see a jump of 25% to 30% on the EBITDA level.

Sonali Salgaonkar: This is year-on-year for FY '24, right? Is there any pricing actions that you have taken in Q1 so far?

Jasbir Singh: No, there was no need of taking any pricing action because the commodities are more or less on the same level. So there is no change in the pricing.

Moderator: Our next question is from the line of Renu Baid from IIFL.

Renu Baid: I have two questions. First, you've highlighted various new emerging areas where we see developments coming towards companies expanding. So what kind of investments are you expected to do in the next 18, 24 months across these segments development?

Jasbir Singh: Renu, we guided earlier that total capex for this year is going to be in line of INR350 crores to INR380 crores range. And that is primarily because of maintenance capex of all 27 plants, plus the R&D initiatives. And, as explained, that our divisions are now moving to different applications. So, we will need some capex in the divisional part also for expansion of our capacities for newer applications, which we want to address it.

Renu Baid: Sure. And the second question is on the growth side. While in RAC and Components, you mentioned you'll be growing faster than the industry. In the earlier interaction, you mentioned the industry may address to flattish or may decline for the full year. So how should we look at the RAC and Component business growth? And simultaneously mobility. When you're getting into many adjacencies, you're guiding for only 10% to 15% to 20% growth for Sidwal. So is that not slightly more conservative given addition of new capabilities and end markets that we are looking within the right portfolio?

Jasbir Singh: Yes. On the second question on the mobility side, Renu, basically, the newer applications, which we are getting into as a multiproduct company for train subsystems. That is doors, gangways, pantry systems will start paying dividend from next year onwards.

So this year, we have already closed the TOTs. Now in the Phase I we are taking prototype orders. And then we'll be furnishing these prototype orders by quarter 4. And from next year, quarter 2 starting, we will start getting the reflection of this multiproduct strategy of ours in Sidwal.

We are expecting to double Sidwal revenue as well as bottom line in next two to three years' time. That's the strategy moving forward. On the room AC, what was your question? On the component side, yes, I mean, we are adding new customers on the component side. And also, because the customers have shifted their strategy to in-source largely we've been able to proactively change our strategy in tandem with the customer strategy. So that is what is making us more confident to deliver more than industry growth.

So industry, earlier, we guided that our industry will remain flattish. But now looking at the July and the August order book and September order book, I think industry should come up to with a single-digit growth patterns by this year-end. And Amber to deliver more than the industry growth.

Moderator: Our next question is from the line of Anupam Goswami from SUD Life.

Anupam Goswami: Sir, my question is a little follow-up. You mentioned about July sales. And you're looking at the growth, you expect about 7% to 8% growth in the RAC. If that so then Amber should be in the range of double-digit growth, let's say, 15% to 18% in RAC?

Jasbir Singh: It will be very difficult to predict whether it is 15% to 18%, but I think we should be at least 3% to 4% higher than the industry at least moving forward, looking into our strategy, which is moving.

Anupam Goswami: Okay. Okay. And so, sir, you mentioned about Sidwal growing double digit. So do we -- in the multiyear product that we are mentioning, do we maintain the margins of about 20%?

Jasbir Singh: Yes. Sidwal maintainable margins are in the range of 20% to 22%. If you would have seen the last 4, 5 quarters, you know that it changes, varies from quarter-to-quarter because sometimes we have AMC contracts billing happening. Sometimes we don't have AMC billing happening. And then in other ways, there is a product mix of bus air conditioning, defense applications, plus metros and railways. So on a yearly basis, 20% to 22% is maintainable.

Moderator: We move to our next question. Our next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: Sir, one question, primarily the split between ACs and RAC and Components. Could you talk about rough margins in both of them? Because we've seen a period 3 years, 2.5 years back, where our margins went from 8% to 6%. And again, in this quarter, we have jumped to 8%. So just for us to be able to understand this better, what is the margin in your RAC business and your component business approximately?

Jasbir Singh: Actually, this is a very company sensitive information, and we would not like to highlight on the complete vertical split. So we have a range. I can talk about the range. The range of finished goods to component varies from close to about 6% to almost about 9%. That is the range on which we supply various models, whether it is in goods or it is the component.

Pulkit Patni: Okay. This is helpful, sir. And can you talk about proportion in both of them?

Jasbir Singh: Proportion, yes, RAC proportion is reducing now. You would have seen in the presentation also that I think from -- it used to contribute close to about 68% a couple of years back. Now only 48% is RAC in the complete consol balance sheet and more of is it components adding up.

Pulkit Patni: No, I'm asking in that standalone between RAC and components, what is the proportion?

Jasbir Singh: Yes. Earlier, it used to be 70-30, but now we have reached almost 50-50.

Moderator: Our next question is from the line of Natasha Jain from Nirmal Bang.

Natasha Jain: My first question is you mentioned in your presentation that industry is expected to grow by 7% to 8%. So I assume this is at a RAC and component level. So even if I take a 7% growth, sir, at the current market operating price, I come to a volume of about 9 million units. So sir, just wanted to understand, would we be able to do that kind of volume given that quarter 1 is already gone and it was a bad quarter.

Jasbir Singh: Yes. We are in that that's about 9 million numbers. Because what we are seeing right now is the inventory getting liquidated in quarter 2. And generally, whenever this kind of trend happens because we've seen bad seasons 4 or 5x in our history of the last 22 years. So there's always a certain jump in quarter 4, which leads to a single-digit growth trajectory, and that is what should happen this year as well. So we are very confident that market should come to about 9 million. So industry should come to 9 million this year.

Natasha Jain: All right. And sir, just on the market share. So if we are expected to do a 3% to 4% higher than industry, would that mean your market share would come to around 31% in FY '24 from 29.4%. Can we expect that?

Jasbir Singh: We should expect something big, I mean, good trajectory beyond 29% as we are adding more components and we've added more customers also in both components as well as in the (check right word) category. We should see that.

Natasha Jain: All right. Okay. And sir, my second question is on the Motor division. So we've been hearing throughout the previous con call this segment is expected to show strong growth, especially on the back of exports. When I see the quarter numbers, it has not been a very high-growth area for us. So first, if you could just tell us the split between domestic and exports? And how do we see this segment going forward?

Jasbir Singh: Earlier, the export was contributing in a single digit, 7% to 8%. But now export is contributing about 11% to 12%. And that's why I -- in my commentary, said that we've seen about 40% jump in our export orders in quarter 1 as compared to last year quarter 1.

So moving forward, we are expecting some good growth in quarter 1. But the reason why we are changing the guidance instead of 30% to 20% to 25% is because looking into the bad season right now moving on. And most of the customers, they have high inventory of this product category with them.

So even if they liquidate the inventories, the larger order book will start coming from quarter 3 and quarter 4 end. So exports will be positive for this division, and we'll continue to maintain the margins in which we are.

Moderator: Our next question is from the line of Karan Sanwal from Niveshaay.

Karan Sanwal: So my question was I wanted to understand the capacity utilization in our facility at a major consolidated level.

Jasbir Singh: Very difficult to answer your question, Karan, because we have five divisions and all the divisional capacities are at different level. But if I want to give you a gist of the divisional capacity utilization, I think if I talk about motors, we should be at about close to about 50% capacity utilization.

We've just moved into a newer factory last year in that category. On RAC, we will be again talking of about 50%, 55% capacity utilization because we did two greenfield facility expansions. And on Sidwal, w in mobility application, we are at about close to 65% to 70%. And in Components division, again, some of the components, we are at 65% to 70% and some of them we are at 50%.

Karan Sanwal: And my second question was I wanted to understand what percentage of raw material are imported and maybe which country contributing those , make that come to those imports?

Jasbir Singh: So on the imports of raw materials, as guided earlier also, you must have seen in our balance sheet that we pass on any price fluctuations on the raw material side to our customer at a quarterly lag basis. But yes, there is a big trend which is changing due to PLI, which is that the component ecosystem is getting built now in India. So we expect the larger objective of PLI was that the local value addition, which was currently at 25% in FY '21 should go to about 75% value addition in our country within the next 5 to 6 years' time.

And we are seeing that this trend will go to about 50% by next year itself. So PLI is playing its role of creating a component ecosystem. I think in the next 2 to 3 years' time, our import content should come down.

Moderator: We move to the next question. Our next question is from the line of Mr. Pankaj Tibrewal from Kotak Mutual Fund.

Pankaj Tibrewal: Can you give us some color on the balance sheet? How is it shaping up? And on the return on capital, the trajectory which we have been talking about, it will be a lot appreciated.

Jasbir Singh: Pankaj, as guided earlier that we already touched 15% of return on capital towards doing about 16% to 16.5% this year. And as guided earlier, I would like to reiterate that in the next 2 to 3 years' time, we should be in the range of 19% to 21%.

Pankaj Tibrewal: And any color on the balance sheet as we speak because interest cost has moved up quite substantially. So just some color on the overall balance sheet debt numbers.

Jasbir Singh: I'll ask Sudhir to answer this question.

Sudhir Goyal: So what kind of color you are looking for in terms of balance sheet? Like -- what exactly you want to know? Because these...

Pankaj Tibrewal: Gross and net debt and the capex done in the first quarter and the cash flow. So if you can just help us on that.

Sudhir Goyal: For cash flow, we have not prepared still, but I'll give you separately after calculating the number of cash flow. But in terms of net debt, we have a net debt of INR788 crores as on June 30. And the capex done is around INR40-odd crores in the quarter 1 (Please note Rs. 40 crores of capex in Q1 was on standalone basis).

Pankaj Tibrewal: And this year, you're talking about INR350 crores to INR380 crores of capex?

Sudhir Goyal: Yes. Yes.

Pankaj Tibrewal: Okay. Okay, fair. And just one kind of check back. This return on capital number, which you're talking about includes other income, right? That's how you get to 15% last year?

Sudhir Goyal: Yes. It is on EBIT. It is on EBIT line. Yes. So it is a cash line. It is like other income includes our interest cost and everything. So it is on the EBIT.

Pankaj Tibrewal: Okay. So you have included the other income.

Moderator: Our next question is from the line of Alok Deshpande from Nuvama Institutional Equities.

Alok Deshpande: First question is on the Electronics division. It's now at an annualized run rate of nearly INR1,100, INR1,200 crores. So any color you can give on what is the product-wise split within that electronics revenues?

Jasbir Singh: Right now, almost 30% revenue is coming from hearable and wearable and 70% is consumer durable. But we've started the small shipments in the telecom sector. So by year-end, I think the consumer durable and appliances sector should come to about 55% to 60% and 40% would be the other hearable, wearable plus telecom.

Alok Deshpande: Okay. And consumer durable is a mix of different products, I'm guessing different appliances you said?

Jasbir Singh: Consumer durable, we have AC, refrigerator, washing machines, microwave ovens, water purifiers and TVs.

Alok Deshpande: Okay. Understood. And just quickly on this quarter gone by. If you were to split this quarter into, let's say, two halves. Did the first half of the quarter 1 was something where you had the majority of the sales and later on, the sales were lower? Because you're talking about inventory sort of channel inventory being elevated in the channel. So I'm guessing the second half of the quarter would have been muted. Is that the right understanding?

Jasbir Singh: So generally, in quarter 1, if you see the previous year's trend also, the April month is the peak month, then it starts slowing down from last week of May and then it slows down in the June. But this year, April itself was a dissuader because of the unseasonal rains.

So I would say -- it was like a standard kind of a quarter for us where because of the rains, a lot of inventories were stuck because April, there was hardly any sales in the finished goods category. So there are companies who couldn't sale. They were down by almost 40%. There were some companies who were flattish. So on an average, industry was down by about 20% to 25%. That's how the elevated levels of inventories are there in the system.

Moderator: Our next question is from the line of Gunjan Kabra from Niveshaay.

Gunjan Kabra: I wanted to understand, I mean, you touched upon this point in the previous participant question. I wanted to understand that as all EMS companies who are giving confidence are doing a margin of, say, 15%, 17% in the component business. Maybe in PCB board supplying to consumer electronics. So what is -- if we are moving towards more on the component side and what kind of margins can we be and why is it? Like if we ramp it up, then how much can the margin increase? To what level can it increase is what I wanted to understand in the component business? And why are we doing it low compared to other EMS companies who are doing it? What would be the difference, I wanted to understand.

Jasbir Singh: So basically, there are EMS companies which have 4% EBITDA, and there are EMS company in electronic sector, which has about 11% to 12% EBITDA. It depends on which applications you are serving to.

So there are about 9 to 10 sectors where you can address or deliver these solutions in the electronic space, starting from the lowest margins in our sector, which is consumer durable and home appliances, then moving on further in the industrial and health care sector, it is more. In auto, the range is about 7% to 9%.

But if you start catering to defense applications and railway application, then it is 11% to 12%. So we started this division by equity infusion 4, 5 years back, primarily because of air conditioners then when we saw that it's an ocean of opportunities, we started diversifying. So now what we are doing is, we are bringing in more applications. And that's the reason why we have guided that.

Margins will slightly improve in coming years to come. And as we continue to add more applications, we can also reach to that level, but it will totally depend on when we are able to track the customers in that range of higher-margin businesses.

Moderator: Our next question is from the line of Dhruv Jain from AMBIT Capital.

Dhruv Jain: Sir, I had a question on the [inaudible 0:32:08].

Jasbir Singh: Dhruv, you were not audible. Can you repeat your question?

Moderator: Yes, sir, please go ahead with your question. You're audible now. Mr. Dhruv, there seems to be a problem with your connection, I guess. Could you unmute your line, please? May I request the management that we move to the next participant.

Our next question is from the line of Madhav Marda from Fidelity.

Madhav Marda: Just wanted to get -- I think you mentioned in the initial part of the commentary, but the RAC industry growth this year, how do you expect it to shape up through the rest of FY '24? Is my understanding right that Q2 could be a bit better than Q1 because Q1 was a lot impacted and then you're expecting Q4 to be a much better one as inventories normalize. Did I understand right?

Jasbir Singh: Yes. Basically, we are seeing some uptick in July month. And I think if the inventories get liquidated in quarter 2, then quarter 3 and quarter 4 should be positive. But quarter 4 will generally be positive.

We have seen this trend of bad seasons earlier also. I mean, within the bad season, this was the worst season which we saw.

But it bounces back. It's a strong comeback whenever this kind of thing happens. So CAGR of industry gets maintained. So I think we are quite bullish looking into the trend of sales of most of the large companies, we think that industry should come up in the 7% to 8% range.

Madhav Marda: And July, you think absolute volumes could be a bit better than what we've seen in Q1, like despite that being sort of the summer season?

Jasbir Singh: On secondary sales, yes, you're right, July would be a little better on the secondary sales part of it. Primary sales, I would not say because primary scale dealers are carrying inventory. So they have started selling those in July and August.

Madhav Marda: Understood Yes. And just second question on Sidwal, I think you did mention that there is a lot of traction in the end market, which we are seeing on the infrastructure side. So just how could the growth be here because there's so many new projects coming up on the railway side, metro side. So how Sidwal could benefit? Because what we understand you all do have very good market share in this space in India. So just your thoughts.

Jasbir Singh: Madhav, I explained it earlier, I'll repeat it again. So we are following 2 strategies. One is, of course, we are penetrating deeply into the HVAC solutions for our customers. And then we are offering and graduating into a multiproduct company into the rail subsystems.

So we are adding some new products whereby our wallet share per car from a current level of about INR20 lakhs to INR25 lakhs will jump to almost about INR75 lakhs to INR80 lakhs. But that is a gradual process. It doesn't happen suddenly. So we are very bullish about this segment and the division.

We expect this division to double in the next two to three years' time, both in top line and bottom line. And that's how the strategies are moving. And this year, we have already started supplying apart from HVAC units, we have started supplying pantry systems. And now we are getting prototype orders for doors and gangways.

So next year, doors and gangways will also come into a larger category. I think that's how this division will move ahead to be a multiproduct rail subsystem company moving forward with the technology-led components.

Moderator: Our next question is from the line of Indrajit Agarwal from CLSA.

Indrajit Agarwal: I have one more medium-term question. So given where we are seeing margins of some of the brands or OEMs, do you think there's a risk that the component manufacturing can also be brought in-house by them and thereby shrinking our target market or addressable market?

Jasbir Singh: Well, on the scale of 1 to 10, if we say that everybody will start manufacturing all the components, that's not possible. That's -- basically, what happens is we have customers who have only 20% of in-sourcing. We have customers who havejust assembly lines and they buy 100% components outside. And we have component -- we have customers on the other side who are deeply backward integrated. So they will be at a level of 7 or 8 in the backward integration. But still, there is a lot of scope of component supply to even customers which are deeply backward integrated, we are still supplying components to them.

So it's just like auto story that if Toyota puts up a factory, they will do car chassis on their own. They will do car bodies and they will do engines on their own, and future may be battery-packs and control systems. But will they ever start producing tires and bumpers and steering wheels and seats or audio related systems or glasses.

So similarly, in our sector, when a brand or a customer puts up their own factory they generally go with the assembly line labs and heat exchangers or maybe injection molding machines and maybe some kind of other equipment. But largely or maybe compressors, which is not our addressable markets. But generally, we have seen all the brands like they buy something from us.

So our objective is that how can we continue to be a dominant share in the manufacturing footprint point of view. Today, we have about 29.4% market share in the complete value proposition, value manufacturing footprint. And even if you maintain this, it's going to be a good exponential growth from here on.

Indrajit Agarwal: Sure. That's helpful. Secondly, I know it will be different for different components, but on a weighted average basis, what kind of asset turn a new facility of greenfield facility generally enjoy?

Jasbir Singh: Well, different divisions are at different asset turns. If I talk about electronics, we'll be at asset turns of about 10 to 11. If we talk about mobility applications, our asset turns will be about 15, 12 to 15. If we talk about asset turns of air conditioners, especially in the assembly line, you can reach to 7, 8. But if you talk about complete backward integrated lines, the asset turns can be only 4. So it depends on which components you want to supply to. It varies from component to component.

Moderator: We move to our next question. Our next question is from the line of Rahul Gajare from Haitong Securities.

Rahul Gajare: Sir, given that we are looking at an industry level decline in the first quarter. Can you give us some sense on how this has played out regionally in terms of the industry performance, given that you will be catering both on RAC and Components. So you have some sense of how a particular region has done.

Jasbir Singh: Well we need to refer to the GFK reports because they are the one which comes out to proper region-wise, we don't monitor region-wide sales because we are a B2B company. So we supply to customers and then they supply further.

But what we are hearing from brands and from our customers is that North India was a big dissuader because of continuous rains starting from March and until now. So North is like a complete, what shocked the markets and. But otherwise, the West and East, we are hearing that this is going pretty well.

Rahul Gajare: Okay. So this is the continuation of the earlier question. Given that we've seen a fairly intense capex intensity over the past 5, 7 years, either directly or through acquisitions, etcetera. When do you think you'll be done with large part of the capex in terms of the growth capability that you had in mind? And therefore, what is the ROCE that you have in mind, which will be a more sustainable number that we can maintain?

Jasbir Singh: Well, we've done pretty large capex in the last two years. We've almost spent close to about INR1,100 crores. This year, we have guided we'll be in the range of INR350 crores to INR380 crores. And so a large part of the capex is over. We don't need any more greenfield facilities for air conditioners or for our motor divisionthey are already shifted to newer plants. And also, we are doing some capex. But maintainable ROCEs in our sector on a long-term point of view is between 19% to 21%.

Last year, we did 15%. And this year, we are likely to cross 16.5%, 16% to 16.5%.

Moderator: We move to our next question. Our next question is from the line of Dhruv Jain from AMBIT Capital.

Dhruv Jain: Sir, just a clarification on the subsidiary margins on PLC and the electronics division. So you see a sequential decline. Should we assume that margins will remain in this level or it should revert back to the earlier trend because in a couple of quarters for at least PIC, we've seen about 14%, 15% margins.

Jasbir Singh: So it will vary from quarter-to-quarter because we have some exports coming in and then there are different product mix we have. Again, I'll reiterate that please don't see the balance sheet in the percentages of margin. It's absolute EBITDA basis where one need to see the B2B company like us.

Because we have a high range of 5% to 22% of EBITDA businesses. So it's very difficult to say at what percentage. But yes, looking into the moving trajectory right now, like we have guided that Sidwal will be in range of 20% to 22%, Electronics will be about 5%, 5.5%, and motors will be around 9% to 12% range. So that is the range which we operate in the subsidiaries.

Dhruv Jain: Okay. And sir, we see a sharp sequential interest cost increasing. So -- and you are doing the INR350 crores to INR380 crores sort of capex. So should we assume that in this year, we're not going to see any net debt reduction or debt levels will remain at the current levels?

Jasbir Singh: No, I think -- a lot of cash flows start coming in quarter 4, and we may reduce the debt by 50 to 100 range as per the business plan, which we have right now. So I think that looks doable right now.

Moderator: We move to our next question. Our next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: So one, with the industry likely to having a very muted growth this year. So do you see any impact from PLI benefits that industry will receive? Or is it fair to say that there may not be a real PLI benefit that the industry may receive this year? Also on -- particularly on our company side, the benefit that we received in FY '20, what is the likely budgeted PLI benefit that we made in FY '24?

Jasbir Singh: So last year, we've maintained -- we've achieved the incremental sales required as per PLI. And this year also, we don't see an issue of reaching to our incremental sales part of it. there may be some companies who may not be able to do it. But as far as Amber is concerned, we are pretty much on track.

Aniruddha Joshi: Okay. So that's good to know. And if you can quantify the amount that we are likely to get.

Jasbir Singh: See, the total we have applied for INR400 crores in the PLI. So we are one of the largest PLI applicants. And as per the PLI structure, which is there. In the next five years, we would be receiving close to about INR270-odd crores as we move ahead.

So last year, incremental sale PLI benefit we should be receiving this year maybe in quarter 3 or quarter 4. And this year, PLI benefit after the balance sheet is final, will be received next year. So it will come until 2027, '28.

Aniruddha Joshi: Okay. Okay. So sir, fair to assume that we might be generating a benefit of around [INR3 crores to INR50 crores 0:45:41] in this year '24 and FY '23 also?

Jasbir Singh: No, no. It is gradually increasing because there is an incremental threshold sales target defining the PLI. So in the first year, like it is for ~INR300 crores capex, it is INR15 crores. Next year, it is INR30 crores, then it is going to INR37.5 crores. Like that, it is on an increasing trend because every year, the threshold of incremental sale is increasing based on the incremental capex.

Aniruddha Joshi: Okay. Okay, sure. And the last question. The industry is likely has almost added now 3 to 3.5 pieces capacity. So do you see any margin impact that may happen in this time because everybody may like to increase the capacity utilized?

Jasbir Singh: Yes. I think there are 5 or 6 brands who are putting facilities. The others are not putting facilities. But -- so I would say the complete changeover of the landscape shift of in-sourcing, outsourcing has almost finished now. So the last leg is remaining by one customer who will be starting their factories very soon, probably by October. Other than that, everybody has started. And there's one more Japanese customer who is likely to start next year. So that's all. Otherwise, more of less it has settled.

Moderator: Our next question is from the line of Nirav Vasa from Anand Rathi.

Nirav Vasa: Just wanted to understand, can Sidwal provide air conditioning solutions for trucks? And how -- and as government has mandated air conditioning for trucks, we intend to get into it?

Jasbir Singh: See, one impact is very sure that once the car drivers will start sitting in an air-conditioned environment, they will have ACs in their homes also. And once the AC starts penetrating into that community, you can see the exponential jump on room air conditioners to come.

Coming to your question on Sidwal getting into truck air conditioning system, I mean, we can give the solutions. We right now giving solutions on the truck refrigerator, reefer parts. If somebody has to come with their older trucks and get it converted, we can do that. But we don't see that a large business plan because the notification, which has come, is from 2025 onwards. And that is pertaining to the newer trucks, which will be sold. Newer trucks today also are getting sold with the air conditioned largely. The non-AC will be converted into the AC part. So what we are focusing is the truck reefer part as well as the bus air conditioning sectors.

Nirav Vasa: Okay, sir. And sir, the other question is pertaining to exports. So would it be possible for you to share updates on the exports that we can do in FY '24 across our standalone business and across each subsidiary?

Jasbir Singh: Yes. So on the PICL side, as I explained, that export has moved up, and we are seeing a good traction. We should be doubling our exports probably in the next two years' time.

On the finished goods side of air conditioners, - with some customers we have reached the last leg of getting the BEE approval. The prototypes have already started. And next year, we should see some good -- volumes coming up for the finished goods also.

Nirav Vasa: And for Electronics?

Jasbir Singh: Electronics, we have not yet started any initiatives. Our division are busy in India itself. Probably they will create a global strategy once they are very stable in India and start because they are increasing their footprint into the South India. Now they have put up a brownfield expansion in Chennai, and they have done another expansion in Noida and they are bringing up more applications in the electronics side.

So their strategy for next two to three years will be within India.

Moderator: Our next question is from the line of Mr. Pankaj from Affluent Assets.

Pankaj: Just wanted to understand, what is the total addressable market for us in EMS space? And how are we working on it?

Jasbir Singh: Well, on the EMS side, we can divide this answer into two categories. One is on the room air conditioner side and other side is electronics side. Electronics, you must have seen a lot of research reports that it's both import substitution as well as the domestic market, which is going into the electronic side.

Every appliance, every auto and every other sector are adding electronics into their products category, and that is where they place it. So it's -- on the electronics side, I think it's a ocean. It's right now close to about $7.5 billion worth of PCBA's are getting imported in the countries. And if we even just do the import substitution category, then it's enough for everybody to get up in that space.

Pankaj: So what are we doing to increase the presence out there?

Jasbir Singh: Well, we are adding customers. So -- and which is helping our nation to substitute on the imports as well as helping our company to grow into various applications. We started with air conditioners. But today, if you see air conditioner imports have almost rose in the AC category. So in the AC category earlier, 75% was inverter PCB was getting imported. Today, it has shrunk to almost about 20%.

So that is a big change which we have seen in our sector. Then we have graduated into refrigerator, washing machines and other sector, plus wearable, hearable and telecom sector.

Pankaj: Can you please give guideline how we are expected to grow, especially in EMS space?

Jasbir Singh: In the EMS space, we have already guided our electronic division is likely to touch 35% to 40% growth rate this year. Last year also, they grew by 70%.

Moderator: Our next question is from the line of Kaushik Mohan from Ashika Stock Broking.

Kaushik Mohan: So my question is basically on your railway segment. So I just wanted to understand as a business perspective. You sell the ACs under conditioners to the AC railway manufacturers directly or it goes to the government and then it goes to the person? What's the process?

Jasbir Singh: It has actually two types of customers. One, we have Indian railways, where Indian railways have their own factories in Kapurthala, Chennai, Raebareli And other places. And there are zonal railways also where they maintain and refurbish older coaches.

So we supply to all railway divisions. That is where we participate in tenders and we receive the orders and we supply directly to Indian railway factories. Then on the metro side, we supply to the train manufacturers, the metro car builders like Alstom and Bombardier or-- CRRC, or CAF , who are making the car body. So we have our customers in that category.

Kaushik Mohan: Got it, sir. Sir, the last question, how would the margins and the payment cycle from the government side for this division?

Jasbir Singh: Yes, we haven't seen any issues in the payment cycle. It's quite streamlined. It's a company which is sitting on a positive cash. In the metro side, we have payment cycle from 90 to 120 days. In railways division, it is starting from 60 to 90 days.

Kaushik Mohan: How about on the margin side, sir? Any guidance on the margins?

Jasbir Singh: Margin, on that division, we have already guided. We will maintain about 20% to 22% of EBITDA margins.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question of our question-and-answer session. 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 all your queries. For any further information, please get in touch with Rohit or Strategic Growth Advisors, our Investor Relations Advisors. Thank you very much. Have a good day ahead.

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