Date: 23rd May 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 quarter and financial year ended 31 March 2023

This is further to our letter dated 14 May 2023 intimating the details of Earnings Call with Investor/Analyst (Participants) to discuss the Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and financial year ended 31 March 2023, held on Wednesday, 17th May 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-presentation-head/ 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 Yadav

Amber Enterprises India Limited

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

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“Amber Enterprises India Limited
Q4 FY2023 Earnings Conference Call”
May 17, 2023

Disclaimer: E&OE-This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on 17th May,2023 will prevail

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

Moderator: Ladies and gentlemen, good day and welcome to Amber Enterprises India Limited Q4 and FY2023 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jasbir Singh, Chairman & 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, CFO, Mr. Sachin Gupta, CEO, RAC & CAC Division, and SGA our Investor Relation Advisors. We have uploaded our result presentation on the exchanges, and I hope everybody had an opportunity to go through the same. Indian RAC market has grown to almost 8.4 million units in FY2022-FY2023 and poised to create healthy growth in the upcoming years owing to rise in temperatures, boom of residential sector, growing retail and hospitality sector, rising construction activities in the commercial and real estate space along with rampant expansion on SME and commercial hubs. The growing construction projects across the country supported by governmental spending towards infrastructure would eventually result in disproportionate demand for HVAC solutions by stepping up the transport infrastructure of the country such as railways, metros and buses. With AC industry peaking to a market size of 8.4 million in FY2022-FY2023 and the continuous rising demand for air conditioners, Amber looks forward towards an optimistic and steady growth in coming quarters. This year we witnessed many brands shifting their strategies and adopting to in-source assembly rather than outsourcing while markets looked this change as a threat, we at Amber turned it into an opportunity by expanding our offerings under the components and subassembly segment. Owing to the raise in components and sub-assembly's businesses, Amber during the year expanded its market share in RAC industry and manufacturing footprint level in value terms to 29.4% in financial year FY2023 vis-a-vis 26.6% in FY2022. In last five years, each division entered into adjacent fees. I am glad to announce that all divisional engines are firing well by expanding geographies, adding customers and products, and expanding its wallet share in existing customers. The company is marching ahead in its export initiatives, have started getting approvals from its export customers and expecting orders to flow in current financial year FY2023-FY2024. We remain focused on prudent asset allocation which results in better return on investment while balancing growth profitability and improved return ratios witnessing a strong 4% jump in ROCE in FY2023 which improved from 11%

to 15% and expected to improve further in the range of 19% to 21% in next two to three years time. Our networking capital days has improved to 29 days from 39 days largely due to better control on inventories.

We closed our financial year 2023 at a net debt level of Rs.588 crores at consol level. During FY2023 we did a capex of 698 Crores at consol level that helped in increasing the profitability and improving the share of business in RAC segments and other divisions. Since IPO in FY2018, Amber Group has transformed from largely a RAC player to a diversified B2B solution provider. While RAC remains to be our focus segment our all-other divisions such as mobility, electronics, motors and components are on a strong growth path contributing significantly in both topline and bottom line with good return on investments. We are currently witnessing a muted Q1 FY2024 due to unseasonal rain largely in the north part of India which generates large amount of demand during this period, however we are strongly hopeful to consistently grow our bottom line due to product mix change and operational efficiencies.

I will now take you through the consolidated financial highlights. The revenue front, for FY2023 revenue stood at Rs.6,927 crores versus Rs.4,206 in FY2022 marking a growth of 65%. For the quarter of Q4 FY2023, revenue stood at Rs.3,003 Crores versus Rs.1,937 Crores in Q4 FY2022 a growth of 55%. On operating EBITDA for FY2023, operating EBITDA stood at Rs.475 Crores versus 296 Crores in FY2022, a growth of 61%. For Q4, FY2023, operating EBITDA stood at Rs.204 Crores versus Rs.133 Crores in Q4 FY2022, a growth of 54%. Operating EBITDA margins for FY2023 and Q4 FY2023 stood at 6.9%. Financial year and Q4 operating EBITDA is before the impact of ESOP expense and other non-operating income and expenses.

Now moving to the divisional performance, RAC and component division. For FY2023 revenue stood at Rs.5,074 Crores versus Rs.3,065 Crores in FY2022 marking growth of 65%. For the quarter FY2023 revenue stood at Rs.2,371 Crores versus Rs.1,529 Crores in Q4 FY2022 a growth of 55%. For FY2023 operating EBITDA stood at 284 Crores versus 178 Crores in FY2022, a growth of 60%. For Q4 FY2023, operating EBITDA stood at Rs.140 Crores versus Rs.91 Crores in Q4 FY2022, a growth of 53%. This division has added new customers during FY2023. This division has also realigned its strategy to offer comprehensive solutions in components and subassemblies in tandem with the strategy of RAC customers to insource the assembly businesses. We converted gas charging customer into complete manufacturing solution and also expanded geographical presence. On the mobility application division, which includes Sidwal for FY2023 revenue stood at Rs.422 Crores versus Rs.289 Crores in FY2022 marking a growth of 46%. For the Q4 FY2023 revenue stood at Rs.113 Crores versus Rs.82 Crores in Q4 FY2022, a growth of 37%. For FY2023, operating EBITDA stood at 99 Crores versus 67 Crores in FY2022, a growth of 47%. For Q4 FY2023 operating EBITDA stood at Rs.28 Crores versus Rs.20 Crore in Q4 FY2022 a growth of 43%. This division is having a strong order book of more than 700 Crores as of today. It commenced production of pantry systems for Vande Bharat Express increasing its wallet share and increasing in existing customers. It has done transfer of technology agreements in the plug door segments and gangway segment which will help in expanding their wallet share in the existing customers of railways and metros. And defense application for this division is also seeing a robust growth.

On the electronic division which includes ILJIN and EVER. For FY2023, revenue stood at Rs.1,125 Crores versus 617 in FY2022, marking growth of 82%. For the Q4 FY2023 revenue stood at 415 Crores versus Rs.245 Crores in Q4 FY2022, a growth of 69%. For FY2023, operating EBITDA stood at 51 Crores versus 26 Crores in FY2022, a growth of 95%. For Q4 FY2023 operating EBITDA stood at Rs.21 Crores versus 13 Crores in FY2022, a growth of 53%. In this segment, the wearable segment is witnessing a strong growth. It has also done the pilot lot of telecom products also have started. It has on boarded new customers in variable and telecom sectors and the room AC PCBA market share has crossed 20% of the complete RAC sector in PCBA and is consistently growing. On the motors division, for FY2023, revenue stood at Rs.307 Crores versus Rs.236 Crores in FY2022 marking a growth of 30%. For the Q4, FY2023 revenue stood at 105 Crores versus 80 Crores in FY2022 a growth of 31%. For FY2023 operating EBITDA stood at Rs.42 Crores versus Rs.25 Crores in FY2022, a growth of 69%. For Q4 FY2023, operating EBITDA stood at 16 Crores versus Rs.9 Crores in Q4 FY2022, a growth of 78%. It is expanding BLDC Motors now in ODU and WACs and commercial segment of heating, ventilation and air-conditioning. It is at advanced stages to add marquee clients in exports and also developing motors for newer application other than RAC segment. With this, I would now open the floor for Q&As.

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

Dhruv: Congratulations sir on a great set of numbers. I had a couple of questions. One is that sir the growth that we have seen in the RAC business and the entire business in that sense as you mentioned about new customer addition, so if you could just give some indication as to what was the quantum of the growth that was driven by new customer addition and how should we look at it going forward.

Jasbir Singh: Good morning Dhruv and thanks. You know each division has actually added customers. So from consol level point of view the newer customers addition, we do not have a number right now but we can definitely come back to you at a later stage but it has all these new customers that were added has come in Q4 and that is the reason why Q4 revenue jumped significantly. We were in touch with these customers from last two to three years and as explained earlier the lead times to onboard a customer is quite high in our businesses and this was a very positive part from all the divisions' perspective that has led to this kind of a growth.

Dhruv: Sir, question on Sidwal. So your order book now is at about Rs.700 Crores and there is optimism all around railway and defense division, so from a say three to four-year point of view do you think that this business can double with respect to whatever you have been doing on the defense and the other application side also or you know it is just a one-time thing in FY2024, your thoughts there.

Jasbir Singh: Two things happened simultaneously. One is that because Railway Ministry now is launching more of Vande Bharat Express which is completely air-conditioned train. Earlier only 29% to 30% of coaches were getting the air conditioned, so that is one shift which is increasing the addressable market. Second shift is newer kind of trains in the metro lines which has been launched by Urban Development Ministry which is RRTS as well as the normal metro trains, rapid rail transit system so we have got approvals in all the three categories and what we are doing to further enhance our addressable market is to get into adjacencies like as I explained that we have entered into pantry systems for Vande Bharat Express. We have done a transfer of technology agreements for getting into doors and gangways which will enhance our offerings to the same customers so our offering in the bill of material of a metro will double. So from that perspective it will be right to assume that yes we can double the revenue in three to four years' time.

Dhruv: If you could just spell out sir just one small question, if you just spell out the capex number for FY2024 and FY2025.

Jasbir Singh: FY2023, we have done Rs.698 Crores and this year we should we have planned for a capex of Rs.350 Crores to Rs.375 Crores which will largely be spent on four areas R&D and maintenance capex and also expanding the expansion of the subsidiary businesses and also brownfield expansion in the components and sub-assembly segment.

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

Ankur Sharma: Hi sir. Good morning. Thanks for your time. Just three four questions. One if you could give us the volume breakup for your RAC business for 2023 and if possible, between split and windows. Second you did mention that Q1 seems to be a little muted and we are aware that there has been unseasonal rainfall across North and a couple of other regions so if you could talk about a channel inventory, is it only in the north where inventory seems to be high or are you seeing that across other parts of the country as well and thirdly in terms of your overall industry growth itself for FY2024 are you can talk about number closer to 8.4 million, 8.5 million in 2023 given summers kind of been a little weak to start off how do you see volumes for full year.

Jasbir Singh: Good morning Ankur. Basically on the volume side we stopped giving the volume numbers because it has become a company sensitive information. We saw it in past that some of the customers they took the numbers and started renegotiating which was negative for the company. On the value terms as I explained that we have started seeing our offering to customers from a wallet share on the bill of material part so at 8.4 million numbers the market size comes to about Rs.25,000 odd Crores which converts into Rs.17,640 Crores in the manufacturing footprint level and room AC plus the room AC components we have done about Rs.5,194 Crores which comes to about 29% market share so that is on the value terms. Your second question on Q1 status, yes the demand is muted and we are all seeing very unseasonal rains in the middle of the May, temperatures in Delhi on 2nd of May was 21 degrees so you can expect you know the air conditioner system but yes channel inventory is high as we speak today. We are hopeful that this will be liquidated in the month of June and July and on the overall industry growth we were optimistic that industry will touch about 17% to 18% growth, but now I think we are still hopeful looking into the lifestyle shift and power plus other so many other reasons industry should be in a 10% to 15% range in the financial year end so that is our estimates. So 8.4 million should move to about 9.5 by financial year end.

Ankur Sharma: Sir how do you see margins obviously if I may squeeze in one because especially on the standalone level our margins has at the EBITDA level, we used to be at about 7%, 8%, this year we are at a number closer to 4%, so given inventory is high, brands are facing pressure, not able to take price hike how do you see yourself I mean do you think margins can improve either because of price increases but I think that looks difficult given the brand themselves are suffering, so how do you see margins and obviously pricing.

Jasbir Singh: Ankur I have been actually requesting each of the investors and analysts every time I have met in last five years that you do not see our balance sheet in the percentage of margins. Percentage of margins are complete function of commodities, currency and product mix.

Now what we see is the absolute number and that is what we are focused on so for us for example I go to a customer and he offers me to supply a Rs.100 Core business on the component side which is at a 8% to 9% margin but he also asked me to put about 70 Crores to 80 Crores of sub assembly which is actually a pass through for me so from my point of view the billing will be 180 to him but the percentage of margins will drop but I cant say no to it, so as a solution provider, comprehensive solution provider we need to see the absolute number growth that is what I guided earlier has been guided and I would again guide is that we look at the CAGR of delivering 25% to 30% of absolute EBITDA numbers on a year to year basis irrespective of the margins, on the gross margins. The gross margin on the standalone which you are seeing which is looking at a subdued level is primarily because we have added a lot of components business but other subassembly have also started getting added so today customers, most of the customers then move on lean manufacturing systems and they outsource much of the assembly part to customers like us, so that is why you are looking at the balance sheet shows you a number of 5% on the gross margin side.

Moderator: Thank you Mr. Sharma. I request you to join the queue for any follow-ups. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Congratulations on a good set of numbers, so my first question is you know on the market share which has now become 29% and we spoke about PCB is being about 20% of the industry so you know from the rest of the kind of components that we have say motors or in terms of the plastic molding etc what is the level of market share and on an overall basis how do you see this inching up to 29% or is this something that way we are starting to keep the ceiling. Number two is if you could just talk about the overall exports outlook on both motors as well as on EC and the motors the margins have inched up to 15% over the last two quarters so is this something which is sustainable and sorry if I may just lastly just squeeze on the capex number you spoke about 350 odd crores of capex in 2024, last couple years we have seen very aggressive capex cycle per se do you see that kind of tapering off and where do you see the net debt level settling into the next one or two years.

Jasbir Singh: Good morning Bhoomika and thanks so I will start with your first question on the components sphere of business other than the inverter PCB board so I think on the motors front, PICL is the leading company today in the motors front we will be sitting somewhere about close to about 26% to 27% market share on the component side and in sheet metal we are the largest in the country giving solutions in the sheet metal side. We should be somewhere about 35% to 40% and then on the crossflow fan side again we are one of the leaders, again having about 25% market share so in each category of the components except heat exchanger which is largely made in-house by customers we are enjoying a dominant here in the component side. Now your question about whether the 29% can go upward, that will completely depend, yes our endeavor is to take it upward, we have already jumped by almost 300 basis points from 26% to 29%. We will endeavor to move further inch upwards as we move ahead. On the exports of motors front it is growing steadily it takes about two to three years as I explained earlier to everybody for getting customer approvals because this is a functional component. We have received approvals from our customers and we are expecting to add two large customers within this financial year. On the sustainability of margins on the motor side it will completely depend on the product mix side in the percentage terms but yes there will be a definitely growth on the absolute number so BLDC motors they are little less in the margins, other than BLDC we are enjoying good margins so it will completely depend on what is the, but on the absolute nine number we are expecting a good growth On net debt level we crossed that we closed the year at Rs.588 Crores and I think we are expecting to close the FY2024 given the capex which we have announced despite of that by at least it will come down by Rs.100 Crores, Rs.250 Crores odd Crores in this financial year.

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

Sonali Salgaokar: Sir thank you for the opportunity and congratulations on a great set of numbers. Sir my first question is regarding price hikes also with respect to the new BEE models that are there in the system now, so what is the quantum of price hikes that you have taken from January till now and also an extension to this question is the transition to the new BEE almost complete and have all channels now restocked the new models.

Jasbir Singh: Good morning Sonali and thanks. On the price hike, there has been no price hikes because the commodities, it is more or less stabilized now and BEE norms everybody has adjusted all the inventories are well taken care of and it has been digested by the market so it is a new normal now.

Sonali Salgaokar: Understand. Second question any update on the PLIs please. You have received two PLIs one in the normal category, one in the large category, any update you would like to share at this point in time.

Jasbir Singh: We have crossed our threshold limits both on the incremental capex which was required and also the incremental sales so we peaked both the part of the PLI eligibility and we are eligible I think this financial year we expect to receive the first part of the PLI .

Sonali Salgaokar: On the incentive what is your strategy on that. Would you like to share it back with the brand owners or retain it with yourself.

Jasbir Singh: So we have not shared any incentives with the brand owners because there is no equity investments done by brand in the capex required by the government for getting eligible in the PLI and we are not sharing any part of the PLI with any of the customer.

Sonali Salgaokar: Sure thank you.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity International. Please go ahead.

Madhav Marda: Good morning. Thank you so much for your time once again. I completely understand that percent margins is not the right way to look at the business but if you look at the RAC division where you reported 284 Crores of EBITDA in FY2023. so I think going to FY2024 and FY2025 you did indicate that you know we can grow ahead of the industry but just how will the EBITDA basically shape up because last time there was a lot of volatility in some commodity cost, product mix shape etc. so going to FY2024 if you could give us some sense in terms of how the EBITDA overall will go.

Jasbir Singh: I think we are seeing a stability in the commodity cycle; I do not think there should be any further change in the commodity cycle and so we should be able to maintain what we are at but yes we expect to see some kind of operational leverage because capacity utilizations at our new plants are little less which will also add some bit of margins going forward.

Madhav Marda: Got it and just in terms of the ESOP cost that should be coming down like I am assuming that would have peaked out in FY2022 or FY2023?

Sudhir Goyal: So ESOP cost for the current financial year like FY2022-FY2023 is Rs.27 Crores and the current financial year which is like financial year 2024 we are expecting it is around 18 to 19 Crores, it will start coming down over the period.

Madhav Marda: What is the capacity utilization at our plant. Currently is there like a blended number that you have or any broad sense you can give us that will be very helpful.

Jasbir Singh: Madhav each of the division is a different capacity utilization, about two greenfield facilities which we have just started, it was started in Sri City started in Q4 and we just ended up having 20% capacity utilizations but this year we expect the capacity utilization to go to at 35%, 40% but other than that all the divisions are at different levels so on a blended basis I would say we should be at about 65% to 70%.

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

Nitin Arora: Hi sir. Thank you for taking my question. I understand you will stop giving the volumes for the reason which you stated but generally in the last four or five years in the standalone side which is your RAC you have grown at 23%, 24% CAGR. What could be the industry CAGR in that case.

Jasbir Singh: Industry has grown about 16% to 17% CAGR.

Nitin Arora: What was the need of moving into the component side just a little structural question because one a company loses 400-500 basis points of margin, you become a very thin margin company on the RAC from about 7% to 8% to 4% , so generally as a business call when you are increasing the market share if you would have lost it, you would have moved to the other business in terms of increasing your content when someone is gaining the market then what was the need of coming to the component where you are losing out in terms of even ROE and ROC. If you can throw some light, I understand as a promoter it is a long-term call but generally does not add up the call that we are not losing market share that is the only question sir. Thank you.

Jasbir Singh: First of all we should be very clear in what category of business we are in, we are a B2B company, we are not a brand, we are not a B2C company. In B2B businesses you need to be flexible in your approach to realign your strategies whenever a customer decides to shift its strategy. Our endeavor is to be thick and thin with the customers in their journey on long term basis irrespective of their strategies to insource or outsource so earlier the market was moving towards outsourcing, it peaked to almost about 41% of the industry was outsourced in FY2021 and then when the PLI got announced all the major customers decided to put their assembly units on their own. so, they plan to take everything in sourcing and the last year we saw that 41% opportunity came down to 35%, this year our estimate is it will be as low as 30% but they can come down to 25%. Now in this shift how can you grow more than the industry, now that has been always our endeavor that we have to outnumber the industry in value terms so we shifted our strategy proactively looking and we became very aggressive on the component strategy because we can deliver 70% of our bill of material to a customer other than compressor and other than wiring harnesses and packing materials that is the advantage of Amber and through our 25 manufacturing locations we are present now in entire geography of India wherever you want and this strategy proved very well now tomorrow imagine if this situation get reversed we already have capacity for room air conditioners and we can deliver both numbers in the volume terms as well as in the component side whatever you want so we want to grow with you as a customer moving into as you are moving ahead in the market share perspective so on the market share we have not lost even a single customer it is just the strategy has shifted, so if customer has taken their assembling in house we have started to find them components.

Nitin Arora: This is helpful sir, but generally as an outlook from here because your CAGR and EBITDA is a 3% you think this CAGR will start going up if the strategy is working well for you from a profitability?

Jasbir Singh: I will go in line with the industry growth as are we are growing.

Nitin Arora: Thank you very much.

Moderator: Thank you. The next question is from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

Pankaj Tibrewal: Good morning Sir.

Jasbir Singh: Good morning Pankaj.

Pankaj Tibrewal: On the capex side, we have done a very aggressive capex over the last two years and as a result our asset turns and the shift in business suffered on the margin side and the resultant impact has been on the return on capital. Can you give us some sense on how you foresee in the next couple of years this metrics to start improving and what will contribute, a little more granular detail will be appreciated. Thank you.

Jasbir Singh: I think green shoots are visible in the last financial year results, 400 bps increase in the return on capital employed largely because of operational efficiencies and this will continue, we are not going for any large capex like we did last year, so we will be having more cad-free cash flows in hand and the operational efficiencies and the control on the inventories all put together plus the product mix change will help us to reach to 19%, 21% level in next two to three years' time.

Pankaj Tibrewal: Because when we look at the last few years you have done about Rs.1800 Crores to Rs.2000 Crores inclusive of acquisitions, capex everything but the profitability has not commensurately expanded accordingly so now you think that the capex cycle probably will not be too that intensity and with whatever you are talking about on the industry and your growth should help you improve your return on capital is that the understanding right.

Jasbir Singh: Yes that is right and Pankaj on a practical basis out of the Rs.700 Core capex which we have done Rs.698 Crore, large part about 300 Crores capex has been done in February and March. That results have yet to come so if I minus that you know our ROC is if you calculate I have already touched 17.5% but we are not talking about that. There is lot of capacity whenever you put up a plant greenfield facility especially it is larger part of the building plan but the real operation leverage comes over a period of years so that is right understanding what you have said moving forward we are focusing on all the areas for improving the return ratio.

Pankaj Tibrewal: Because when we look at the reported number it still looks high single digit about 8.5%, 9% so there still seems to be a long way to reach that 18%, 19% so I am not very sure that how that number of 19% in next two years is coming through that means the asset turn needs to really improve from the capex which you have done.

Sudhir Goyal: Hi Pankaj, Sudhir here. How is it like 8% or 9% comes on the ROCE side.

Pankaj Tibrewal: Yes please. Capital expanded based on the overall.

Sudhir Goyal: We can connect separately and just see that how you have calculated the number because as per our calculation it is coming to 15% for the current financial year.

Pankaj Tibrewal: Okay let us connect it separately and take it forward.

Sudhir Goyal: Sure.

Pankaj Tibrewal: Last one. On the outsourcing part which you spoke about when you look at one of your competition and their AC revenues have grown multi-fold over the last two years and that traction still continues to be very strong, what is the disconnect kind of we are missing out there, the competition is talking about aggressive growth numbers but on the other side we are saying that that percentage is coming down. Are we missing something from our understanding perspective?

Jasbir Singh: We are not missing anything Pankaj, we are just not onboarding lower margin businesses, it is a very cautious call which we have taken and that is the strategy.

Pankaj Tibrewal: Thank you.

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

Nikunj Gala: Good morning everyone, so I have a two questions firstly again on the ROCE part so you know few comments which you made that your blended capacity utilizations are 65, 70, even if I adjust the capacity of Rs.300 Crores which came in February month from FY2020 base sir our capital employed has more or less has become 1.8 times sir and during this period our absolute EBIT, the absolute EBIT is the focus and not the percentage so on the in during this period from FY2020 to FY2023 our absolute EBIT has hardly grown in tandem with the capital employed in the business so is it a right understanding that incremental the EBIT which is coming in is at a lower ROC than the earlier nature of the business.

Sudhir Goyal: Hi Sudhir here. If you see our capital employed it was 1,900 Crores in the last financial year and now grown to 2,542 Crores, a growth by 32%, whereas operating EBITDA improvement it is more than 60%. I tell you I think where the calculation is going wrong from your side based on the face of the balance sheet so there is some investment, cash investment in the bond, equivalent to amount Rs.191 Crores which you might not be considering to calculate the net debt level.

Nikunj Gala: Okay because you know I was just looking like reported numbers at the equity side and even I was exploring the cash part but I take it offline to understand your 15% reported ROCE which according to our calculation comes hardly double the kind of a number okay and secondly.

Sudhir Goyal: We are not taking cash in hand.

Nikunj Gala: Even I was removing that part sir that core capital employed in the business and this is on the net block sir so even on the gross block it would be high single digit so in net block which currently we have highly depreciated one so at a gross incremental return on capital perspective I think it would be hardly double-digit kind of ROCE we would be making on the incremental capital employed.

Sudhir Goyal: So on the incremental capital employed like Jasbirji has mentioned that capex which we have done in the second half of the financial year, the green shoots of the same will be coming in the upcoming years, so it does not come in the same year like last part of the capex has been done in the Q4 as well. So you will see the better returns over the period and the latest capex will give you the more returns in the coming years.

Nikunj Gala: Just put it in a way different question than as of March whatever capacity of block we have sir, assuming like whatever the block we have on FY2023, what is the absolute EBIT you can generate on this block sir.

Sudhir Goyal: Maximum EBIT that is very difficult, that need a detailed calculation to work on and give the EBIT calculation for the same but on the sales turnover like I said we can easily go there like from here we can reach around Rs.9000 Crores to Rs.10000 Crores with the current capex base.

Nikunj Gala: Okay sure and just lastly in the presentation where you mentioned Amber's value market share, the Amber sales which you have mentioned are the standalone numbers. As per our understanding this standalone revenue used to contain some non-AC component sale also right.

Sudhir Goyal: This Amber sales includes RAC and RAC component. This Amber sales means Amber Group which includes RAC sale of Amber, RAC component sale of Amber, motor sales which used in the RAC, inverter PCB both for the RAC. This all includes complete RAC anything to do which we are offering to the customers.

Nikunj Gala: Okay so this is not the standalone because the numbers were exactly matching with the standalone numbers so that is why I asked. It is not a standalone number right.

Sudhir Goyal: No no, it is not standalone number.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi good morning sir. I wanted to understand about the PLI schome. How are you going to book the incentive given that you have crossed the threshold limit, have you booked some incentives as it come in this year itself or will they be recorded once you receive it in the next year?

Sudhir Goyal: We are following the accrual base of accounting, so incentive is already booked in the financial for the financial year 2022-2023, but since we have achieved that and since we have already filed the QPR as well with the government, so that has been booked in the books of accounts.

Aditya Bhartia: Understood and we have crossed the threshold limit is both the schemes, right?

Sudhir Goyal: We crossed both the threshold limits of capex as well as sales.

Aditya Bhartia: I mean for Amber as well as for the electronics business.

Sudhir Goyal: No, no. Electronics we took the first two year as a gestation period so FY2021-FY2022 and FY2022-FY2023 is the investment period only, so capex we have already done and crossed the actual limit, so first year of ILJIN that is electronic one for sales ratio will be the financial year 2024.

Aditya Bhartia: Sir I was just wondering given that our capex numbers have been higher than what it was initially being envisaged, if I look at the large investment scheme also under the PLI scheme that could have entailed an investment of Rs.600 Crores which honestly we have already done so why did not we then opt for the large team and opted for global investment scheme or at least our incentives could have been higher.

Sudhir Goyal: In the PLI scheme, the eligible capex is only the capex done for the component businesses not for the assembly line and not for the land and building as well because this Rs.698 Crores includes a large part of the land and building as well which does not falls under the PLI capital investment.

Jasbir Singh: And Aditya over to that what Sudir has explained the large investment block comprise of compressor, copper and aluminum which we will not participate in.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Nuvama Institutional Equities. Please go ahead.

Alok Deshpande: Good morning to the Amber team and congratulations on the good set of numbers. Just one question from my side so this year or probably over the past two or three years we have seen several new AC brands come in the market so I just wanted to understand in terms of the value market share gain that we have seen how much of this has been with those new brands as in can you share some number in terms of the number of brands that you are working with let say three years back and let say FY2023, some color on that.

Jasbir Singh: We have got about close to about 26 customers in the home AC category and they keep on shifting as per their market shares and as per their requirements so it is very difficult to answer your question on the newer brands.

Alok Deshpande: Okay and sir just one question on working capital. How should we look at working capital going forward over the next two or three years?

Jasbir Singh: On our net working capital days, we are almost at 29 days from 39 days and I believe this is maintainable from 35 to 30 days.

Alok Deshpande: Sure. Thank you thank you so much.

Moderator: Thank you. The next question is from the line of Anupam Goswami from SUD Life. Please go ahead.

Anupam Goswami: Hi. My first question on the outsourcing industry you said how it was 41% two years back and now with the PLI scheme it has come down to almost 25% in this year on that note and also you mentioned about the industry size growing at 10% to 15%, so on that note our outsource unit market share or industry that is becoming flat and how do we see to outgrow that for Amber.

Jasbir Singh: Let me give you again clear picture that we are a B2B player so we have to move accordingly, we have to realign our strategies according to the strategies of our customer. Now in our business model we have serious two large risks. First risk is the brands keep on exchanging market shares between them. Earlier from 2004 till 2011 LG was the undisputed leader, then Voltas became the leader, now we do not know who is going to be the leader in next couple of years. So our offering from that perspective is we are supplying to all the major brands that shift does not impact us. Second is their strategy of insourcing outsourcing that can shift anytime that is we do not control, so whenever they want to shift their strategy to insourcing or outsourcing, we need to realign our strategy so it is irrelevant today to look at the numbers of volume terms. From our perspective from a B2B player perspective it is important to see are we growing with the customer or not. If I have done Rs.200 Crores business last year am I doing Rs.300 Crores business this year or not in case he is doing so that that is what we look at. How does it matter to us whether I am supplying 70% of raw material or 100% of raw material, in finish good format, it does not matter to us. For us, the wallet share in the customer matters and the growth with them matters, that is what we focus on.

Anupam Goswami: Okay and how is that has grown with the same customer bill of material growth.

Jasbir Singh: Yes it has grown, that is how we have increased our share from 26% to 29% in the whole industry range.

Moderator: Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio EquiResearch. Please go ahead.

Jayesh Shah: Hi. Thank you for the opportunity. I just have one basic question. When you have shifted your strategy from outsourcing to insourcing with components and assemblies, in terms of absolute ticket size per customer I am talking of say unit value, does it go up or go down.

Jasbir Singh: It completely varies from customer to customer. If customer wants to supply, they want us to supply some assemblies also then it is almost on the same part because earlier they were supplying compressors so that is a pass through other than that we are supplying components in a separate bit it becomes almost similar but if customer chooses not to take all the kind of components from us, they want to take few of the components from us then it will reduce so it will vary from customer to customer.

Jayesh Shah: Understood and what has been generally your experience with your customers.

Jasbir Singh: Generally, experience, so I can give you example of one Korean customer when they took their business in-house, we were doing about Rs. 156 Cores business with them while supplying ACs but when they shifted their strategy to in-house today we are supplying them almost Rs. 600 Crore business of components to them, so it completely varies because it opens up our door to many folds when we start supplying components, not only in their room air conditioner division but their other divisions also start buying components from us.

Jayesh Shah: That is helpful, so in another way do you look at value-add per customers which come to you or accrue to you as margins is it going up every year, is that how you look at your business.

Jasbir Singh: That how, that is the main part which we look at, that one is are we growing in tandem with their growth so if customer has grown by 20%, are we growing more than that. If I am supplying, I was supplying one component to them and I am supplying three components to them today, my growth will be more than that with the same customer and plus the value comes in the bottom line what we are generating earlier and what we are degenerating today with that customer.

Jayesh Shah: So lets say your margin per customer, your top 10 customer has it remained constant or has it changed.

Jasbir Singh: No. it keeps on varying. It completely depends on the performance matrix, what kind of product mix they are wanting us to supply them so we need to be geared up to deliver them any kind of mix of components versus kits versus finished goods whenever they want, so that is the strategy and margins will keep on varying.

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

Keyur: Thank you. Congratulations to the team for great results. Sir first question is on the RAC growth. You have mentioned that RAC and component segment, company will outgrow the industry, now when you talk about say 10% to 15% kind of growth for the industry and higher channel inventory so generally we have seen some kind of lag in our growth when inventory is high in the system so what will drive our growth faster than the industry growth and will that be back ended since inventory is high or would be high in the first half.

Jasbir Singh: Largely what we do is we keep on horizontally deploying our complete range of components with the customers so for example I am supplying customer A only motors and heat exchangers, now this year I have started heat exchangers, motors I was already giving we have started supplying them sheet metal and cross flow fans so my offering to them increases irrespective of their even if they do not grow my business will grow with them, so that is what we are doing with almost every customer, that is why we are saying that we will outnumber the industry.

Keyur: Okay okay so that commentary that is there in the presentation also that relates to the entire consolidated business or I thought this is the for standalone business where it mentions that will grow faster than the industry growth.

Jasbir Singh: Yes. This is on a standalone basis.

Keyur: Okay so basically even that also will be say driven by the component in the standalone business, faster growth will be driven by components.

Jasbir Singh: Yes. It can happen also finished goods. For us it matters that if for example customer A is growing by 20%, are we growing 25% with them or not so that is what we need to see.

Keyur: But you are confident of outgrowing the industry.

Jasbir Singh: Yes. Last year also everybody was skeptical about Amber that every customer of our side started their own factories who will procure material from Amber but we improved everybody that the strategies of derisking is right and we have outnumbered the industry. Industry has not grown by 60% but Amber has grown by 65%.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

Pulkit Singhal: Thank you for the opportunity and congrats on a good set of numbers. My first question is on the motor division. Can you help us understand what is the size of the industry, what kind of growth do you expect from the industry and what is the kind of market share that you have within the space, how many competitors are there and also what is the contribution of the AC motors?

Jasbir Singh: We are competing with Japanese company called Medak and then there is an American company called Regal Beloit, which was earlier GE Motors Marathon, they compete with us and of course a large part of motors continue to be imported from China. So large part of the competition is in from China not from India but on the overall size I think at 8.4 million numbers, the motors we sell is close to about 1000 rupees per AC so that is the market size we are talking of today of the complete, out of that almost 60% of motors are imported from China and other divisions.

Pulkit Singhal: So what kind of growth are you expecting sir?

Jasbir Singh: We are expecting close to about 30% to 35% growth in motor division, largely because we are expanding our offering not only in RAC but other part of heating ventilation and air conditioning products and also some bit of exports are opening up for us.

Moderator: Thank you. The next question is from the line of Vinod Chari from BOB Capital. Please go ahead.

Vinod Chari: Yes. I think my question has been answered. My question was similar to what was asked earlier in terms of your margin profile I think FY2018 you are at close to 9% margins in the AC and component business, and now we have gone down to 6%, so again this is the same thing. It is like a structural margin that we are looking at these levels.

Jasbir Singh: Margins actually percentages of margins does not matter to us, so what matters is the absolute growth because we do not define what customer wants from us, we supply what they ask so their subassemblies can increase, their kits can increase, I mean for example if I am supplying a fully finished goods and in that compressor and heat exchanger is getting supplied by customer, I cannot demand a margin on that part of good, but my billing will be to a tune of close to complete AC but whereas in other cases on the component side you know so what we see is the blended basis of the absolute numbers with the same customer.

Vinod Chari: Because I think your component has grown at almost three times the rate at which the AC business has grown in the last five years so is that contributing to a lower margin profile is what I wanted to understand.

Jasbir Singh: No no, it is basically subassemblies, it is components, it is also electronics also. We have electronic division which is at about 4.5% EBITDA level so there are many factors which says diversified company today, so we have businesses ranging from 4.5% to 23% EBITDA levels.

Vinod Chari: Lastly on working capital. How is your working capital ex-Sidwal and what is Sidwal's working capital.

Jasbir Singh: Sidwal's working capital is actually it is 110 networking capital days, but on a console level it is 29 days.

Vinod Chari: Okay and what is the ex-Sidwal ROC that you have currently.

Jasbir Singh: We have not calculated that. We will let you know separately.

Vinod Chari: Okay.

Moderator: Thank you. Ladies and gentlemen due to time constraints that would be our last question for today. I now hand the conference back to the management for the closing remarks. Thank you and over to you.

Jasbir Singh: Thank you everyone for joining on the call. I hope we have been able to address most of your queries. For any further information, kindly get in touch with SGA, our investor relations advisors and have a good ahead. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Amber Enterprises India Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.