"Amber Enterprises India Limited Q4 FY21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Amber Enterprises India Limited Q4 & FY21 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not 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 would now like to hand the conference over to **Mr. Daljit Singh, Managing Director from Amber Enterprises India Limite**d. Thank you and over to you Sir!

Daljit Singh: Hello and good morning everyone. First and foremost, I hope all of you and your families are safe and all of you are taking necessary precautions during these unprecedented times, I wish the best of health to you and your families.

On the call today I am joined by Mr. Sudhir Goyal, our Chief Financial Officer, Mr. Sachin Gupta, Head of RAC Division, and Strategic Growth Advisors, our Investor Relations Advisor.

We have uploaded our results presentation on the exchanges, and I hope everybody had an opportunity to go through the same.

I would open my remarks by giving a brief overview on the industry environment followed by business update and operational and financial performance highlights for Q4 and FY21.

The consumer durable industry made a strong come back in second half of FY21 as the economy grows to normalcy, work from home trend and pickup in the residential sales were the significant tailwinds for the demand revival. The overall recovery in the business was better than expectations at the beginning of the year.

The RAC industry, which had witnessed demand uptick in the September quarter led by steady improvement in consumer sentiments, continued its improvement trajectory in the March quarter as well. In the anticipation of good summer, sales have been pushed to retail segment aggressively.

The channel inventory at the end of March 2021 stood at normalized levels.

However, the growth momentum has been disrupted by second wave of COVID-19 during April and May21. While the COVID-19 vaccination efforts have gained momentum, uncertainty is rising due to the resurgence of COVID cases across many parts of India and lockdown restrictions of varying degrees. Local lockdowns in many locations has led to varying utilization levels at the plants. The extent of second wave of COVID-19 pandemic might impact the group results estimate of which at this juncture is highly uncertain. The situation remains fluid and we will provide an update on the situation in the future.

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

1) Import Ban on Refrigerant filled ACs:

As mentioned previously the ban on imports with the refrigerants filled ACs have opened huge opportunities for domestic manufacturers, with this notification we have already signed six new customers for refrigerant filling solution since this notification has been announced.

2) PLI Scheme:

As communicated earlier the government has approved PLI scheme for air conditioners and LEDs with a total budgetary allocation of Rs.6,238 Crores, the scheme of air conditioners will provide an incentive of 4% to 6% on incremental sale of AC components manufactured in India over a period of five years, this will help in creating a component ecosystem within the country and make India manufacturing base for global. This will increase the domestic value addition from currently 25% to 75% in the next five years.

Over the past few years Government of India has increased the import duty on completely build units and even components to boost local production. For instance, the import duty on RAC compressors is increased to 15% in Union Budget 2021-22 similarly fully finished AC units now attract an import duty of 20% against 10% earlier, this augurs well for the growth in domestic manufacturer of RACs and its components and we would endeavor to grab majority of the market share.

We had also announced two new Greenfield facilities one in Supa region near Pune and other in South India. We have completed acquisition of land for the Pune facility and construction has already started. We expect to operationalize the same by Q4 of FY22. We have shortlisted the land in South India and will be completing the formalities for buying the same in the next one, two months and start construction thereafter.

I will now take you through the consolidated financial highlights.

Q4FY21 Consolidated Highlights

Revenue: Our Consolidated revenue for Q4FY21 stood at Rs. 1,598 Crs as against Rs. 1315 Crs in Q4FY20, a growth of 22%.

In Q4FY21, RAC contributed 60% of the total revenues while Components and mobility application contributed 40% of the revenues.

Operating EBITDA: For Q4FY21, we witnessed an Operating EBIDTA of Rs. 147 Crs as against Rs. 119 Crs in Q4FY20.

Operating EBIDTA margins for Q4FY21 stood at 9.2% as compared to 9.0% in Q4FY20.

PAT: PAT for the quarter stood at Rs. 76 Crs as compared to Rs. 63 Crs (Includes Rs.11.24 Cr. positive impact due to change in tax rate) in Q4FY20.

PAT margins for Q4FY21 stood at 4.8%

FY21 Consolidated Highlights

Please note FY21 figures are not comparable to the previous year due nation-wide lockdown during the peak summer season which led to subdued sales in H1FY21.

Revenue: Our Consolidated revenue for FY21 stood at Rs. 3,031 Crs.

In FY21, RAC contributed 55% of the total revenues while Components and mobility application contributed 45% of the revenues.

Operating EBITDA: For FY21, we witnessed an Operating EBIDTA of Rs. 229 Crs with Operating EBIDTA margins at 7.5%

PAT: PAT for the FY21 stood at Rs. 83 Crs

Now coming to Subsidiaries financials

Sidwal: Q4FY21 revenues for Sidwal stood at Rs. 80 Crs. Operating EBIDTA stood at Rs. 21 Crs.

FY21 revenues for Sidwal stood at Rs. 201 Crs with Operating EBIDTA at Rs. 48 Crs.

In the recent budget, 26 new cities have been earmarked to have metro lines and ~1,700 kms of lines to be added under Metros. This will bring in opportunity to supply more AC's for metro coaches and Sidwal is well placed to capture this opportunity.

Order book continues remain healthy within this business segment.

PICL: Revenues for PICL stood at Rs. 71 Crs for Q4FY21. Operating EBIDTA stood at Rs. 6 Crs and Operating EBITDA margin stood at 9.1%

For FY21, Revenues for PICL stood at Rs. 131 Crs. Operating EBIDTA stood at Rs. 7 Crs and Operating EBITDA margin stood at 5.1%

With announcement of PLI scheme we are preparing for the next leg of growth and expect to double the revenues from PICL along with improvement in margins in next 2-3 years' time.

ILJIN & EVER: For Q4FY21, Revenue for IL Jin stood at Rs. 118 Crs & in Ever revenue stood at Rs. 59 Crs.

FY21 revenue for IL Jin stood at Rs. 307 Crs and Ever revenue stood at Rs. 154 Crs

As of 31st March 2021, on a consolidated basis, we have positive cash balance of Rs. 115 Cr. as against net debt of Rs. 246 Cr. as on 31st March 2020

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Ankur Sharma from HDFC Life Insurance. Please go ahead.

Ankur Sharma: I had a couple of questions, one if you could share with us what was the ACs volume in units for Amber for FY21 typically we put this number in our slide which I could not see, and also what was the similar number for the industry, just trying to see how we have done versus the industry volumes?

Daljit Singh: As Amber in FY21 we have done AC volumes of around 2.1 million and the gas charging units are separate, while on the industry level if you see there was a national lockdown obviously in April, May and industry came back to the normalized levels and as a total industry our estimates are somewhere around 5.8 million units, which were done in FY21. So overall if you see the industry in the Q4 has done fairly well, we have seen a tremendous increase and growth in Q4 while obviously on the complete year-round basis the industry was impacted due to nationwide lockdown.

Ankur Sharma: Secondly on the standalone sales we did about Rs.1400 odd Crores in Q4 if you could give me the breakup into AC and the components business on the standalone side?

Daljit Singh: If you see on the console side almost around 60% of revenues was done by the RAC segment and the remaining was component and the subsidiary.

Ankur Sharma: On the inventory, while you touch about March-end being kind of normal given the strong retail, but as we all know starting the second week of April we have seen these lockdowns, etc., got worsened into May, so if I compare it say to the last year same time when we had lockdowns is the inventory situation was better off this time around where retailers better prepared and more importantly would you expect a similar rebound once things open up like what we saw over last year also from June onwards till March would we expect a similar pent-up demand kind of playing out?

Daljit Singh: Ankur if you see last year was very different because it was a complete lockdown it was a nationwide lockdown and industry was caught, all are unaware and nobody was prepared, but this time the lockdown is more localized, as well as industry, was anticipating a little bit of disruptions due to COVID and everybody was little aware so I would say inventory levels are better off in the industry than last year; however, it is very uncertain times right now because we are yet to see how this unlock down happens hoping that it does happen in May if it opens up like in June it opens up so we are sure that inventory liquidation shall happen immediately after that. The work from home is a new concept now everybody looks for a comfortable living while working from home so we are very hopeful that the pent-up demand, as well as the demand, should come back to normalized level again and industry should be on the path of its growth again. So, it has yet to be seen how these lockdowns are again how unlock down will happen probably in the month of June and how is the COVID situation pans out, but we are hopeful that it should go better and industry should rebound again as it was did last year and inventory levels are better off over there it is not as bad as last year.

Ankur Sharma: On the PLI side right while we are announcing we have some more details on what exactly the government has to offer so what is Amber thinking if you could just give elaborate which components are you looking at in terms of the PLI scheme I know in terms of the compressor we have heard the news that you may be looking at a tie-up with some local Indian players to enter that way so some comments on those would be very appreciated?

Daljit Singh: Ankur if you see the broad PLI contributors are there but yet the policy and the narrow down version is yet to becoming. If you see the PLI scheme was announced and primarily it is on the component basis only and it is divided into primarily into two sections one is the higher value component such as compressors and copper tubes and aluminum and the other ones are the PCBs, motors, cross flows, fans and all that. However so at Amber we are already present in PCBs and motors so we would be definitely going forward and doing investment and making the best opportunity out of its PLI scheme, we continue to explore in the upper segment which is a higher value segment over there and if we find right partners definitely we would be seeking this opportunity and looking forward also and in PCB and motors we are already aligned and we are already moving ahead over there so we are still waiting for the refined version and fine-tune version of PLI scheme to be out so as and when it is out we would be moving forward and taking this as an opportunity.

Ankur Sharma: Just one thing I think on the subsidiary which you could also talk about the margins for Ever and IL JIN, I think you have mentioned the full year topline, but I think I missed out on the margin numbers if you could share that also? That is all from my side.

Sudhir Goyal: Firstly, in PICL subsidiary as we said Rs.131 Crore's turnover we have achieved in the full year and the operating EBITDA margin was Rs.6.64 Crores and if we talk about the quarterly numbers for PICL it is Rs.71 Crores and Rs.6.43 Crores operating EBITDA.

IL JIN we have achieved Rs.307 Crores of a turnover with Rs.14.64 Crores operating EBITDA and for March it was Rs.118 Cores with Rs.4.67 Crores operating EBITDA.

EVER for the full year we have achieved Rs.154 Crore's turnover with the operating EBITDA of Rs.7.34 Crores and for March quarter we have done a turnover of Rs.59 Crores with the operating EBITDA of Rs.3.7 Crores.

Sidwal overall year basis we have done Rs.201 Crore's turnover with the EBITDA of Rs.48.49 Crores and on a quarterly basis we have done a turnover of Rs.80 Crores with an operating EBITDA of Rs.21.4 Crores.

Ankur Sharma: That is all Sir.

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

Dhruv Jain: Sir I had one question with respect to the gas charging opportunity that you had earmarked you had said that you have signed about six customers so how many of these customers would get converted to the full RAC business and how many would be the gas charging bid only and what would be the indicative market share of these customers?

Daljit Singh: Like if you see in gas charging the announcement of this ban was made in last October, so October-November and as the discussion with all the customers we started to give the solution of gas charging as phase I only; however, all of these customers would be converted into long-term customers into the complete manufacturing and we are already discussing with all of these customers and these customers are pretty large size customers and they would be moving towards into complete manufacturing shortly. Some of them are moving in this financial year and others would be converting in the next financial year so we are highly opportunistic, we are taking this as an opportunity, and we are very hopeful that we will be able to convert all these customers from gas charging into the complete manufacturing and that gives the complete solution to them.

Dhruv Jain: Just another question on the PLI scheme now you highlighted that you would wait for the fine base, but any indicative capex if you will go for the large investment that is highlighted or you will go for the medium investment and if there is any additional capex outlay that you would earmark for this apart from what you had earlier highlighted in your last quarter's call?

Daljit Singh: So Dhruv it is a little early to give some numbers over here in terms of the capex earmark for the PLI scheme, like I earlier mentioned PLI scheme is broadly into two which is one is higher capex intensive which is copper tube and compressors and aluminum and other is PCBs, motors and cross-flow fans and service walls, so Amber is already present in PCBs and motors so definitely we will be taking this as an opportunity and going forward for applying in PLI scheme over there. We are hearing the PLI scheme might have a sheet metal as induction molding and heat exchangers also, but we are still waiting if it comes Amber is already present in all these three verticals so we would be taking that as an opportunity also. For the higher ticket size, we are continuing to explore and we are just waiting for the fine-tune version and as and when it comes out then we will look forward and we will see what that is there for Amber, but at Amber, we are pretty out there already and we would like to capitalize this and as an opportunity and be ready for this so PCBs, the motor is already there but to give the complete numbers it is very early stage right now to give any numbers out there.

Dhruv Jain: Thanks for that. That is, it from my side.

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

Madhav Marda: My question is just a continuation to the previous one on the PLI, if I look at the PLI document there is a section called AC components, which is I think as I stated it is high value or low value or sub-assembly or combination thereof, so in case if we decide to go in for the high-value intermediates as well should I assume that we would go in for the combination package, which is the sort of the first one in the PLI document where the investment goes up to Rs.600 Crores as well for the large ticket size shall that be something we look at too?

Daljit Singh: So Madhav as earlier I have mentioned like we are still waiting for the fine-tune version and also which all components get covered in lower intermediate value and higher value, higher value is though clear as well as lower value is still being discussed while at the same time if you see in lower value as I mentioned like PCBs and motors are already there and if heat exchangers, induction molding and this sheet metal come in we would be applying over there, and obviously if in higher value also it makes sense and we find right partners over there and combine we are confident enough that we can apply for AC components we can look forward to that, but for now if you see we are confident of applying in lower value intermediates higher value still we are looking at the right partners and if we find any right partners we will be applying in that also.

Madhav Marda: By when is the fine print expected is it like in the next one month or it takes longer?

Daljit Singh: The Fine-tune version I think should be out there probably in another one month, but due to lockdowns and all that though the government is already working and aggressively working on it so we are hoping that it should be out there probably in another one month's time.

Madhav Marda: Alright Sir. Thank you.

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

Naval: Two questions first if you can share what was the industry growth rate for 4Q like what we have delivered close to around 16% in the RAC segment and second why have receivables gone up so much is it because of Sidwal or on the core business as well?

Daljit Singh: Naval if you look into it, the industry though due to lockdown in the first quarter was a complete washout but then industry grew back and the industry has grown at almost around 19%, 20% if you see in the last quarter so the industry has definitely rebounded in the last

Q4 but again obviously now the localized lockdown has happened so we are impacted by that, but in Q4 there was a complete demand and the industry came back to normalized level as well as at the same time growth grew by almost 19%.

Naval: Sir follow up on this we have added new customers in the last six to nine months still our growth number is lower than the industry so is it the case that we have lost some incremental volumes or competitive intensity has increased or there was something else to read into this?

Daljit Singh: If you see we have outnumbered again the growth numbers over here we have grown by almost around 22% and the revenue segment while the industry grew by almost around 18%, 19% over here so we have outgrown the numbers; however, definitely if you see many customers were impacted due to lockdown there was lot of uncertainties over there panning out in the demand and demand aggregation while at the same time the industry was growing, but at the same time many customers due to the lockdown situations as well as demand situation there were lot of uncertainties in the demand side of the world also, but yes again as all total industry it has done pretty good and we are confident again that industry should rebound again now post this lockdown.

Naval: Second question on that working capital?

Sudhir Goyal: On the working capital if you see that our revenue has grown in all these subsidiaries except one so the receivables number are in line with the growth because receivables are always in line with the quarterly sales not for the yearly sales so if you say quarter sales that have been increased by 20% more than 21% so that receivables are in line with that only, there is no exceptional thing or there is no delay in payment from any of the customers. There were some delays in Sidwal, but that has been completely recovered in the month of April because there was slow payment in the month of March due to various government initiatives on the part of the debtors, but there is no major thing and that is every year scenario in Sidwal so that is not exceptional thing anything happened in the current financial year.

Naval: No change in credit terms for the brands also?

Sudhir Goyal: No change in that.

Naval: Thank you and all the best Sir.

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

Pulkit Patni: Sir my question is slightly longer-term can you talk about where we are in the VRV, VRF development cycle today and how should we look at that segment over the next four to five years for us?

Daljit Singh: To answer your questions about VRV and VRF definitely VRV and VRFs are penetrating the air conditioner industry very well and we see a lot of opportunities over there and in view of this opportunity only started our commercial AC production and we already started offerings in the commercial side of the world, so earlier we were giving only room AC which is 1.5, 2 ton and 1 ton, now we are already giving 5.5 ton, 8.5 ton and 11.5 ton air conditioners also, at the same time we are venturing and already developing the cassette ACs and cassette Air Conditioners also.

Additionally, VRV, VRF which is obviously a completely new technology, and it is a very technical product, so we have already started venturing into that our R&D teams are already working on that. The 6 HP and 10 HP is something which we have already earmarked and VRV, VRF segment is something which we are looking at as a growth opportunity as we move forward. So we are already in discussions with our R&D and R&D is completely working on it, this segment and this segment is something which we would venture into as we move forward, but since it is a technological product and it requires a lot of electronics and software development and a lot of development has to go into it so it would take a little while but this is a segment, which we are looking at.

Pulkit Patni: Sir would you need a partner for this product or you can do everything in-house?

Daljit Singh: Pulkit we are working on both angles, there are some models of VRV which definitely which we can look at ourselves also but at the some time since it is a software technological product we would be venturing with some solution providers over there in terms of development, but we continue to explore which is whatever the best sense makes and what segment it makes sense so as a segment if I talk about definitely this is something good segment as we move forward and this is penetrating into the air conditioner segment very well, but we are already working with our technological partners over there in order to get the complete solution to the industry.

Pulkit Patni: Sure, Sir that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Gosh DSP Mutual Fund. Please go ahead.

Abhishek Gosh: Sir just wanted to understand a couple of things, one is we have seen some amount of gross margin deterioration so if you can just elaborate in terms of how should one look at it in light of the raw material price increase and your negotiation with customers how should one look at it will it be kind of offset in the coming quarters how should one look at it that is my first question?

Daljit Singh: Abhishek in terms of gross margin if you look at in percentage term because the commodity scheme was very different and there was a lot of commodity price increase so in percentage term it might look subdued but absolutely if you see, it is in line with the historical values, at the same time we have been able to pass on all the increases and we continue to do the same as per the pricing whatever the commodity increase happened we were able to pass on the same to all the customers and get the increases in a time-bound fashion.

Abhishek Gosh: Sudhir what I was trying to understand maybe in percentage terms which is kind of maintaining percentage terms may not be correct so what I was trying to understand on a per AC term the gross margin that you earned earlier is your kind of maintaining that given the raw material price increase have you been able to kind of maintain that?

Sudhir Goyal: Yes that is in line because our model is cost-plus basis so whatever cost increase is there in terms of the commodity or the raw material prices that have been passed on to the customers with some lag depending upon the customers, some customers are there is a lag of one month some are at a quarter and some are at PO level so all have been passed on to the customers and there is no dip in the per-unit margins as far as it is concerned so that is in line.

Abhishek Gosh: If you look at in the journey you are in a point in time where the import restrictions have been implied, PLI is coming in both for high-value and low value, also there is pressure down the road so in that light and given that now you are virtually you do not have leverage on your balance sheet on a very broad basis a) your CAPEX announcements now will be a function of PLI detail coming in the near-term and b) in terms of how much leverage are you ready to take and beyond that you will get strategic partners given whatever be the expectation of the cash flow can you just give us one broad picture around it, it will be helpful?

Daljit Singh: Abhishek in terms of the expansion, for the Capex we are pretty cognizant in terms of the leveraging and we will be continuing to do so; however, definitely there are a lot of opportunities on our way like PLI is coming and then obviously the customers which we have done refrigerant will be would like to move them into the complete manufacturing so that is why we have earmarked already the two expansion plans Greenfield facilities in Supa as well as in South in Chennai over there, but at the same time we would be always cognizant of the leveraging levels while at the same time grab these opportunities, which is PLI and at the same time give the solutions to our customers.

Abhishek Gosh: Any number at which you will kind of tap your maybe net debt to EBITDA or anything any thoughts on that?

Daljit Singh: Since the PLI schemes and all that is still in a very fluid and fine-tune version is yet to come so putting out any numbers over there definitely would not be there, but we would keep in trend to what historically we have been and we would not like to leverage a lot over there, at the same time internal accruals are good enough where we can already fund all our expansion plans through internal accruals also. So definitely I would not like to put any numbers over there but at the same time, I would like to just show that we would be very cognizant in balancing the opportunities at the same time being not very leveraged.

Moderator: Thank you. We take the next question from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Sir just a couple of questions from my end. First is out of the standalone revenue of Rs. 2,300 odd Crores how much is the contribution of compressors which is typically a pass-through item for Amber?

Sudhir Goyal: Out of this Rs. 2,295 Crores turnover around 320 odd Crores is from the compressor.

Shrinidhi Karlekar: It is completely pass through right no gross profit no EBITDA?

Sudhir Goyal: Yes absolutely.

Shrinidhi Karlekar: I want to understand is how much has been the ballpark price increase on an aggregated level that you are billing in this quarter compared to the same quarter last year like Q122 versus Q121?

Sudhir Goyal: So on an average, there has been an increase of almost 10% to 12% on a total product be it like indoor and outdoor mix together.

Shrinidhi Karlekar: 10% to 12%, is it?

Sudhir Goyal: Yes.

Shrinidhi Karlekar: I just want to understand the opportunity on the motor side I know you said that you intend to double revenue in PICL over two to three years, but out of the total motors that are required for the domestic market how much according to you is imported as of now and secondly if it is possible would it be possible to say a couple of competitors that you have in this segment?

Daljit Singh: Today almost around I would say 70% of the motors is still imported while at the same time in PICL if you see we are not present we are not offering the solution of BLDC in the motors; however, we have already done the capex of that and in this financial year we will be starting to do that, so that segment is completely vacant for us where we can capitalize upon that and take this as an opportunity both in the captive users as well as solution to the customers so we are already giving good solutions to our outdoor unit motors while at the same time on the BLDC side we would like to venture into that, already the capex as R&D and the designs have already been finalized and we are now talking to all the customers where we are giving the outdoor motors the same set of customers definitely we can give them the solution **(**side also on the motors because of the China Plus One strategy for various customers out of US and the Middle East they are definitely looking at PICL and good growth can come out of that segment also so we are already in touch or in discussion I would say advanced stages to go down of motors for export to USA as large size OEMs over there and hopefully we should be able to start production probably end of this financial year over there.

Shrinidhi Karlekar: Competition is it predominantly MNCs like companies out of China and Japan or do you have some competition from domestic suppliers as well?

Daljit Singh: There are local manufacturers which are MNCs and competition is both in China as well as local manufacturing but multinational companies over here.

Shrinidhi Karlekar: Thanks for answering my question Sir all the very best.

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

Sandeep Tulsiyan: Sir my first question is pertaining to the volume numbers you shared they indicate kind of a 20% decline over last year while you mentioned there is a price hike overall RAC segment value has gone down by 30% so if you can just help us connect is it a function of mix or there is some other factor over here that we have seen?

Sudhir Goyal: Yes, Sandeep, there will be a factor of other products as well, so with new includes various components and if I talk about the consolidated level, it includes various subsidiaries where the complete component segment is there not the finished good RAC. So RAC decline is in line with the industry decline the way industry has declined due to the COVID that happened in H1 so similarly, our volumes have also been impacted.

Sandeep Tulsiyan: So just 2.1 million unit volume that you are saying is not just pertaining to the RAC segment it is a combination of the other segments as well?

Sudhir Goyal: No, this total of 2.1 million is the RAC only but the value is including components as well.

Sandeep Tulsiyan: No, I am referring to the RAC segment value that is down 30% while this 2.1 kind of implies a 20% decline versus the numbers you shared last year, RAC segment is what I was trying to actually connect.

Sudhir Goyal: Volume decline is by around 30% and value is also similarly declined.

Sandeep Tulsiyan: Secondly on the export side in the previous call you have highlighted some of the OE relationships that were under development if you can share some updates specific to which regions these customers and by when are those supplies likely to start?

Daljit Singh: On the export side, last time on the call we explained majorly we were currently in two sectors first was the Middle Eastside and the second was the US side. So on the Middle East side the certifications and the approvals have been completed so we shall soon be starting the supply, while on the US side the samples commissions have been done so probably we expect the approvals in next eight to 10 months.

Sandeep Tulsiyan: So in FY22 probably the Middle East can start and next year we are targeting to start the US?

Daljit Singh: Yes exactly.

Sandeep Tulsiyan: Thank you so much.

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

Rahul: Now given the lockdown in the country I want to understand what are the capacities that your factories are running at and have you seen your customers curtailing their orders or dealing with the orders and if you can give us some quantitative data that will be helpful?

Sudhir Goyal: The lockdown started from somewhere around April 2020, so obviously May was more or less are washout but as the industries were allowed to operate so obviously orders got curtailed because of the inventories in the system, but if I talk right now what is happening that we are again seeing some specific models demand that is coming up and also with the delayed summer so the Northside is like pickup up it right now. So earlier like North used to pick up in the April end or May week one while it has moved by three or four weeks, so if I talk in terms of capacity so our factories like RAC factories are running at a capacity of somewhere around 40%, 45% right now.

Rahul: My second question is now if the industry were to move to the next level of energy efficiency which was expected in January 2022 any update on that if we were to move in January 2022 what is the kind of price increase that we could be looking at?

Sudhir Goyal: If you see today out of the total market 60% contribution comes from inverters. So in inverters, primarily there shall not be a price increase that is because of the electronics so we are able to match up in the same price while on the other side there is a balance 40% so there will be a price increase, so if I see average price increase should be somewhere to a tune of like Rs.400 to Rs.600 per air conditioner.

Rahul: Thank you very much that is very helpful.

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

Renu Baid: Sir just few questions from my side, first given that we are seeing that the commodity price inflation has continued even now in Q1FY22 and demand uptick has been a bit soft so how should we look at the pricing action for you as well as for the industry and you think this kind of price increase should come through in a timely fashion or there could be again delays like last year because of which demand uptick?

Sudhir Goyal: Probably if you see the price increase is majorly because of four commodities so right now out of the four commodities aluminum, steel, and resin are more or less stable so what is like increasing is still copper and in the total product price the contribution of copper increase should not be more than like 2% to 3% if I take copper aluminum as a commodity and looking into the lockdown probably in May so we feel that at least second quarter more or less everyone should be covered with the inventories of the copper at the old prices so we do not see that the price increase should be affected at least in next quarter.

Renu Baid: My second question is we have started to hear a couple of smaller peers of Amber has started to scale through some of your other customers are supporting them so are we seeing competitive intensity or competition for you increasing in a domestic market while you continue to retain the cost leadership and the volume leadership in the space so are you seeing competitive intensity increasing for you across product ranges including largely RAC segment and will that have an impact on potential pricing or other discussion and negotiations with customers?

Daljit Singh: The competition is getting far sure better we have earlier discussed so these products are not like a very small entry barrier these products are long entry barriers because of lot of critical components being placed into that, then second thing is that the scale at today we are along with that economy of scale helps us for making the price competitiveness, apart from that the competitiveness comes along with the backward integration of the controller motor that are today the main critical components that are playing the part specifically the inverter motors coming up into the picture. So we see that like the competitiveness that we are getting is primarily only on the assembly of air conditioners, but on an overall package the R&D support and the backward integration of all the critical components so we are well placed on that front so it should not be any challenge for us.

Renu Baid: Sure thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Just wanted to check with you if assume that all the lockdowns are lifted from June onwards are we in line to do revenue similar to what we had done say last year or if you say at least volumes similar to last year so are we in line to do that or probably it will be more than those volumes?

Daljit Singh: Last year we are talking of like 2021?

Ravi Swaminathan: Yes, FY2021 volumes would we match FY2021 volumes or we can even do better than that and so what kind of growth we would be having?

Daljit Singh: This time what has happened is that localized lockdowns are happening so though May month would be washout but like as Sachin mentioned that the summers are still there in North and so we are looking at an uptick in June; however, how this condition pans out, how to unlock down pans out these are very highly uncertain times, but we are hopeful that if all goes well and unlock down happens in June we should be fairly better than last year definitely for sure but at the same time how the things do lookout and how the looks pan out is yet to be certain and looked into basically.

Ravi Swaminathan: In terms of Capex next two years similar to what kind of CAPEX we are likely to do?

Daljit Singh: In the terms of Capex if you see Ravi that we have earmarked already around Rs.290 odd Crores for two Greenfield facilities one in Supa and one in Chennai and down South, so Supa has already we have already acquired the land the construction has started while at the same time the agreements and all that are being finalized for down South and the construction should start probably in another next two, three months and should be operational by the end of this financial year or next financial year, rest all is maintenance capex and the regular capex.

Ravi Swaminathan: So overall it should be around Rs.400 Crores of capex?

Daljit Singh: Now the maintenance capex is not that high so it will be a little less than that.

Ravi Swaminathan: Alright thanks.

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

Aditya Bhatia: Sir earlier we have spoken about these two Greenfield facilities forming part of eligible capex under the PLI scheme now that the scheme is only for the component does that still hold through?

Daljit Singh: So the PLI scheme is right now only for components this is what we are seeing so they divided into three parts one is the AC components if someone wants to amalgamate all the component together, second is the high value intermediaries like compressors, and aluminum which are higher value and the third is the lower value which is PCB and motors and we are hearing that it might also include heat exchanger, sheet metal and induction molding but that is yet to be seen.

Aditya Bhatia: But the two Greenfield facilities that we have been speaking about would they form part of eligible capex let us say for category two or we will have to do incremental capex if we want to participate under the PLI scheme?

Daljit Singh: Like we have yet to be seen if it comes in sheet metal and induction molding definitely it would be those will be eligible but otherwise they might not be eligible also, but definitely they would also include PCBs at that location so then that PCBs would be evolved so it would be component to component rather than I would say location to location so because multiple components are made at multiple locations so the PLI scheme would be definitely at a group level and various locations rather than one location only.

Aditya Bhatia: When we say that minimum capex of let us say Rs.100 Crores required for low-value components it is Rs.100 Crores for all components put together or it is Rs.100 Crores for motor separately, PCB separately?

Daljit Singh: If you see it is as per the application so lower value like if you mentioned that it is 100 Crores so it would be completely as per the application if you put an application in motors and PCB that would be involved but if you put it separate then it will be a separate one also; however, fine-tune version is yet to be seen it might be that it can be looked at one application if it is a various application under one group is putting whether that would be combined is yet to be seen to be discussed and it is already in the discussion and yet to be seen what it comes out in the fine-tune version.

Aditya Bhatia: What is your take on let us say some of the brand owners also participating under the PLI scheme are you getting any feelers given the contours of the scheme or do you think that because finished good is not there this scheme thus is no longer very lucrative?

Daljit Singh: Well, I would not like to comment upon anybody's strategy over here, but I am sure everybody would be looking at what makes sense and what opportunities. However as per the PLI scheme since it is for components and as Amber is rightly placed solution provider for a component so definitely at Amber, we would be able to capitalize upon it and also offer complete room package benefit to the customer if we aggregate the complete demand.

Aditya Bhatia: Thanks, it is very useful.

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

Hiren Trivedi: If you could help with the current order book of Sidwal and the growth outlook over the next two years so any internal targets where you would like to take revenues over the next two years timeframe for Sidwal?

Daljit Singh: So Sidwal is doing good and we have a strong order book over here so we already bagged a big size project and we are already in discussion with pretty big size another project for rapid grade transport systems at the same time also there was a refurbished project, which also was bagged by Sidwal so we see a strong order book over there of around Rs.350 odd Crores sitting there, which had to be executed over next two financial years and more and more modernization is happening of the coaches so definitely Sidwal is a rightly placed company to capitalize upon that. As the modernization happens the air conditioning would happen, the speeds are increasing of trains and projects like rapid rate transport systems as well as various cities have already earmarked metro system in their respective cities so definitely and at Sidwal we are now offering the solutions to pretty much all the major quote bidders in the country today. So hopefully looking into this scenario of increase in modernization more and more new projects coming to Sidwal and it is rightly placed company to give that benefit and grab this opportunity.

Hiren Trivedi: Thank you Sir and all the best Sir.

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

Amber Singhania: Sir just one clarification wanted to know that as you have mentioned 19% is the industry growth of this quarter, Sidwal has grown at around 22% this is on the backdrop of import ban being in place, which was not there last year so just wanted to understand if the import substitution has started happening and competition is taking a larger portion of those substitution, so what exactly is the situation if you can just give throw color on that?

Daljit Singh: Mr. Singhania if you see the import ban happened in month of October and the numbers which we did are the 2.1 million, which we are mentioning is not the refrigerant filling it does not involve that because that is only refrigerant filling at the same time now we are pretty confident and that was a kind of phase I and immediate action plan in order to just address that market and start giving the solution and connect with the customers so in view of this import ban we were able to add six new customers and pretty much every one of these customers are talking about localized and complete manufacturing now in India instead of only refrigerant ban, instead of only refrigerant filling basically, so some of these customers shall be converted this year and remaining shall be converted in theend of next financial year we should be able to see that all of these customers are manufacturing with us and they are pretty large size customers and we are hopeful to that we convert this and start giving them complete solution of localized and then you can see that these numbers would be transforming to our volumes also.

Amber Singhania: If we executed correctly, we were roughly around 1.8 to 2 million which used to get imported in India before the ban so given the current situation if everything gets normal what is the incremental business you see coming to us in terms of just import substitution on the normal situation and if you can share some numbers on export what we have done this year?

Daljit Singh: So if you see that around in imports around 86% imports were curtailed like if you see the import data now so starting in January, February, March if you see pretty much all the imports which were happening is now transformed into localized manufacturing or refrigerant filling over here and as Amber has already grabbed the lion's share over here in refrigerant filling already and when we convert this into the localized manufacturing so that would add into the number. So if you see the import ban is helping us but we could not grab this opportunity in terms of the volume addition because the import ban was announced in October, November, which to give them complete local solution you need to enhance your capacity, these are all the multinationals and big-ticket size customers so it required lot of valuation of the products, a lot of approvals are there so it is a highly reliable cycle over here so it does take time so we started the refrigerant filling and connected with customers and now this would be converting into the localized manufacturing.

Amber Singhania: Export number?

Daljit Singh: Like we are just making the first shipment so probably after the customer feedback on the product side so I guess this year probably it would be more or less sending the very few thousand numbers we shall convert into good numbers in three years down the line this year we see just it is the kind of start.

Amber Singhania: Fine that is all. Thank you.

Moderator: Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir I just wanted one clarification so you made that 86% of imports are now impacted but from what we have picked up from our check lot of things have moved to imported without refrigerant filling and all so can you just indicate how much is the actual drop in volumes as far as imports of ACs are concerned?

Sachin Gupta: Probably volume numbers should keep on varying the data that we have for the imports so if we see like there would be a drop of as good as 70%, 75%, now coming to your point that you are able to see that lot of refrigerant filled air conditioners are coming so probably we will say that those air conditioners are coming from the customer parent companies, but there would have been a huge decrease from the ACs that were coming primarily from China. If you see majorly import happens in our country from majorly three countries out of which like 60%, 70% contribution used to come from China, 30% contribution used to come from Thailand and the balance used to come from the other part of the world like South Korea and all so we feel that the Thailand portion remains as it because the customer lies over there while the 60% of imports happening from China has come down so this is the data point that we have.

Ashish Jain: Okay thanks Sir, thank you so much.

Moderator: Thank you. Well, ladies and gentlemen due to time constraints we take that as the last question for today I would now like to hand the conference over to Mr. Daljit Singh for closing comments.

Daljit Singh: Thank you everyone for joining us and I hope we were able to answer all your queries. In case you require any further details, you may please contact us or our investor relation advisors, strategic growth advisors. Thank you and be safe.

Moderator: Thank you. On behalf of Amber Enterprises India Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.