



Board the Growth Wagon – Railway & Mobility Division!!!

The company reported a robust growth outlook across all segments, resulting in strong earnings visibility from FY23 to FY26E. The revenue contribution from the Railway and Mobility (R&M) division, which yields higher operating margins, is increasing. This is expected to improve the company's operating profits moving forward. In FY23, its R&M division contributed 11% to total revenue and we expect this segment to further increase its pie to 16% by FY26E.

Recommendation Rationale

- Robust local manufacturing of electronics to support segmental growth:** In H1FY24, AMBER's electronic division's revenue stood at Rs 515Cr, posting excellent growth of 48% CAGR Cr over H1FY21-H1FY24. This was backed by its strategic JV with NOISE which helped the company to expand its market reach in the wearable segment and other smart electronics category. Earlier majority of PCBs were imported. However, with the introduction of the PLI 2.0 Scheme, we believe robust local manufacturing of electronics will directly aid in the company's segmental growth to Rs 2,319Cr, implying a CAGR growth of 27% by FY26E.
- Continuously introducing new products:** The company's orderbook in Q2FY24 for its R&M Division stood robust at 1,140Cr. The company is continuously introducing new products in the R&M segment such as doors, gangways and other railway subsystems will result in increasing its revenue contribution. Management expects this segment to double its revenue by FY26E compared to Rs 729Cr in FY23. We expect robust growth from this segment backed by increasing Capex in transport infrastructural activities and revamping the Indian railways. We believe this segment to generate revenue of Rs 1,688 Cr by FY26E, implying a CAGR of 32%.

Sector Outlook: Positive

Company Outlook & Guidance: The management has guided robust improvement in revenue and profitability backed by strong order book inflows and increasing products and revenue share from the R&M Division.

Current Valuation: 33x FY26EPS

Current TP: Rs3,700/share (Earlier TP: Rs 2,660/share)

Recommendation: We maintain our BUY recommendation on the stock.

Financial Performance

In H1FY24, the company's revenue marginally improved by 2% owing to weak demand in the RAC segment due to unseasonal weather patterns. However, a better value-added product mix resulted in a gross margin improvement of 290bps to 19.2% and operating margins improved by 300bps. The company's increasing Capex activities during the year resulted in increasing borrowings which led to increased interest cost and depreciation. This resulted in flattish net profit growth to Rs 41Cr.

Outlook

We model Revenue/Operating Profit/PAT CAGR of 15%/23%/34% over FY23/26E. We have increased our revenue and operating margin estimates backed by strong revenue visibility from its strong order book. Moreover, its value-added products and operating leverage in its R&M Division will result in an improvement in profitability YoY.

Valuation & Recommendation

We currently have a BUY rating on the stock with a revised TP at Rs 3,700/share with an upside of 21% from the CMP where we value the stock at 33x on its FY26EPS. Our recommendation is supported by a) Robust order book in its Railway Sub-systems & Mobility Division, b) Increasing value-added products, c) Improving operating leverage resulting in improving ROE and ROCE (to 15% and 16% respectively) and operating margins (by 130bps to 7.3%) by FY26.

Key Financials (Consolidated)

(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	4,206	6,927	7,684	8,996	10,604
Operating Profit	275	418	525	642	772
Operating Profit Margin	6.5%	6.0%	6.8%	7.1%	7.3%
Net Profit	109	157	188	276	378
EPS (Rs)	32	47	56	82	112

Source: Company, Axis Research

(CMP as of 22nd Dec, 2023)

CMP (Rs)	3047
Upside /Downside (%)	21%
High/Low (Rs)	3479/1762
Market cap (Cr)	10,365
Avg. daily vol. (6m)Shrs.	213.6
No. of shares (Cr)	3.37

Shareholding (%)

	Mar-23	Jun-23	Sep-23
Promoter	66.0	66.0	66.0
FII	1.6	1.6	1.8
MFs / UTI	6.4	6.8	6.7
Banks / FI	0.0	0.0	0.0
Others	26.1	25.7	25.5

Financial & Valuations

Y/E Mar (Rs Cr)	FY23	FY24E	FY25E	FY26E
Net Sales	6,927	7,684	8,996	10,604
EBITDA	418	525	642	772
Net Profit	157	188	276	378
EPS (Rs)	47	56	82	112
PER (x)	63	53	36	27
EV/ EBITDA (x)	26	21	17	14
P/BV (x)	5	5	4	4
ROE (%)	8.8	9.5	12.5	14.9

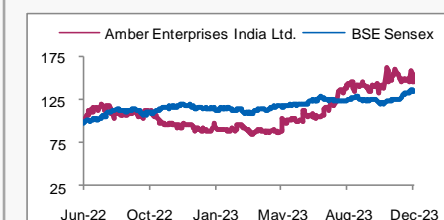
ESG disclosure Score**

Environmental Disclosure	28.0
Social Disclosure Score	30.6
Governance Disclosure	66.1
Total ESG Disclosure Score	41.6
Sector Average	41.6

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Key Person Interaction Highlights

- **Company Performance:** Muted revenue growth was led by erratic weather. However, the company's component strategy and introduction of value-added products aided in margin expansion in H1FY24. Growth momentum for AMBER continues on account of a robust order book in the Railway Sub-systems & Mobility Division. The company continues to expand its market presence in the wearable electronic market.
- **Opportunities:** Increasing government spending towards transportation infrastructure, especially of Indian Railways, AMBER will be a direct benefactor as the company has almost 50% HVAC market share in railways where it provides AC to coachbuilders.
- **Other pointers:**
 - In volume terms, the RAC industry in FY23 was at 8.3 Mn and is expected to reach 9.2-9.5 Mn in FY24E.
 - The majority of AC coach builders are customers of Amber.
 - Maintenance Capex of 350-380Cr is undertaken every year.
 - Amber plans to double its Electronic and Railway Sub-systems & Mobility Division to current market performance by FY26E.
 - For Rs 100 of coach manufacturing, the company supplies products worth Rs 4 to the coachbuilders.
 - The company is gradually expanding its product portfolio by introducing doors, gangways, pantry (heating & cooling solution), etc.
- **Challenges:** a) Delay in Capex activities to aid incremental orders will result in opportunity loss; b) Non-repayment of debt will result in higher interest costs.

Financials (Consolidated)
Profit & Loss
(Rs Cr)

Y/E Dec	FY23	FY24E	FY25E	FY26E
Net Sales	6,927	7,684	8,996	10,604
Growth (%)	64.7	10.9	17.1	17.9
Other Operating Income	0	0	0	0
Total Income	6,927	7,684	8,996	10,604
Raw Material Expense	5,868	6,363	7,427	8,722
Employee Expense	212	273	311	372
Power & Fuel Expenses	57	79	101	130
Other Operating Expense	373	444	515	608
Operating Profit	418	525	642	772
Growth (%)	52	26	22	20
Operating Margin (%)	6.0	6.8	7.1	7.3
Other Income	53	58	63	68
EBITDA	471	583	704	840
Growth (%)	52.5	23.8	20.9	19.3
EBITDA Margin (%)	6.8	7.6	7.8	7.9
Depreciation	139	181	198	216
EBIT	331	402	506	624
Interest Cost	112	143	129	112
Profit Before Tax	220	259	377	512
Tax	56	65	94	128
Profit After Tax	164	195	283	384
Growth (%)	47.1	18.8	45.3	35.9
Share of Profit of an associate/OCI	-7	-7	-7	-7
Net Profit (Adjusted)	157	188	276	378
EPS	47	56	82	112

Source: company, Axis Securities

Balance Sheet
(Rs Cr)

Y/E Dec	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Equity Share Capital	34	34	34	34
Reserves & Surplus	1920	2095	2358	2723
Net Worth	1954	2129	2392	2757
Borrowings	1316	1209	1079	955
Other Liabilities	2970	3105	3649	4327
Total Liabilities	4286	4314	4728	5283
Total Equity & Liability	6240	6443	7120	8039
APPLICATION OF FUNDS				
Cash & Bank Balance	559	187	165	264
Investments	194	194	194	194
Advances	339	339	339	339
Fixed & Other Assets	5148	5723	6423	7242
Total Assets	6240	6443	7120	8039

Source: company, Axis Securities

Cash Flow
(Rs Cr)

Y/E Dec	FY23	FY24E	FY25E	FY26E
PBT	220	253	370	506
Depreciation & amortization	139	181	198	216
Interest expense	112	143	129	112
Interest / Dividend Recd	-38	-58	-63	-68
Other Adjustments	2	0	0	0
(Inc)/Dec in working capital	-61	-308	-41	-45
Tax paid	-54	-65	-94	-128
CF from operating activities	321	146	500	593
Capital expenditure	-653	-313	-313	-313
(Purchase) / Sale of Investments	134	0	0	0
Income from investments and others	31	58	63	68
CF from investing activities	-489	-255	-250	-245
Inc/(Dec) in share capital	0	0	0	0
Inc/(Dec) in debt	312	-107	-130	-124
Dividends & Interest paid	-110	-156	-142	-125
Other Financial Activities	-10	0	0	0
CF from financing activities	193	-263	-272	-248
Net cash flow	25	-372	-22	99
Opening balance	299	559	187	165
Other Bank Balance	0	0	0	0
Closing balance	323	187	165	264

Source: company, Axis Securities

Ratio Analysis
(x) / (%)

Y/E Dec	FY23	FY24E	FY25E	FY26E
Per share data				
No. of shares (Cr)	3.4	3.4	3.4	3.4
BVPS (INR)	579.9	631.9	710.0	818.2
CEPS (INR)	89.9	111.4	142.7	178.1
DPS (INR)	-	3.2	3.2	3.2
Financial Ratios				
RoE (%)	8.8	9.5	12.5	14.9
RoCE (%)	10.7	11.8	14.5	16.9
Debt/Equity (x)	0.7	0.6	0.5	0.3
EBIT/Interest (x)	3.0	2.8	3.9	5.6
Turnover Ratios				
Asset turnover (x)	2.1	2.2	2.5	2.8
Sales/Net FA (x)	3.0	3.2	3.6	4.1
Working capital/Sales (x)	0.0	0.1	0.1	0.1
Receivable days	91.6	93.6	95.6	97.6
Inventory days	66.3	65.3	64.3	63.3
Payable days	147.9	149.9	151.9	153.9
Working capital days	10.0	9.0	8.0	7.0
Liquidity Ratios				
Current ratio (x)	1.3	1.3	1.2	1.2
Quick ratio (x)	0.9	0.8	0.8	0.8
Interest cover (x)	3.7	3.6	4.7	6.4
Net debt/Equity (x)	0.4	0.5	0.4	0.3
Valuation (x)				
PE	62.7	52.8	36.3	26.7
PEG (x) YoY growth	1.3	2.8	0.8	0.7
P/BV	5.3	4.8	4.3	3.7
EV/EBITDA	26.4	21.5	17.4	14.2
EV/Sales	1.6	1.5	1.2	1.0
EV/EBIT	33.2	28.1	22.1	17.6

Source: company, Axis Securities

Amber Enterprises Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jan-22	BUY	3,690	Top Picks
31-Jan-22	BUY	3,974	Result Update
03-Feb-22	BUY	3,975	Top Picks
16-May-22	HOLD	3,600	Result Update
11-Aug-22	BUY	3,000	Result Update
17-Feb-23	BUY	2,580	Result Update
17-May-23	BUY	2,580	Result Update
27-Jul-23	BUY	2,660	Result Update
26-Dec-23	BUY	3,700	Company Update

Source: Axis Securities

About the analyst

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Sector: Capital Goods, Building Materials and Consumer Durables

Analyst Bio: Akshay Mokashe is a B.E Mechanical Engineer with over 5 years of experience in Equity Research

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