## **Arihant**Capital Generating Wealth

### Q2FY24 Result update 20<sup>th</sup> Oct, 2023

### **Titagarh Rail Systems Ltd**

#### Strong order book shows business visibility.

### **CMP: INR 795**

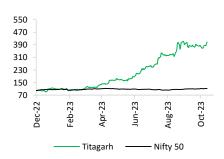
#### Rating: ACCUMULATE

#### **Target Price: INR 892**

Stock Info			
BSE		5	32966
NSE		TITA	GARH
Bloomberg		Т	WL:IN
Reuters		TI	TG.NS
Sector		Capital	Goods
Face Value (INR)			2
Equity Capital (INR mn)			254
Mkt Cap (INR mn)		ç	5,059
52w H/L (INR)		868	/ 148
Avg Yearly Volume (in 000')		1	,135.8
Shareholding Patter (As on Sep, 2023)	ern %		
Promoters			44.97
DII			10.45
FII			16.85
Public & Others			27.73
Stock Performance (%)	3m	6m	12m
TITAGARH	52.2	178.5	307.3

#### **Titagarh vs Nifty**

NIFTY



-0.4 11.4

5.5

Abhishek Jain abhishek.jain@arihantcapital.com 022-422548871

#### Balasubramanian A

bala@arihantcapital.com 022-67114780

Titagarh Rail Systems Ltd reported strong numbers, Q2FY24 revenue stood at INR 9,355mn (+54.1% YoY/+2.7% QoQ); above our estimates of INR 8,763mn driven by freight rail systems. Gross Profit stood at INR 2,140mn (+59.6% YoY/+7.7% QoQ), above our estimates of INR 1,989mn. Gross margins improved by 79 bps YoY (up by 106 bps QoQ) to 22.9% vs 22.1% in Q2FY23. The margin improvement is mainly because of raw material cost decrease in terms of sales. The raw material cost in terms of sales stood at 77.1% vs 77.9% in Q2FY23. EBITDA stood at INR 1,151mn (+109.1% YoY/+8.5% QoQ); above our estimates of INR 1,025mn. EBITDA margin improved by 324 bps YoY (up by 65 bps QoQ) to 12.3% vs 9.1% in Q2FY23. The reduction in other expenses in terms of sales improved EBITDA margins in Q2FY24. PAT stood at INR 704mn (+115.8% YoY/+14% QoQ); above our estimates of INR 607mn. PAT margin improved by 215 bps YoY (up by 74 bps QoQ) to 7.5% vs 5.4% in Q2FY23.

#### **Key Highlights**

Strong order book shows potential business visibility: The order book stood at INR 282.12bn (~7.9x of FY23 TTM revenue) shows potential revenue visibility. The freight rolling stocks order book stood at INR 143.42bn (~51%) and the Passenger Rolling stocks order book stood at INR 138.70bn (~49%). In freight rolling stocks, around 26% of orders are booked from private wagons. Metro order book accounts for ~15% of Passenger rolling stocks order book. In Metros, the company has a delivery schedule for the next 3 to 3.5 years.

Wagon execution remains on track: Freight Rail Systems revenue stood at INR 8,009mn (+69.8% YoY/+7.3% QoQ); EBIT Stood at INR 1,077mn (+114.4% YoY/+10.8% QoQ). EBIT margin improved by 280 bps YoY (up by 42 bps QoQ) to 13.4% vs 10.7% in Q2FY23. The company is currently executing 650-700 wagons per month and focused on 1,000 wagons per month by the end of FY24E.

Passenger Rail Systems execution is expected to ramp up in the middle of FY25E: Passenger Rail Systems revenue stood at INR 1,346mn (+6.7% YoY/-18.3% QoQ); EBIT Stood at INR 36mn (-16.9% YoY/-43.7% QoQ). EBIT margin contracted by 76 bps YoY (down by 121 bps QoQ) to 2.7% vs 3.4% in Q2FY23. Passenger rail systems margins are lower due to lower volumes. The company is targeting 15 cars to 20 cars per month in the middle of FY25E. Passenger Rail System's margins are expected to reach 10% due to an increase in volumes. Further margin improvement is expected based on the backward integration of propulsion systems and components.

Well positioned to take advantage of Vande Bharat Trains and Metros: The company is currently in the process of 80 Vande Bharat train order execution. The government has set a target of 800 Vande Bharat trains by FY30E. The company has a potential opportunity on Vande Bharat trains. Vande Bharat train margins are expected around 10% and services margins are higher. Around 50 metro projects have an opportunity size of INR 500bn. The company has a larger market share in Metros.

Outlook & Valuation: Titagarh Rail Systems has a strong order book (~7.9x of FY23 TTM revenue), Capacity expansion for freight wagons and Passenger coaches, backward integration through traction motors and propulsion systems, well positioned to benefit from freight wagons, Vandhe Bharat Trains, Metros, and global wagon tenders, New orders for Vandhe Bharat Trains and Wheelsets will drive business growth going forward. In Base Case, Revenue is expected to grow at a CAGR of 30.8% over the period of FY23-FY26E, RoE is expected to improve from 14.9% (FY23) to 25.2% in FY26E. The stock is trading at 43.2x of its FY24E EPS. In Base Case Scenario, At the CMP of INR 795 per share, We have an "ACCUMULATE" rating and valued the stock at 25x of its FY26E EPS of INR 35.7, and arrived at a price objective of INR 892, an upside of 12.2%.

Arihant Capital Markets Limited Research Analyst SEBI Registration No: INH000002764 1011, Solitaire Corporate Park, Bldg No.10, 1st Floor, Andheri Ghatkopar Link Rd, Chakala, Andheri (E), Mumbai 400093

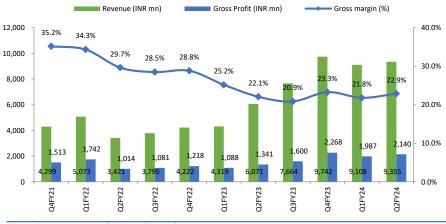
#### **Q2FY24** Results

#### Income statement summary

Particular (INR Mn)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Revenue	6,071	9,108	9 <i>,</i> 355	54.1%	2.7%
Net Raw Materials	4,730	7,120	7,214	52.5%	1.3%
Employee Cost	130	158	173	32.6%	9.4%
Other Expenses	660	768	816	23.7%	6.3%
EBITDA	551	1,061	1,151	109.1%	8.5%
EBITDA Margin (%)	9.1%	11.7%	12.3%	+324 bps	+65 bps
Depreciation	53	66	67		
Interest expense	199	191	203		
Other income	162.2	38.9	67.7		
Share of profits associate & JV	(17)	-	(5)		
Profit before tax	444	843	944		
Taxes	118	225	240		
Minorities and other	-	-	-		
РАТ	326	618	704	115.8%	14.0%
PAT Margin (%)	5.4%	6.8%	7.5%	+215 bps	+74 bps
EPS (INR)	2.7	5.2	5.5		

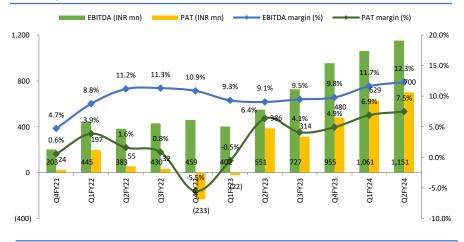
Source: Company Reports, Arihant Capital Research

#### Exhibit 1: Gross margins improved by 79 bps YoY to 22.9% due to lower RM costs in Q2FY24.



Source: Company Reports, Arihant Capital Research

Exhibit 2: EBITDA Margin improved by 324 bps YoY due to lower other expenses in-terms of sales in Q2FY24.



Source: Company Reports, Arihant Capital Research

#### **Q2FY24** Concall Highlights

#### **Freight Rail Systems**

- In freight rail systems, The company is executing around 650-700 wagons per month and targeting 1,000 wagons per month by the end of FY24E.
- In Sep-23, the company delivered 759 wagons which is the highest-ever volume on a monthly basis.

#### **Passenger Rail Systems**

- Passenger rail systems margins are lower due to lower volumes. The company is targeting 15 cars to 20 cars per month in the middle of FY25E.
- Passenger Rail Systems margins are expected to reach 10% due to an increase in volumes. Further margin improvement is expected based on the backward integration of propulsion systems and components.

#### Margins

- The gross margin improvement was majorly led by an increase in the share of private wagons. Private wagons margins are higher than railway wagons.
- EBITDA margins are expected around 8% to 10% on a sustainable basis and expected to move from 11% to 11.5% backed by backward integration of propulsion systems and components.

#### Order book

- The order book stood at INR 282.12bn (~7.9x of FY23 TTM revenue). The freight rolling stocks order book stood at INR 143.42bn (~51%) and the Passenger Rolling stocks order book stood at INR 138.70bn (~49%).
- In freight rolling stocks, around 26% of orders are booked from private wagons.
- Metro order book accounts for ~15% of Passenger rolling stocks order book. In Metros, the company has a delivery schedule for the next 3 to 3.5 years.

#### Metros

- In the Bangalore metro, 1st stainless steel car is expected to be dispatched by the end of FY24E.
- In the Pune metro, around 60%-70% of work is completed, and the remaining is expected to be completed by the end of FY24E.
- Around 50 metro projects have an opportunity size of INR 500bn. The company has a larger market share in Metros.

#### **Metro orders**

- The company has received an order of INR 8,660mn from the Surat Metro Rail Phase-1 Project to supply 72 cars. The average realization per car is around INR 120mn.
- The company has received an LOA from GMRCL to supply 30 cars for Ahmedabad Metro Rail Phase-II. The order value is around INR 3,500mn which comes realization of INR 117mn per car.

#### **Q2FY24** Concall Highlights

#### **Vande Bharat trains**

- In the Vande Bharat train, designs have already progressed and are in line with expectations.
- The company is currently in the process of 80 Vande Bharat train order execution. The government has set a target of 800 Vande Bharat trains by FY30E. The company has a potential opportunity on Vande Bharat trains.
- Vande Bharat train margins are expected around 10% and services margins are higher.

#### **Market share**

The company has a market share of 32% based on dispatched wagons.

#### Capex

The capex is expected around INR 7bn over the next 2 to 3 years.

#### **Other highlights**

- The company has launched 1st Diving Support Crafts (DSC) and will be included in the Indian Navy. The DSC will provide diving assistance during underwater repair, maintenance, and salvage operations.
- The increase in receivables is temporary and expected to normalize going forward. In freight rolling stocks, Net working capital is expected to be maintained for around 30 days.
- In private wagons, advance mobilization is around 0% to 50% based on contracts.

### **Scenario Analysis**

Scenario Analysis				
Exhibit 3: Scenario Analysis				
Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	32,000	43,200	45,600
Passenger Rail Systems	5,287	10,450	18,000	28,500
Shipbuilding, Bridges and Defence	-	670	683	712
Total Revenue	27,796	43,120	61,883	74,812
		<b>BV6 45</b>		
Base Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	30,495	36,480	41,040
Passenger Rail Systems	5,287	6,120	13,260	20,400
Shipbuilding, Bridges and Defence	-	670	683	712
Total Revenue	27,796	37,285	50,423	62,152
Bear Case (INR mn)	FY23E	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	28,386	33,300	37,740
Passenger Rail Systems	5,287	4,800	10,560	17,280
Shipbuilding, Bridges and Defence	5,207	670	683	712
Total Revenue	27,796	33,856	44,543	55,732
Source: Company, Arihant Capital Research	21,150	33,830	,5-5	33,732
Valuation				
Exhibit 4: Bull Case Scenario				
Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	43,120	61,883	74,812
EBITDA	2,635	4,490	6,554	8,170
EBITDA Margin (%)	9.5%	10.4%	10.6%	10.9%
PAT	1,157	2,822	4,399	5,612
PAT Margin (%)	4.2%	6.5%	7.1%	7.5%
EPS (INR)	10.6	22.2	34.6	44.1
Valuation - P/E (FY26) EPS (INR)				44.1
P/E (x)				27.0
Target Price (INR)				1,191
CMP (INR)				795
Upside/Downside (%)				49.9%
Upside/Downside (%) Source: Company, Arihant Capital Research				
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario	EV22	EV24E	EV2EE	49.9%
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn)	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b> 50.423	49.9% FY26E
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn) Revenue	27,796	37,285	50,423	<b>49.9%</b> <b>FY26E</b> 62,152
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn) Revenue EBITDA	27,796 2,635	37,285 3,882	50,423 5,340	<b>49.9%</b> <b>FY26E</b> 62,152 6,788
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn) Revenue EBITDA EBITDA EBITDA Margin (%)	27,796 2,635 9.5%	37,285 3,882 10.4%	50,423 5,340 10.6%	<b>49.9%</b> <b>FY26E</b> 62,152 6,788 10.9%
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn) Revenue EBITDA EBITDA EBITDA Margin (%) PAT	27,796 2,635 9.5% 1,157	37,285 3,882 10.4% 2,342	50,423 5,340 10.6% 3,454	<b>49.9%</b> <b>FY26E</b> 62,152 6,788 10.9% 4,537
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Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA   EBITDA   FOR (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   P/E (x)   Target Price (INR)   CMP (INR)   Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 6: Bear Case Scenario   Bear Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 FY25E 44,543 4,718 10.6%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% FY26E 55,732 6,087 10.9%
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn) Revenue EBITDA EBITDA Margin (%) PAT PAT Margin (%) EPS (INR) Valuation - P/E (FY26) EPS (INR) Valuation - P/E (FY26) EPS (INR) P/E (x) Target Price (INR) CMP (INR) Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 6: Bear Case Scenario Bear Case (INR mn) Revenue EBITDA EBITDA EBITDA Margin (%) PAT	27,796 2,635 9.5% 1,157 4.2% 10.6	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 77.2 44,543 4,718 10.6% 2,969	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% FY26E 55,732 6,087 10.9% 3,992
Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA Margin (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 6: Bear Case Scenario   Bear Case (INR m)   Revenue   EBITDA   EBITDA   EBITDA   EBITDA   EBITDA   EBITDA   EBITDA   EBITDA Margin (%)   PAT   PAT   PAT   PAT	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% FY26E 55,732 6,087 10.9% 3,992 7.2%
Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 5: Base Case Scenario Base Case (INR mn) Revenue EBITDA EBITDA Margin (%) PAT PAT Margin (%) EPS (INR) Valuation - P/E (FY26) EPS (INR) Valuation - P/E (FY26) EPS (INR) Upside/Downside (%) Source: Company, Arihant Capital Research Exhibit 6: Bear Case Scenario Bear Case (INR mn) Revenue EBITDA EBITDA EBITDA Margin (%) PAT PAT Margin (%) EPS (INR) Valuation - P/E (FY26)	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% FY26E 55,732 6,087 10.9% 3,992 7.2% 31.4
Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA Margin (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuetion - P/E (FY26)   EPS (INR)   Valuetion - Revenue   Exhibit 6: Bear Case Scenario   Bear Case (INR mn)   Revenue   EBITDA   EDITDA   EBITDA   EVENUE   EVENUE   EVENUE   EVENUE   Revenue   EBITDA   EVENUE   Valuation - P/E (FY26)	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4
Upside/Downside (%)Source: Company, Arihant Capital ResearchExhibit 5: Base Case ScenarioBase Case (INR mn)RevenueEBITDAEBITDAEBITDA Margin (%)PATPAT Margin (%)EPS (INR)Valuation - P/E (FY26)EPS (INR)Valuetion - P/E (RY26)EPS (INR)Valuetion - P/E (FY26)EPS (INR)Marget Price (INR)CMP (INR)Upside/Downside (%)Source: Company, Arihant Capital ResearchExhibit 6: Bear Case ScenarioBear Case (INR mn)RevenueEBITDAEBITDAEBITDA Margin (%)PATPAT Margin (%)EPS (INR)Valuation - P/E (FY26)EPS (INR)Valuation - P/E (FY26)EPS (INR)P/E (x)	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4 23.0
Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA Margin (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuetion - P/E (FY26)   EPS (INR)   Valuetion - P/E (FY26)   EPS (INR)   Valuetion - P/E (FY26)   Eshibit 6: Bear Case Scenario   Bear Case (INR mn)   Revenue   EBITDA   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   P/E (x)   Target Price (INR)	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4 23.0 722
Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA Margin (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 6: Bear Case Scenario   Bear Case (INR mn)   Revenue   EBITDA   EVENUE   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   P/E (x)   Target Price (INR)   CMP (INR)	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4 23.0 722 795
Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA Margin (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Vpic (x)   Target Price (INR)   CMP (INR)   Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 6: Bear Case Scenario   Bear Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA   EBITDA   Valuation - P/E (FY26)   EPS (INR)   P/E (x)   Target Price (INR)   CMP (INR)   Upside/Downside (%) <td>27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%</td> <td>37,285 3,882 10.4% 2,342 6.3% 18.4</td> <td>50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%</td> <td>49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4 23.0 722</td>	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4 23.0 722
Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 5: Base Case Scenario   Base Case (INR mn)   Revenue   EBITDA   EBITDA   EBITDA Margin (%)   PAT   PAT Margin (%)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   Upside/Downside (%)   Source: Company, Arihant Capital Research   Exhibit 6: Bear Case Scenario   Bear Case (INR mn)   Revenue   EBITDA   EVENUE   Valuation - P/E (FY26)   EPS (INR)   Valuation - P/E (FY26)   EPS (INR)   P/E (x)   Target Price (INR)   CMP (INR)	27,796 2,635 9.5% 1,157 4.2% 10.6 <b>FY23</b> 27,796 2,635 9.5% 1,157 4.2%	37,285 3,882 10.4% 2,342 6.3% 18.4	50,423 5,340 10.6% 3,454 6.9% 27.2 77.2 44,543 4,718 10.6% 2,969 6.7%	49.9% FY26E 62,152 6,788 10.9% 4,537 7.3% 35.7 25.0 892 795 12.2% 55,732 6,087 10.9% 3,992 7.2% 31.4 23.0 722 795

#### **Sensitivity Analysis**

Freight Rail Systems Revenue (INR mn) - FY24E

			Freight Wagon Realization (INR mn/Wagon)											
	30,495	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5		
	6,000	21,000	21,600	22,200	22,800	23,400	24,000	24,600	25,200	25,800	26,400	27,000		
	6,400	22,400	23,040	23,680	24,320	24,960	25,600	26,240	26,880	27,520	28,160	28,800		
	6,800	23,800	24,480	25,160	25,840	26,520	27,200	27,880	28,560	29,240	29,920	30,600		
es	7,200	25,200	25,920	26,640	27,360	28,080	28,800	29,520	30,240	30,960	31,680	32,400		
E L	7,600	26,600	27,360	28,120	28,880	29,640	30,400	31,160	31,920	32,680	33,440	34,200		
٥ ۲	8,000	28,000	28,800	29,600	30,400	31,200	32,000	32,800	33,600	34,400	35,200	36,000		
Wagon Volumes	8,400	29,400	30,240	31,080	31,920	32,760	33,600	34,440	35,280	36,120	36,960	37,800		
×.	8,800	30,800	31,680	32,560	33,440	34,320	35,200	36,080	36,960	37,840	38,720	39,600		
	9,200	32,200	33,120	34,040	34,960	35,880	36,800	37,720	38,640	39,560	40,480	41,400		
	9,600	33,600	34,560	35,520	36,480	37,440	38,400	39,360	40,320	41,280	42,240	43,200		
	10,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000	44,000	45,000		

#### Freight Rail Systems Revenue (INR mn) - FY25E

			Freight Wagon Realization (INR Mn/Wagon)											
	36,480	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5		
	6,300	22,050	22,680	23,310	23,940	24,570	25,200	25,830	26,460	27,090	27,720	28,350		
	6,800	23,800	24,480	25,160	25,840	26,520	27,200	27,880	28,560	29,240	29,920	30,600		
	7,300	25,550	26,280	27,010	27,740	28,470	29,200	29,930	30,660	31,390	32,120	32,850		
les	7,800	27,300	28,080	28,860	29,640	30,420	31,200	31,980	32,760	33,540	34,320	35,100		
lun	8,300	29,050	29,880	30,710	31,540	32,370	33,200	34,030	34,860	35,690	36,520	37,350		
n Volumes	8,800	30,800	31,680	32,560	33,440	34,320	35,200	36,080	36,960	37,840	38,720	39,600		
Wagoi	9,300	32,550	33,480	34,410	35,340	36,270	37,200	38,130	39,060	39,990	40,920	41,850		
Š	9,800	34,300	35,280	36,260	37,240	38,220	39,200	40,180	41,160	42,140	43,120	44,100		
	10,300	36,050	37,080	38,110	39,140	40,170	41,200	42,230	43,260	44,290	45,320	46,350		
	10,800	37,800	38,880	39,960	41,040	42,120	43,200	44,280	45,360	46,440	47,520	48,600		
	11,300	39,550	40,680	41,810	42,940	44,070	45,200	46,330	47,460	48,590	49,720	50,850		

#### Freight Rail Systems Revenue (INR mn) - FY26E

		Freight Wagon Realization (INR Mn/Wagon)										
	41,040	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
	7,500	26,250	27,000	27,750	28,500	29,250	30,000	30,750	31,500	32,250	33,000	33,750
	8,000	28,000	28,800	29,600	30,400	31,200	32,000	32,800	33,600	34,400	35,200	36,000
	8,500	29,750	30,600	31,450	32,300	33,150	34,000	34,850	35,700	36,550	37,400	38,250
es	9,000	31,500	32,400	33,300	34,200	35,100	36,000	36,900	37,800	38,700	39,600	40,500
Volumes	9,500	33,250	34,200	35,150	36,100	37,050	38,000	38,950	39,900	40,850	41,800	42,750
	10,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000	44,000	45,000
agon	10,500	36,750	37,800	38,850	39,900	40,950	42,000	43,050	44,100	45,150	46,200	47,250
3	11,000	38,500	39,600	40,700	41,800	42,900	44,000	45,100	46,200	47,300	48,400	49,500
	11,500	40,250	41,400	42,550	43,700	44,850	46,000	47,150	48,300	49,450	50,600	51,750
	12,000	42,000	43,200	44,400	45,600	46,800	48,000	49,200	50,400	51,600	52,800	54,000
	12,500	43,750	45,000	46,250	47,500	48,750	50,000	51,250	52,500	53,750	55,000	56,250
Sc	Source: Company Reports, Arihant Capital Research			- Bu	ıll Case	-	Base Case		- Bear Case			

#### **Sensitivity Analysis**

Passenger Rail Systems Revenue (INR mn) - FY24E

			Rollingstocks Realization (INR mn/car)											
	6,120	60	65	70	75	80	85	90	95	100	105	110		
	40	2,400	2,600	2,800	3,000	3,200	3,400	3,600	3,800	4,000	4,200	4,400		
	50	3,000	3,250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500		
s	60	3,600	3,900	4,200	4,500	4,800	5,100	5,400	5,700	6,000	6,300	6,600		
Volumes	70	4,200	4,550	4,900	5,250	5,600	5,950	6,300	6,650	7,000	7,350	7,700		
	80	4,800	5,200	5,600	6,000	6,400	6,800	7,200	7,600	8,000	8,400	8,800		
Rollingstocks	90	5,400	5,850	6,300	6,750	7,200	7,650	8,100	8,550	9,000	9,450	9,900		
ıgst	100	6,000	6,500	7,000	7,500	8,000	8,500	9,000	9,500	10,000	10,500	11,000		
-ij	110	6,600	7,150	7,700	8,250	8,800	9,350	9,900	10,450	11,000	11,550	12,100		
~	120	7,200	7,800	8,400	9,000	9,600	10,200	10,800	11,400	12,000	12,600	13,200		
	130	7,800	8,450	9,100	9,750	10,400	11,050	11,700	12,350	13,000	13,650	14,300		
	140	8,400	9,100	9,800	10,500	11,200	11,900	12,600	13,300	14,000	14,700	15,400		

#### Passenger Rail Systems Revenue (INR mn) - FY25E

			Rollingstocks Realization (INR Mn/car)										
	13,260	60	65	70	75	80	85	90	95	100	105	110	
	110	6,600	7,150	7,700	8,250	8,800	9,350	9,900	10,450	11,000	11,550	12,100	
	120	7,200	7,800	8,400	9,000	9,600	10,200	10,800	11,400	12,000	12,600	13,200	
S	130	7,800	8,450	9,100	9,750	10,400	11,050	11,700	12,350	13,000	13,650	14,300	
Volumes	140	8,400	9,100	9,800	10,500	11,200	11,900	12,600	13,300	14,000	14,700	15,400	
	150	9,000	9,750	10,500	11,250	12,000	12,750	13,500	14,250	15,000	15,750	16,500	
Rollingstocks	160	9,600	10,400	11,200	12,000	12,800	13,600	14,400	15,200	16,000	16,800	17,600	
gst	170	10,200	11,050	11,900	12,750	13,600	14,450	15,300	16,150	17,000	17,850	18,700	
lli	180	10,800	11,700	12,600	13,500	14,400	15,300	16,200	17,100	18,000	18,900	19,800	
č	190	11,400	12,350	13,300	14,250	15,200	16,150	17,100	18,050	19,000	19,950	20,900	
	200	12,000	13,000	14,000	15,000	16,000	17,000	18,000	19,000	20,000	21,000	22,000	
	210	12,600	13,650	14,700	15,750	16,800	17,850	18,900	19,950	21,000	22,050	23,100	

#### Passenger Rail Systems Revenue (INR mn) - FY26E

					Rollingstocks Realization (INR Mn/car)							
	20,400	60	65	70	75	80	85	90	95	100	105	110
	210	12,600	13,650	14,700	15,750	16,800	17,850	18,900	19,950	21,000	22,050	23,100
	225	13,500	14,625	15,750	16,875	18,000	19,125	20,250	21,375	22,500	23,625	24,750
s	240	14,400	15,600	16,800	18,000	19,200	20,400	21,600	22,800	24,000	25,200	26,400
Volumes	255	15,300	16,575	17,850	19,125	20,400	21,675	22,950	24,225	25,500	26,775	28,050
	270	16,200	17,550	18,900	20,250	21,600	22,950	24,300	25,650	27,000	28,350	29,700
Rollingstocks	285	17,100	18,525	19,950	21,375	22,800	24,225	25,650	27,075	28,500	29,925	31,350
gst	300	18,000	19,500	21,000	22,500	24,000	25,500	27,000	28,500	30,000	31,500	33,000
nilo	315	18,900	20,475	22,050	23,625	25,200	26,775	28,350	29,925	31,500	33,075	34,650
ĕ	330	19,800	21,450	23,100	24,750	26,400	28,050	29,700	31,350	33,000	34,650	36,300
	345	20,700	22,425	24,150	25,875	27,600	29,325	31,050	32,775	34,500	36,225	37,950
	360	21,600	23,400	25,200	27,000	28,800	30,600	32,400	34,200	36,000	37,800	39,600
Sour	ce: Company I	Reports, Arihai	nt Capital Rese	earch	- Bull	Case	- Ba	se Case	-	Bear Case		

### Titagarh Rail Systems Ltd

**Railway Sector Note** 

Source: Arihant Capital Research

#### Industry Wagon Volumes – Indian Railways (RSP)

Wagon Volumes (company wise)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24*
Titagarh Wagons	559	447	620	810	591	571	1,183	1,522	1,666	1,430	542
Jupiter Wagons	503	560	334	388	461	326	512	830	755	557	115
Texmaco	270	209	135	258	66	29	339	913	1,046	998	687
Modern	296	215	178	264	132	250	408	-	44	27	-
H.E.I	166	222	119	91	11	203	481	923	735	550	433
Besco (WD)	80	62	113	104	-	105	219	290	320	249	142
Besco (FD)	-	-	-	-	-	-	-	85	215	200	135
Oriental	42	-	-	-	-	-	-	171	232	148	126
Amtek	-	5	-	-	-	-	17	-	-	-	-
СІММСО	9	-	-	-	-	-	-	-	-	-	-
CEBBCO	65	-	2	-	-	-	-	-	-	-	-
Jindal	-	-	-	-	-	-	-	-	-	-	-
Braithwaite	273	158	278	198	458	358	250	385	458	153	90
SRBWIL	-	-	35	88	161	101	170	206	207	132	-
Total Industry Wagons	2,263	1,878	1,814	2,201	1,880	1,943	3,579	5,325	5,678	4,444	2,270

Volume Share (%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24*
Titagarh Wagons	24.7%	23.8%	34.2%	36.8%	31.4%	29.4%	33.1%	28.6%	29.3%	32.2%	23.9%
Jupiter Wagons	22.2%	29.8%	18.4%	17.6%	24.5%	16.8%	14.3%	15.6%	13.3%	12.5%	5.1%
Texmaco	11.9%	11.1%	7.4%	11.7%	3.5%	1.5%	9.5%	17.1%	18.4%	22.5%	30.3%
Modern	13.1%	11.4%	9.8%	12.0%	7.0%	12.9%	11.4%	0.0%	0.8%	0.6%	0.0%
H.E.I	7.3%	11.8%	6.6%	4.1%	0.6%	10.4%	13.4%	17.3%	12.9%	12.4%	19.1%
Besco (WD)	3.5%	3.3%	6.2%	4.7%	0.0%	5.4%	6.1%	5.4%	5.6%	5.6%	6.3%
Besco (FD)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	3.8%	4.5%	5.9%
Oriental	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	4.1%	3.3%	5.6%
Amtek	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
CIMMCO	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CEBBCO	2.9%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Jindal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Braithwaite	12.1%	8.4%	15.3%	9.0%	24.4%	18.4%	7.0%	7.2%	8.1%	3.4%	4.0%
SRBWIL	0.0%	0.0%	1.9%	4.0%	8.6%	5.2%	4.7%	3.9%	3.6%	3.0%	0.0%

Source: Ministry of Railways, Arihant Capital Research; Volumes as per RSP (Indian Railways), \*(Jul-23 + Aug-23) volume data

#### Wagon Industry Note

Titagarh	Plant	Visit	Note	

	Wealth Industry Note		Plant Visit Note 19 <sup>th</sup> Apr, 2023 Titagarh Wagons	ArihantCapital 30 <sup>th</sup> Jan 2023 Sector update Railwa
	Wagons are gearing up on the right track.		Wagons on cards	Ready to leave station
Railway Sector Note	Union Budget 2023-24, Railway capital outlay is INR 2.4 lakh or which is the of the 2013-54 capital outlay. The waron manufacturing is ramping up due to demand for freight & passenger warons.	CMP: INR 295	We visited Titagarh freight wagon's and Ship building plant at Titagarh, Kolkata and Rolling stocks. Propulsion systems and traction motor plant	Railway Theme Indian railway system is 4 <sup>th</sup> largest in the world, behind only US, Russia, and China. In Table and Indiana Railway system is 4 <sup>th</sup> largest rail freight carrier in the world. Indian railways are the single la
Address and a	There is a shift in commercial vehicles to Rail for transportation. Recently, National transporters raised a demand for 90,000 wagons and awarded 72,358 wagons to 7 manufacturers. Further,	Rating: BUY	at Uttorpara, Kolkata. Also we interacted with Mr. Saket Kandoi – Freight Rolling Stock COO, Mr. Mringl Kanti Das – Freight Wagon Plant	*NP and horizonal kai per frame of the work of the work of the angle of the work of the kail way capex is without of the set of the the set of the work of the framework of the set of t
NAME OF TAXABLE PARTY.	the industry is expected to manufacture around 30,000 wagons in the next 2 to 3 years. The government is coming up with 50,000 advanced tech wagons in global tenders and each wagon	Target Price: INR 470	Head, Mr. Dilip Jadeja – Passenger Rolling Stock COO, Mr. Veerakumar	over thein and contained and and or other thein and contained on the next declared on the next declared frequences of the process of the second of the secon
Antonia da Calendario da Calendario	cost around INR 7mn to INR 10mn. It will be a game changer in the wagons business. The wagon manufecturers are in full swing mode for manufacturing and operating at full 70% - 90%	Stock Infe	Sivasubramanian – Passenger Rolling Stock Plant Head, Mr. Sai Subramaniam – Propulsion Plant Head, Mr. Saurav Singhania – It CPO &	"Raiways will develop new products
	capacity compared to 40% in past years. The railways currently operate 3,00,000 wagons and new wagons are expected to add point forward. The wagon manufacturine was impacted due	85E 532966	Group Finance Controller, Mr. Anil Kumar Agarwal – Director (Finance), CFO & CBRO and other Titagarh members.	and efficient logistics services for movement of particle. Services for plan for 2030, Indian railways is expected to reach a future-ready railway system by
CARD STORE STORE	new wagons are expected to add going forward. The wagon manufacturing was impacted due unavailability of wheel sets. Indian wagon manufacturers majorly procure wheelsets from China	NSE TWL	cro a cano ana other ritagari members.	One Product' cancept will be to bring down logistics cost and ensure 100% electrification in rail routes by PY238
ACCESS OF THE OWNER	which was impacted due to supply chain issues. Post-Dec-22, wagon manufacturing ramped up due to the normalization of wheelset supplies.	Bloomberg TWL:IN	Key Highlights	supply chains".
And the second s	due to the normalization of wheelset supplies.	Reuters TITW.NS	Strong revenue visibility backed by order book: The company has an	from incon FF22 Annual report. The increasing income in urban and rural areas has made rail travel affordable to a
PARAMETER PARAMETER	Top wagon manufacturers' revenue is expected to grow at a 25% CAGR over the period of PY22- PY25E, backed by strong order inflows from the indian railway along with an increase in price	Sector Capital Goods	order book of 25,000 wagons and around 8,000 - 10,000 wagons are expected to complete in FY24 at optimum utilization levels. We are	Big opportunity in Vondle Bharat number of Indians. The improvement in rural connectivity will be the major driver fi
Source Advant Stadue Research	FY25E, backed by strong order inflows from the Indian railway along with an increase in price per wagon. Ramping up capacity utilization and better absorption of fixed costs led to EBITDA	Face Value (INR) 2	expecting around INR 39bn - INR 40bn revenue in FY24E on a	Twee '600 Vandhe Bharat Toins are coming up and 25 Vandhe Bharat passenger and freight growth and opportunities for railway companies. The
	margin improvement of 200 bps for top wagon manufacturers over the period of FY22-FY25E.	Equity Capital (INR mn) 239 Mitt Can (INR mn) 35.273	conservative basis. The company is manufacturing around 600 wagons	Trains are expected to complete by Aur-2017.
	Wagon manufacturer's Debt/EBITDA is expected to reduce from "4x to less than 2x going forward. The debt coverage metrics are expected to improve along with steady improvement of		per month and focused to manufacture 1,000 warons per month from September onwards due to improvement in supply chain efficiencies.	
	revenues and marxim. Overall, Wagon manufacturers' credit profile is likely to improve over	And March Malance file	The plant is making around 32-34 wagons per day and is focused to reach	AIP opportunity under Kavack: National infrastructure investments are nearly INR 75 lakh or of projects under exec "Under Kavach, Automatic Train and the National Infrastructure Plan outlined by the Government investment of IN
	the medium term.	0007) 178.3	40 wagons per day. Out of 40 wagons, 25 are BOXNHL wagons and 15 are	Protection (ATP) system, will be lakh or over the period of FY2D-FY25E. Transport. Energy, and water projects account
	The price per wagon is currently in the range of INR 3.8mn to INR 4.5mn based on wagon	Shareholding Pattern %	Covered Wagons. There is a structural change in wagons and rail systems	deployed across the entry rail network ~80% of NIP spending of planned of INR 111 lakh cr. More than 50% of NIP project
	models. Private wagon's price is INR 4lakh to INR Slakh higher than railway wagons which is	(Ae on Dec, 2022)	due to make in India. The industry is expected manufacture 20,000 to 30,000 warons per annum and Titazarh is expected to capture 30%-33%	will be rolled out in 4,000 to 5,000 km
	more than 30%. Private wagons are fixed price contracts, so wagon manufacturers are taking	Promoters 47.82	s0,000 wagons per annum and Titagarh is expected to capture 30%-33% share over medium term.	every subsequent year". section. The redevelopment opportunity in railways has INR 1 lakh or with comm development accounting for "70% of development. Around 400 stations have
	20%-30% advance from customers to fix the raw material prices. The private wagon order execution period is around 9-12 months, Railway wagon contracts are pass-through to	DII 6.78		Opportunity is Corpo Terminols: '100 identified by the railways and 1st station Habibganj has completed construction
	customers. Steel and labor cost is pass-through based on WPL The rise in power demand leads	FII 5.27	First mover advantage in wheelsets: Titagarh Wagons bagged orders	PM-Gatistaki Cargo Terminals in station redevelopment scheme is expected to be implemented under the PPP program
	to an increase in coal transportation. The wagon demand is witnessed from Cement, Steel, Coal,	Public & Others 40.10	from the Ministry of Railways to supply "1.54 million forged wheels of	Operatively in codestinances and The railway infra players have the potential opportunity due to 400 Vandhe Bharat T
	and Mining industries. Wagon transport is more convenient and economical than commercial vehicles.		different rolling stocks of Indian Railways over a period of 20 years at	Opportunities in redevelopment and new stations: The redevelopment of 75 Vandhe Bharat trains are expected to be complete by Aur-2023, 100 PM Gatt
		Stock Performance (%) 3m 6m 12m	about 77,000 wheels per annum. The order worth is around INR 122.3bn, spread over 20 years. The company has 30:50 partnerships with RK	128 raiway stations along with real Cargo Terminals, 2,000 km coverage under Kavach, Solar power feed in 7,000 station
	Titagargh wagon's order book-to-revenue ratio stood at 4.43x (FY22 TTM revenue), which	TWL .	Forgings. The project costs around INR 10bn and will be funded through	ectate development is estimated INR \$0,000 r and around new 350 stations redevelopment and connectivity to the major ports. The planned capex out
	provides revenue visibility. The company has received orders for 24,177 wagons from Indian Reliwary. The order is worth around INR 78bn which is executable in 39 months. Recently,	NIFTY -1.9 2.3 4.4	internal accruals (30%) and long-term debts. The funding is expected to	solution and around new 250 stations are coming up?. expected to finance through budgetary support and remaining from internal source market borrowings & institutional finance.
	Titagargh Wagons and BHEL are L2 at INR 1.398bn per car. The order size is estimated for 80	TWL vs Nifty	complete in the next 2 years. The company is setting up a capacity of 2	Opportunities in Metro rail projects:
	cars is around INR 112bn. TRagargh wagons and Ramizishna forgings emerged L1 for	200 -	lakh wheels per annum. Around 77,000 wheels are expected to supply to Indian railways and the remaining to others. In the Wheelset plant, the	"Metro rail projects are expected to Doubling of Lines and New lines capes is espected around 46% of total railways cape exercise (HE 1.2 bit) of 120% of urban Bail Was Missan's 57% of business cames from these areas which show the camesana
	manufecturing and supplying wheelsets to Indian railways. The supply of ~1.6-million-wheel discs of different rolling stocks of Indian Railways over a period of 20 years at about 80.000	220	breakeven is normally expected at 40,000 to 50,000 wheels.	generate INR 1.2 tash or (25% of urban initia) of opportunities for construction optential business opportunity point forward. Locomotives and Waterns capex is exp
	wheels per annum.	100 - WWW	a canceron of manning expected at appear to suppose minetes.	companies over the period of P/23- protential obsiness opportunity going forward. Locomotives and Wagons capiex is exp protential obsiness opportunity going forward. Locomotives and Wagons capiex is exp protential obsiness opportunity going forward. Locomotives and Wagons capiex is exp
		150	Casting wheelset cost around INR 2.3 lakhs, while forged wheelsets cost	and Jupiter Wagons are expected to benefit going forward. Multi-tracking capex is exp
	Jupiter wagon's order book-to-revenue ratio stood at 3.32x (FY22 TTM revenue), which provides revenue visibility. The order book stood at around INR 52bn which comprises 13.800	20	around INR 2.7 lakhs to INR 2.8 lakhs. Forged wheelsets are costiler and	Opportunities in High & Seni High around 19% of total railways capes and Rites is handling 70% of the traction requirer speed vail projects: "Muntai- by Indian railways, The company has potential business opportunities point for
	wagons. The company has placed orders of close to 20,000 wheel sets on foreign supplier. The		stronger than casting wheelsets. On a conservative basis, we assume INR	speed vail project: "Muntai- by Indian railways, The company has potential business opportunities going for Ahmedabad high-speed rail project Transmission lines capes is espected around 1% of total railways capes. KEC Interna
	company is commenced disc brake production with an initial order of INR 800mn. The company	* * * * * * * *	2lakh per wheel, Titagarh's revenue share is expected around INR 40bn to INR 50bn in 5 years which starts from FV26E. The payback period is	sanctioned at a total cost of \$14.52 and Kalpataru Power Transmission are expected to benefit from transmission rai
	has participated in 40,000 brake discs and expects substantial orders from Indian Rallways. The company is targeting commercial EV launch by Oct-Nov this year. The company is targeting 828	Two Nitty So	expected in 3 years. Wheelsets business margins are expected around	capex. The automatic signalling capex is expected around 2% of railways capex and I
	In commercial EV and focused capture a 7% to 10% market share.		15% going forward. Titagarh -RK forgings is expected to export wheelsets	"Pune-Nashisk semi high-speed rail is well positioned on signalling and modernization of projects. Overall, The railway
Abhishek Jain abhishek Jain/Barthantzasital.com		Abhishek Jain	after a few years, which will be a potential opportunity.	project canceloned at a total cost of INR 16,039 or
022-422548871	Texmaco Rail's order book-to-revenue ratio stood at 4.85x (FY22 TTM revenue), which provides revenue visibility. The company has received orders for 20.067 wagons from Indian railways.	abhbhek.jain@arihantcapital.com 022-422548871	Backward Integration will lead to margin improvement: The backward	Kernex Micro Systems are expected to be beneficial on Railway capex theme
Salasubramanian A	The order is worth around INR 64.5bn which is executable in 39 months. The company is	W22-922598874	integration of traction motor and propulsion systems will lead to margin	Abbidek Jain athietek jaingterhantcopital.com forward. All the Railways Infra companies are maintaining at least 2X of the order bo
bala@arthantcapital.com	currently making 300 to 350 wagons per month. The company has a requirement to supply 550	Balasubramanian A	improvements.	622-422548871 the revenue which shows potential business visibility going forward.
022-67114780	wagons per month and is focused to deliver 675 wagons per month. Foundry is expected to reach maximum capacity in the next 4 to 6 months. The company has focused on small-duration	bala@arthantcapital.com	1) Propulsion: BHEL is having development order for propulsion	Balasubramanian A
	contracts. The Rail EPC contracts are generally 9 - 18 months and a maximum of 24 months.	022-67114780	and BHEL is a major supplier for Indian Railways. Titagarh wagons	talagi shartopial.com
Arihant Capital Markets Ltd	Arihant Capital Markets Limited   Assessed Analysi SHI Registration No: NH000002764 1013, Millin Doporte Res, Kig Hull, 1 <sup>4</sup> Ann, Andrei Blakinge Lin M, Danie, Andrei B, Munie 2008	Arihant Capital Markets Ltd	propulsion is under the testing state. Arihant Capital Markets Limited Research Analysis Sill Reducedon No. Netwood2766 2015, Initiat Seynes Rev. Nat No. 37, Proc. solid Onlines Unit 56, Datas, Anthri (2), No. 464 (2020)	Arihant Capital Markets Ltd Arihans Capital Markets Limited [Inseath Annual State Report of the Repo

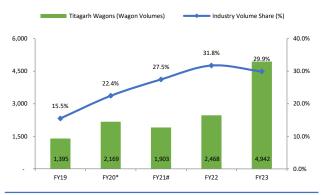
Source: Arihant Capital Research

Arihant Capital Markets Ltd

### Source: Arihant Capital Research

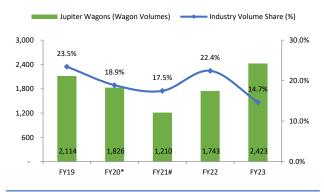
#### Industry Wagon Volumes – Indian Railways (RSP)

# Exhibit 7: Titagarh ramped up production and maintains ~30% volume share as of FY23.



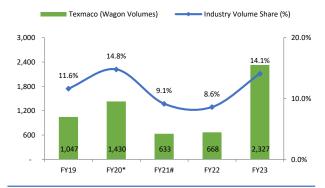
Source: Ministry of Railways, Industry, Arihant Capital Research

Exhibit 9: JWL has ramped-up Private wagon manufacturing in FY23 and reduced railway volumes. Private wagons are yielding higher realizations compared to Indian railway wagons.



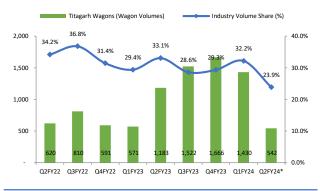
Source: Ministry of Railways, Industry, Arihant Capital Research

# Exhibit 11: Texmaco ramped up production and maintains 14% volume share as of FY23.



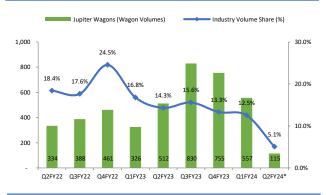
Source: Ministry of Railways, Industry, Arihant Capital Research

# Exhibit 8: Titagarh has executed more private wagon orders in Q2FY24 and railway wagons share has declined in Q2FY24.



Source: Ministry of Railways, Industry, Arihant Capital Research, \*(Jul+Aug)-23 volumes data

# Exhibit 10: JWL has executed more private wagon orders in Q2FY24 and railway wagons share has declined in Q2FY24.



Source: Ministry of Railways, Industry, Arihant Capital Research, \*(Jul+Aug)-23 volumes data

# Exhibit 12: Texmaco railway wagon volumes share increased to 30.3% in Q2FY24.



Source: Ministry of Railways, Industry, Arihant Capital Research, \*(Jul+Aug)-23 volumes data

### **Titagarh Rail Systems Ltd**

#### **Financial Statements**

#### Income statement summary

Y/e 31 Mar (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	17,663	15,206	14,675	27,796	37,285	50,423	62,152
Net Raw Materials	11,515	9,934	10,476	21,499	28,709	38,624	47 <i>,</i> 453
Employee Cost	1,518	2,106	454	565	690	958	1,181
Other Expenses	3,421	2,360	2,096	3,096	4,003	5,501	6,730
EBITDA	1,209	806	1,649	2,635	3,882	5,340	6,788
EBITDA Margin (%)	6.8%	5.3%	11.2%	9.5%	10.4%	10.6%	10.9%
Depreciation	(291)	(299)	(184)	(225)	(244)	(301)	(362)
Interest expense	(883)	(812)	(573)	(807)	(751)	(657)	(645)
Other income	340	249	177	426	298	318	392
Profit before tax	375	(55)	1,070	1,901	3,186	4,700	6,173
Taxes	205	(132)	(292)	(555)	(844)	(1,245)	(1,636)
РАТ	580	(187)	778	1,346	2,342	3,454	4,537
PAT Margin (%)	3.3%	-1.2%	5.3%	4.8%	6.3%	6.9%	7.3%
Loss from Discontinued operations	(941)	-	(780)	(89)	-	-	-
Net PAT	(361)	(187)	(2)	1,257	2,342	3,454	4,537
Other Comprehensive income	53	81	57	(100)	-	-	-
Total Comprehensive income	(309)	(106)	55	1,157	2,342	3,454	4,537
EPS (INR)	5.0	(1.6)	6.5	10.6	18.4	27.2	35.7

Source: Company Reports, Arihant Capital Research

#### **Balance sheet summary** Y/e 31 Mar (INR Mn) **FY20** FY21 **FY22 FY23** FY24E FY25E FY26E 254 254 254 Equity capital 231 239 239 239 Reserves 7,435 8,167 8,182 9,396 11,738 15,192 19,729 8.406 19,984 Net worth 7.666 8.421 9,636 11,992 15,447 789 Minority Interest 1 912 Provisions 1,017 814 112 817 1,105 1,362 Debt 7,644 8,584 9,316 3,608 5,108 5,408 4,908 145 Other non-current liabilities 1,441 1,868 417 559 756 622 **Total Liabilities** 18,556 19,672 18,796 13,772 18,476 22,716 26,875 8,254 8.790 6,200 8.479 10,684 12.953 Fixed assets 8,330 106 47 **Capital Work In Progress** 162 152 123 131 381 Other Intangible assets 536 646 16 16 16 16 Investments 799 923 765 1,006 746 756 932 Other non current assets 789 739 1,419 1,714 1.864 2,521 3.108 Net working capital 4,615 7,034 5,729 3,650 5,383 5,584 6,181 Inventories 3,763 3,852 5,039 4,614 6,292 8,254 10,141 Sundry debtors 2,538 5,672 6,591 2,791 5,618 7,598 8,514 Loans & Advances 531.6 Other current assets 1,944 2,576 2,093 4,953 3,065 2,072 2,554 Sundry creditors (3,512)(3,980)(4, 387)(3, 231)(5,491) (6,793) (8,191) Other current liabilities & Prov (649) (1,085)(3,606)(5, 478)(4, 101)(5, 547)(6,837) Cash 561 1,240 421 1,000 1,509 2,014 2,084 **Other Financial Assets** 706 874 3,159 63 373 1,008 1,554 <u>18,796</u> **Total Assets** 18,556 19,672 13,772 18,476 22,716 26,875

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis							
Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	1.5	3.4	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	0.4	(0.1)	0.7	0.8	0.9	0.9	1.0
EBIT margin (x)	0.1	0.0	0.10	0.09	0.10	0.10	0.10
Asset turnover (x)	0.9	0.8	0.6	1.2	1.5	1.7	1.7
Financial leverage (x)	2.6	2.5	2.8	2.5	2.2	2.2	2.1
RoE (%)	7.3%	-2.3%	9.2%	14.9%	21.7%	25.2%	25.6%
Source: Company Reports, Arihant	Capital Research						

### **Financial Statements**

Cashflow summary							
Y/e 31 Mar (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	375	(55)	1,070	1,901	3,186	4,700	6,173
Depreciation	291	299	184	225	244	301	362
Tax paid	205	(132)	(292)	(555)	(844)	(1,245)	(1,636)
Working capital $\Delta$	254	(2,419)	1,305	2,079	(1,733)	(201)	(597)
Operating cashflow	1,127	(2,307)	2,267	3,651	852	3,554	4,302
Capital expenditure	635	(538)	(633)	2,394	(2 <i>,</i> 506)	(2 <i>,</i> 531)	(2,547)
Free cash flow	1,762	(2,845)	1,634	6,045	(1,654)	1,023	1,755
Equity raised	(1,013)	138	(761)	(134)	15	-	-
Investments	155	(124)	158	(241)	260	(11)	(176)
Others	(498)	2,347	(957)	1,145	(460)	(1,293)	(1,132)
Debt financing/disposal	(1,985)	941	732	(5,708)	1,500	300	(500)
Other items	945	224	(1,625)	(528)	848	485	122
Net ∆ in cash	(634)	680	(820)	579	509	505	69
Opening Cash Flow	1,195	561	1,240	421	1,000	1,509	2,014
Closing Cash Flow	561	1,240	421	1,000	1,509	2,014	2,084

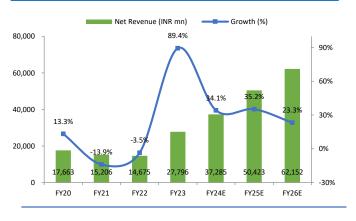
Source: Company Reports, Arihant Capital Research

Ratio analysis							
Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)							
Revenue growth	13.3%	-13.9%	-3.5%	89.4%	34.1%	35.2%	23.3%
Op profit growth	45.1%	-33.3%	104.5%	59.8%	47.3%	37.6%	27.1%
Profitability ratios (%)							
OPM	6.8%	5.3%	11.2%	9.5%	10.4%	10.6%	10.9%
Net profit margin	3.3%	-1.2%	5.3%	4.8%	6.3%	6.9%	7.3%
RoCE	11.0%	15.1%	6.6%	12.6%	18.5%	19.7%	20.8%
RoNW	7.3%	-2.3%	9.2%	14.9%	21.7%	25.2%	25.6%
RoA	3.1%	-1.0%	4.1%	9.8%	12.7%	15.2%	16.9%
Per share ratios (INR)							
EPS	(2.7)	(0.9)	0.5	9.7	18.4	27.2	35.7
Dividend per share	-	-	-	-	-	-	-
Cash EPS	7.5	0.9	8.0	13.1	20.3	29.5	38.5
Book value per share	66.3	70.4	70.4	80.6	94.3	121.5	157.1
Valuation ratios (x)							
P/E	(297.8)	(897.9)	1,732.5	82.1	43.2	29.3	22.3
P/CEPS	105.5	851.0	98.8	60.5	39.1	26.9	20.6
P/B	12.0	11.3	11.3	9.9	8.4	6.5	5.1
EV/EBITDA	81.2	125.7	62.6	36.7	26.8	19.4	15.2
Payout (%)							
Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax payout	-54.7%	-239.9%	27.3%	29.2%	26.5%	26.5%	26.5%
Liquidity ratios							
Debtor days	62	99	153	62	41	48	47
Inventory days	142	140	155	82	69	69	71
Creditor days	98	95	117	55	48	50	49
WC Days	106	143	190	88	63	67	69
Leverage ratios (x)							
Interest coverage	1.0	0.6	2.6	3.0	4.8	7.7	10.0
Net debt / equity	0.9	0.9	1.1	0.3	0.3	0.2	0.1
Net debt / op. profit	5.9	9.1	5.4	1.0	0.9	0.6	0.4

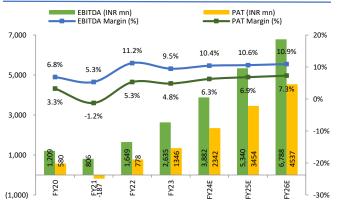
Source: Company Reports, Arihant Capital Research

#### **Story in Charts**

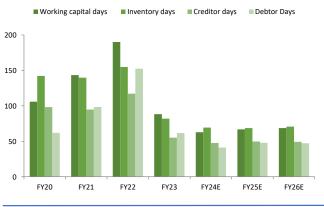
## Exhibit 13: Freight Wagons, Metro and Vande Bharat trains are expected to drive revenue growth over the period of FY23-FY26E.



#### Exhibit 15: Growth in EBITDA & PAT levels



#### Exhibit 17: Working capital days to be improve.

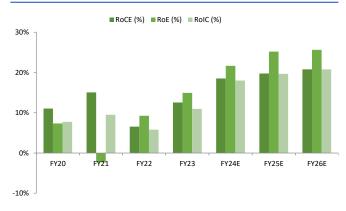


Source: Company Reports, Arihant Capital Research

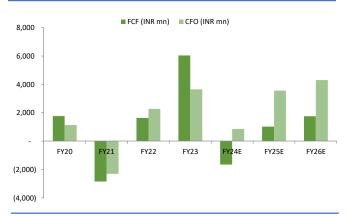
#### Exhibit 14: Gross margins are expected to improve going forward.



#### Exhibit 16: Return ratios to be improve



#### Exhibit 18: Cash flows to be improve.



Q2FY24 Result update

#### **Arihant Research Desk**

#### Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1 <sup>st</sup> Floor	Arihant House
Andheri Ghatkopar Link Road	E-5 Ratlam Kothi
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 3016100
Tel: (91-22) 42254800	Fax: (91-731) 3016199
Fax: (91-22) 42254880	
Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%

SELL

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Research Analyst Registration No.	Contact	Website	Email Id		
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital. com		

-5% to -12%

<-12%

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Arihant Capital Markets Ltd. 1011, Solitaire Corporate park, Building No. 10, 1st Floor, Andheri Ghatkopar Link Road, Chakala, Andheri (E) Tel. 022-42254800Fax. 022-42254880