

CMP: INR 1,020

Rating: ACCUMULATE

Target Price: INR 1,162

Stock Info

BSE	532966
NSE	TITAGARH
Bloomberg	TWL:IN
Reuters	TITG.NS
Sector	Capital Goods
Face Value (INR)	2
Equity Capital (INR mn)	269
Mkt Cap (INR mn)	137,190
52w H/L (INR)	1,249 / 193
Avg Yearly Volume (in 000')	1,426.6

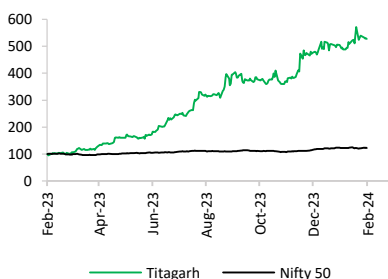
Shareholding Pattern %

(As on Dec, 2023)

Promoters	42.47
DII	12.27
FII	20.04
Public & Others	25.22

Stock Performance (%)	3m	6m	12m
TITAGARH	37.1	59.1	403.9
NIFTY	14.2	11.9	24.1

Titagarh vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A

bala@arihantcapital.com
022-67114780

Titagarh Rail Systems reported strong numbers, Q3FY24 revenue stood at INR 9,547mn (+24.6% YoY/+2.1% QoQ); slightly below our estimates of INR 9,873mn; majorly driven by freight rail systems. Gross Profit stood at INR 2,076mn (+29.8% YoY/-3% QoQ), below our estimates of INR 2,123mn. Gross margins improved by 87 bps YoY (down by 113 bps QoQ) to 21.7% vs 20.9% in Q3FY23. 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 78.3% vs 79.1% in Q3FY23. EBITDA stood at INR 1,107mn (+52.3% YoY/-3.8% QoQ); above our estimates of INR 1,037mn. EBITDA margin improved by 211 bps YoY (down by 71 bps QoQ) to 11.6% vs 9.5% in Q3FY23. PAT stood at INR 751mn (+135.8% YoY/+6.7% QoQ); above our estimates of INR 625mn. PAT margin improved by 371 bps YoY (up by 34 bps QoQ) to 7.9% vs 4.2% in Q3FY23.

Key Highlights

Strong order book shows potential business visibility: The order book stood at INR 274.66bn (~7.3x of FY23 TTM revenue). The freight rolling stocks order book stood at INR 138.16bn (~50% of the order book). The freight wagons order book stood at INR 73.5bn (~54%) and the Wheelset JV order book stood at INR 63bn (~46%). The Passenger rolling stocks order book stood at INR 136.5bn (~50% of the order book). Passenger coaches' order book stood at INR 70.26bn (~51%) and Vande Bharat AMC JV order book stood at INR 67.9bn. The unexecuted wagon order stood at 19,259 wagons which includes Indian railway and private wagons.

Wagon execution highest ever in the industry: Freight Rail Systems revenue stood at INR 8,538mn (+39.6% YoY/+6.6% QoQ); EBIT Stood at INR 1,100mn (+74.9% YoY/+2.1% QoQ). EBIT margin improved by 260 bps YoY (down by 56 bps QoQ) to 12.9% vs 10.3% in Q3FY23. The monthly production reached 1,021 wagons in Dec-23 which is the highest in the industry and the company can able to maintain the execution going forward.

Passenger Rail Systems execution is expected to ramp up: Passenger Rail Systems revenue stood at INR 1,009mn (-34.8% YoY/-25% QoQ); EBIT Stood at INR 24mn (-52.5% YoY/-32.4% QoQ). EBIT margin contracted by 89 bps YoY (down by 26 bps QoQ) to 2.4% vs 3.3% in Q3FY23. The margin expansion is expected 4%-5% from current levels due to in-house propulsion systems. The margins are expected 8%-10% after in-house propulsion systems. The company is making 5 cars per month the company is targeting 15-20 cars per month from Q3FY25E onwards and 70-72 cars per month in the next 3-4 years.

The strategic partnership will create synergies: The company has a strategic partnership with ABB to supply propulsion systems for metros in India. The agreement will enable the development of in-house capabilities of TCMS. The company has entered a strategic alliance with Sidwal Refrigeration to invest INR 1.2bn to set up SPV. The SPV will cater to railway components and subsystems. The new facility will manufacture railway components and subsystems for metro coaches and passenger rolling stocks. The company is exploring possibilities for strategic partnerships for the shipbuilding and defence business.

Outlook & Valuation: Titagarh Rail Systems has a strong order book (~7.3x 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. Freight continues to maintain execution and Passenger coaches are expected to ramp up from Q3FY25E onwards. In Base Case, Revenue is expected to grow at a CAGR of 31% for FY23-FY26E, RoE is expected to improve from 14.9% (FY23) to 27.4% in FY26E. The stock is trading at 34.3x of its FY25E EPS. In Base Case Scenario, At the CMP of INR 1,020 per share, We maintain an "ACCUMULATE" rating and valued the stock at 30x of its FY26E EPS of INR 38.7, and arrived at a price objective of INR 1,162, an upside of 14%.

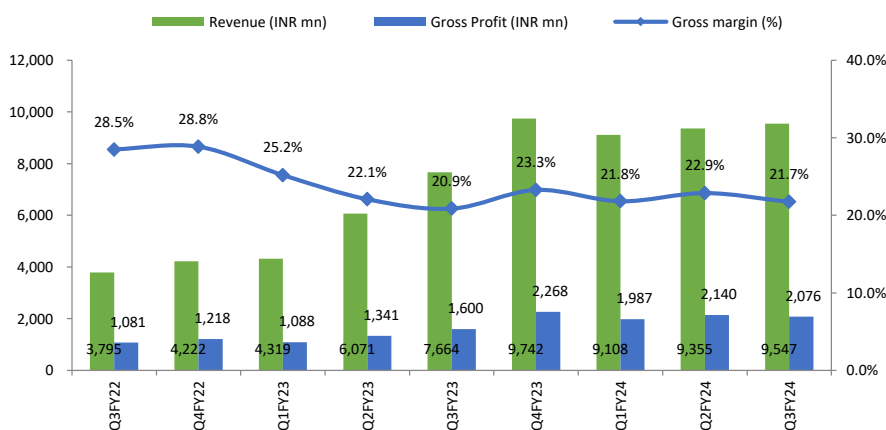
Q3FY24 Results

Income statement summary

Particular (INR Mn)	Q3FY23	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Revenue	7,664	9,355	9,547	24.6%	2.1%
Net Raw Materials	6,064	7,214	7,471	23.2%	3.6%
Gross Profit	1,600	2,140	2,076	29.8%	-3.0%
Gross Margin (%)	20.9%	22.9%	21.7%	+87 bps	-113 bps
Employee Cost	142	173	151	6.3%	-12.8%
Other Expenses	731	816	818	11.9%	0.3%
EBITDA	727	1,151	1,107	52.3%	-3.8%
EBITDA Margin (%)	9.5%	12.3%	11.6%	+211 bps	-71 bps
Depreciation	54	67	68		
Interest expense	230	203	182		
Other income	104.4	67.7	144.7		
Share of profits associate & JV	(74)	(5)	1		
Profit before tax	473	944	1,002		
Taxes	154	240	251		
PAT	319	704	751	135.8%	6.7%
PAT Margin (%)	4.2%	7.5%	7.9%	+371 bps	+34 bps
EPS (INR)	2.7	5.5	5.6		

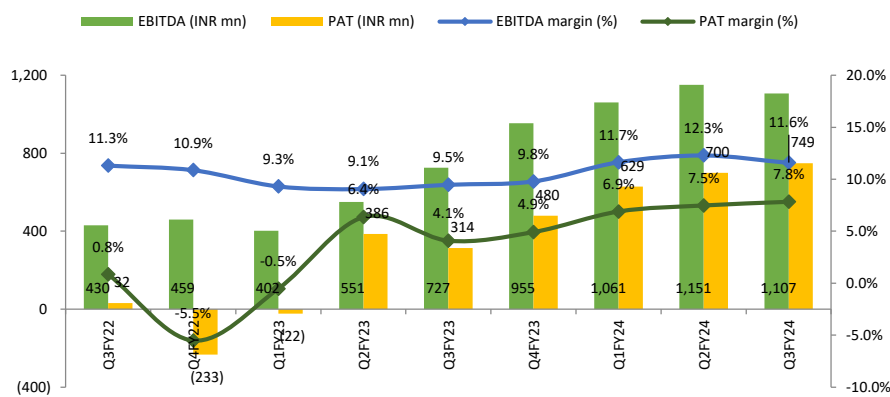
Source: Company Reports, Arianth Capital Research

Exhibit 1: Gross margins improved by 87 bps YoY (-113 bps QoQ) to 21.7% due to lower RM costs in Q3FY24.



Source: Company Reports, Arianth Capital Research

Exhibit 2: EBITDA margin improved by 211 bps YoY (-71 bps QoQ) to 11.6% due to lower other expenses in-terms of sales in Q3FY24.



Source: Company Reports, Arianth Capital Research

Q3FY24 Concall Highlights

Freight rail systems

- The monthly production reached 1,021 wagons in Dec-23 which is the highest in the industry.
- The freight rail capacity stood at 8,400 wagons per annum as per RDSO assessment, however, the company has surpassed 1,000 wagons per month and applied for re-validation of the assessed capacity.

Passenger rail systems

- The passenger rolling stocks capacity stood at 250 coaches per annum as of Q3FY24. The facility can manufacture all types of coaches such as Aluminum, Stainless Steel, and Carbon steel coaches.
- In passenger rail systems, the margin expansion is expected 4%-5% from current levels due to in-house propulsion systems. The margins are expected 8%-10% after in-house propulsion systems.
- In passenger rail systems, the company is making 5 cars per month the company is targeting 15-20 cars per month from Q3FY25E onwards and 70-72 cars per month in the next 3-4 years.
- Metro capacity is expected at 36 cars per month and Vande Bharat capacity is expected 36 cars per month going forward.

Order book

- The order book stood at INR 274.66bn.
- The freight rolling stocks order book stood at INR 138.16bn (~50% of the order book). The freight wagons order book stood at INR 73.5bn (~54%) and the Wheelset JV order book stood at INR 63bn (~46%).
- The Passenger rolling stocks order book stood at INR 136.5bn (~50% of the order book). Passenger coaches' order book stood at INR 70.26bn (~51%) and Vande Bharat AMC JV order book stood at INR 67.9bn.
- The unexecuted wagon order stood at 19,259 wagons which includes Indian railway and private wagons.

Strategic partnerships

- The company has a strategic partnership with ABB to supply propulsion systems for metros in India. The agreement will enable the development of in-house capabilities of TCMS.
- The company has entered a strategic alliance with Sidwal Refrigeration to invest INR 1.2bn to set up SPV. The SPV will cater to railway components and subsystems. The new facility will manufacture railway components and subsystems for metro coaches and passenger rolling stocks.
- The company is exploring possibilities for strategic partnerships for ship building and defence business.

Propulsion systems

- In propulsions, motors capacity stood at 2,400 motors per annum and 200 converters per annum. Propulsion systems majorly for captive and backward integration will improve margins.

Q3FY24 Concall Highlights**Market share**

- The volume market share stood at 25%-30% as of Q3FY24.

Metros

- In the Pune metro, the company has delivered 27 trainsets. Each train set has a configuration of 3 cars. 7 trainsets are expected to be delivered at the end of FY24E. Some of the coaches are already produced and in the testing phase.
- In Bangalore metro, 2 train sets will be manufactured and delivered from CRRC, China, and 34 train sets will be manufactured and delivered by Aug-25. Each train set has a configuration of 6 cars.
- In Bangalore metro contract value is around INR 1.84bn.
- In Surat and Ahmedabad metro, 1st prototype will be manufactured and delivered by Oct-24 and Dec-24 respectively. The remaining 23 trainsets of the Surat metro within 110 weeks for delivery and 9 trainsets of the Ahmedabad metro with 94 weeks to delivery.
- Chennai and Mumbai metro tenders have already been published and are expected to be issued by next month.

Vande Bharat Trains

- In Vande Bharat trains, the 2-train prototype will be manufactured and delivered in Jun-25. Post prototype, the delivery would be 12 trains (Year 1), 18 trains (Year 2) and 25 trains (Year 3). Each train consists of 16 coaches.
- In the budget, the government announced that 40,000 passenger coaches will be converted into Vande Bharat class and the company has 1st mover advantage.

Firema

- Firema has won an order of EUR732mn from Italian railways. The company is well-placed to capture the export market. Firema growth is expected in the next 12-18 months.

Capex

- The capex is expected around INR 10bn over the next 2-3 years, which includes earlier investments.

Other highlights

- The company has raised INR 7bn through QIP.
- Foundry capacity stood at 30,000MT per annum.
- Railways have changed procurement policy and are more compliant with delivery requirements.
- In freight, the company is focused on margin improvement through working capital management, backward integration, and supply chain management.
- The company is the 1st mover for metros, Vande Bharat trains, and aluminum coaches.
- Generally, wagons orders delivery starts after 5-6 months from the order date.

Scenario Analysis

Exhibit 3: Scenario Analysis

Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	34,000	40,400	45,200
Passenger Rail Systems	5,287	5,600	15,300	22,950
Total Revenue	27,796	39,600	55,700	68,150

Base Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	32,747	37,440	42,120
Passenger Rail Systems	5,287	5,022	13,260	20,400
Total Revenue	27,796	37,769	50,700	62,520

Bear Case (INR mn)	FY23E	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	28,490	34,580	39,140
Passenger Rail Systems	5,287	4,800	11,200	18,000
Total Revenue	27,796	33,290	45,780	57,140

Source: Company, Aриhant Capital Research

Valuation

Exhibit 4: Bull Case Scenario

Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	39,600	55,700	68,150
EBITDA	2,635	4,595	6,707	8,431
EBITDA Margin (%)	9.5%	11.6%	12.0%	12.4%
PAT	1,157	2,888	4,464	5,750
PAT Margin (%)	4.2%	7.3%	8.0%	8.4%
EPS (INR)	10.0	21.5	33.2	42.7

Valuation - P/E (FY26E)

EPS (INR) 42.7

P/E (x) 35.0

Target Price (INR) 1,496

CMP (INR) 1,020

Upside/Downside (%) 46.7%

Source: Company, Aриhant Capital Research

Exhibit 5: Base Case Scenario

Base Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	37,769	50,700	62,520
EBITDA	2,635	4,382	6,105	7,735
EBITDA Margin (%)	9.5%	11.6%	12.0%	12.4%
PAT	1,157	2,719	3,998	5,212
PAT Margin (%)	4.2%	7.2%	7.9%	8.3%
EPS (INR)	10.0	20.2	29.7	38.7

Valuation - P/E (FY26E)

EPS (INR) 38.7

P/E (x) 30.0

Target Price (INR) 1,162

CMP (INR) 1,020

Upside/Downside (%) 14.0%

Source: Company, Aриhant Capital Research

Exhibit 6: Bear Case Scenario

Bear Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	33,290	45,780	57,140
EBITDA	2,635	3,863	5,513	7,069
EBITDA Margin (%)	9.5%	11.6%	12.0%	12.4%
PAT	1,157	2,305	3,540	4,697
PAT Margin (%)	4.2%	6.9%	7.7%	8.2%
EPS (INR)	10.0	17.1	26.3	34.9

Valuation - P/E (FY26E)

EPS (INR) 34.9

P/E (x) 30.0

Target Price (INR) 1,048

CMP (INR) 1,020

Upside/Downside (%) 2.7%

Source: Company, Aриhant Capital Research

Sensitivity Analysis

Freight Rail Systems Revenue (INR mn) - FY24E

		Freight Wagon Realization (INR Mn/Wagon)										
		3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Wagon Volumes	32,747											
	6,500	22,750	23,400	24,050	24,700	25,350	26,000	26,650	27,300	27,950	28,600	29,250
	6,900	24,150	24,840	25,530	26,220	26,910	27,600	28,290	28,980	29,670	30,360	31,050
	7,300	25,550	26,280	27,010	27,740	28,470	29,200	29,930	30,660	31,390	32,120	32,850
	7,700	26,950	27,720	28,490	29,260	30,030	30,800	31,570	32,340	33,110	33,880	34,650
	8,100	28,350	29,160	29,970	30,780	31,590	32,400	33,210	34,020	34,830	35,640	36,450
	8,500	29,750	30,600	31,450	32,300	33,150	34,000	34,850	35,700	36,550	37,400	38,250
	8,900	31,150	32,040	32,930	33,820	34,710	35,600	36,490	37,380	38,270	39,160	40,050
	9,300	32,550	33,480	34,410	35,340	36,270	37,200	38,130	39,060	39,990	40,920	41,850
	9,700	33,950	34,920	35,890	36,860	37,830	38,800	39,770	40,740	41,710	42,680	43,650
	10,100	35,350	36,360	37,370	38,380	39,390	40,400	41,410	42,420	43,430	44,440	45,450
10,500	36,750	37,800	38,850	39,900	40,950	42,000	43,050	44,100	45,150	46,200	47,250	

Freight Rail Systems Revenue (INR mn) - FY25E

		Freight Wagon Realization (INR Mn/Wagon)										
		3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Wagon Volumes	37,440											
	6,600	23,100	23,760	24,420	25,080	25,740	26,400	27,060	27,720	28,380	29,040	29,700
	7,100	24,850	25,560	26,270	26,980	27,690	28,400	29,110	29,820	30,530	31,240	31,950
	7,600	26,600	27,360	28,120	28,880	29,640	30,400	31,160	31,920	32,680	33,440	34,200
	8,100	28,350	29,160	29,970	30,780	31,590	32,400	33,210	34,020	34,830	35,640	36,450
	8,600	30,100	30,960	31,820	32,680	33,540	34,400	35,260	36,120	36,980	37,840	38,700
	9,100	31,850	32,760	33,670	34,580	35,490	36,400	37,310	38,220	39,130	40,040	40,950
	9,600	33,600	34,560	35,520	36,480	37,440	38,400	39,360	40,320	41,280	42,240	43,200
	10,100	35,350	36,360	37,370	38,380	39,390	40,400	41,410	42,420	43,430	44,440	45,450
	10,600	37,100	38,160	39,220	40,280	41,340	42,400	43,460	44,520	45,580	46,640	47,700
	11,100	38,850	39,960	41,070	42,180	43,290	44,400	45,510	46,620	47,730	48,840	49,950
11,600	40,600	41,760	42,920	44,080	45,240	46,400	47,560	48,720	49,880	51,040	52,200	

Freight Rail Systems Revenue (INR mn) - FY26E

		Freight Wagon Realization (INR Mn/Wagon)										
		3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Wagon Volumes	42,120											
	7,800	27,300	28,080	28,860	29,640	30,420	31,200	31,980	32,760	33,540	34,320	35,100
	8,300	29,050	29,880	30,710	31,540	32,370	33,200	34,030	34,860	35,690	36,520	37,350
	8,800	30,800	31,680	32,560	33,440	34,320	35,200	36,080	36,960	37,840	38,720	39,600
	9,300	32,550	33,480	34,410	35,340	36,270	37,200	38,130	39,060	39,990	40,920	41,850
	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
	11,800	41,300	42,480	43,660	44,840	46,020	47,200	48,380	49,560	50,740	51,920	53,100
	12,300	43,050	44,280	45,510	46,740	47,970	49,200	50,430	51,660	52,890	54,120	55,350
12,800	44,800	46,080	47,360	48,640	49,920	51,200	52,480	53,760	55,040	56,320	57,600	

Source: Company Reports, Aриhant Capital Research

- Bull Case

- Base Case

- Bear Case

Sensitivity Analysis

Passenger Rail Systems Revenue (INR mn) - FY24E

		Rolling Stocks Realization (INR Mn/car)										
5,022		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	10	600	650	700	750	800	850	900	950	1,000	1,050	1,100
	20	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200
	30	1,800	1,950	2,100	2,250	2,400	2,550	2,700	2,850	3,000	3,150	3,300
	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
	60	3,600	3,900	4,200	4,500	4,800	5,100	5,400	5,700	6,000	6,300	6,600
	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
	90	5,400	5,850	6,300	6,750	7,200	7,650	8,100	8,550	9,000	9,450	9,900
	100	6,000	6,500	7,000	7,500	8,000	8,500	9,000	9,500	10,000	10,500	11,000
	110	6,600	7,150	7,700	8,250	8,800	9,350	9,900	10,450	11,000	11,550	12,100

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
Rollingstocks Volumes	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
	150	9,000	9,750	10,500	11,250	12,000	12,750	13,500	14,250	15,000	15,750	16,500
	160	9,600	10,400	11,200	12,000	12,800	13,600	14,400	15,200	16,000	16,800	17,600
	170	10,200	11,050	11,900	12,750	13,600	14,450	15,300	16,150	17,000	17,850	18,700
	180	10,800	11,700	12,600	13,500	14,400	15,300	16,200	17,100	18,000	18,900	19,800
	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
Rollingstocks Volumes	180	10,800	11,700	12,600	13,500	14,400	15,300	16,200	17,100	18,000	18,900	19,800
	195	11,700	12,675	13,650	14,625	15,600	16,575	17,550	18,525	19,500	20,475	21,450
	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
	240	14,400	15,600	16,800	18,000	19,200	20,400	21,600	22,800	24,000	25,200	26,400
	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
	285	17,100	18,525	19,950	21,375	22,800	24,225	25,650	27,075	28,500	29,925	31,350
	300	18,000	19,500	21,000	22,500	24,000	25,500	27,000	28,500	30,000	31,500	33,000
	315	18,900	20,475	22,050	23,625	25,200	26,775	28,350	29,925	31,500	33,075	34,650
	330	19,800	21,450	23,100	24,750	26,400	28,050	29,700	31,350	33,000	34,650	36,300

Source: Company Reports, Arianth Capital Research

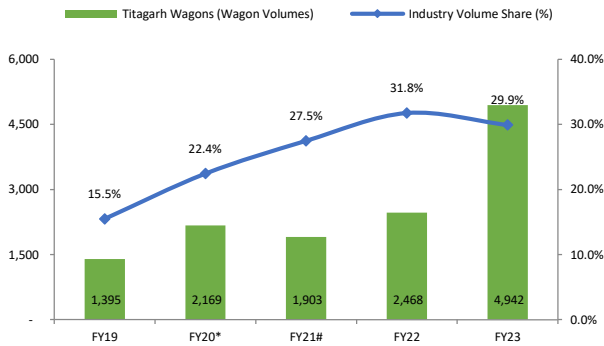
- Bull Case

- Base Case

- Bear Case

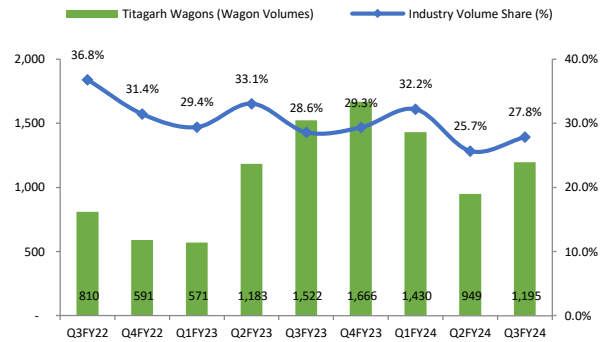
Industry Wagon Volumes – Indian Railways (RSP)

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



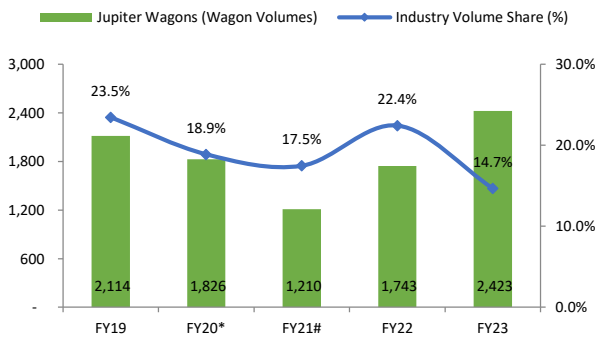
Source: Ministry of Railways, Industry, Aриhant Capital Research

Exhibit 8: Titagarh’s wagon execution remain on track in Q3FY24.



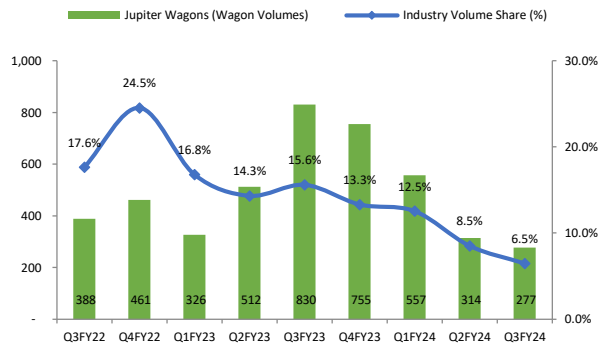
Source: Ministry of Railways, Industry, Aриhant Capital Research

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



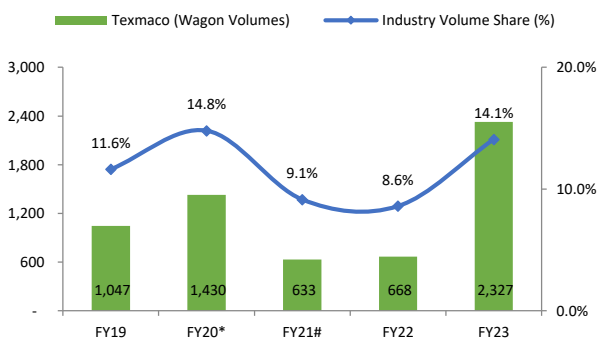
Source: Ministry of Railways, Industry, Aриhant Capital Research

Exhibit 10: JWL has executed more private wagon orders in Q3FY24 and railway wagons share has declined in Q3FY24.



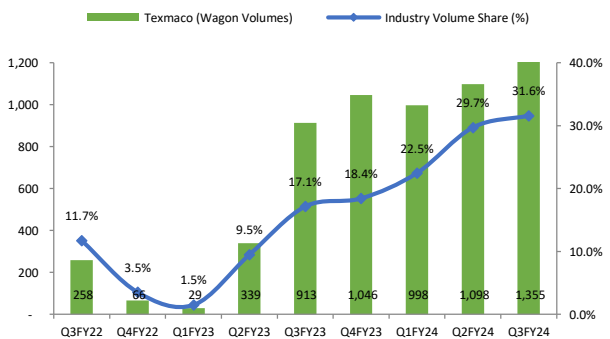
Source: Ministry of Railways, Industry, Aриhant Capital Research

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



Source: Ministry of Railways, Industry, Aриhant Capital Research

Exhibit 12: Texmaco’s railway wagon volumes share increased to 31.6% in Q3FY24.



Source: Ministry of Railways, Industry, Aриhant Capital Research

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	37,769	50,700	62,520
Net Raw Materials	11,515	9,934	10,476	21,499	29,428	39,242	48,140
Employee Cost	1,518	2,106	454	565	667	913	1,125
Other Expenses	3,421	2,360	2,096	3,096	3,291	4,441	5,520
EBITDA	1,209	806	1,649	2,635	4,382	6,105	7,735
EBITDA Margin (%)	6.8%	5.3%	11.2%	9.5%	11.6%	12.0%	12.4%
Depreciation	(291)	(299)	(184)	(225)	(268)	(327)	(393)
Interest expense	(883)	(812)	(573)	(807)	(766)	(657)	(645)
Other income	340	249	177	426	317	319	394
Profit before tax	375	(55)	1,070	1,901	3,666	5,440	7,091
Taxes	205	(132)	(292)	(555)	(947)	(1,442)	(1,879)
PAT	580	(187)	778	1,346	2,719	3,998	5,212
PAT Margin (%)	3.3%	-1.2%	5.3%	4.8%	7.2%	7.9%	8.3%
Loss from Discontinued operations	(941)	-	(780)	(89)	-	-	-
Net PAT	(361)	(187)	(2)	1,257	2,719	3,998	5,212
Other Comprehensive income	53	81	57	(100)	-	-	-
Total Comprehensive income	(309)	(106)	55	1,157	2,719	3,998	5,212
EPS (INR)	5.0	(1.6)	6.5	10.0	20.2	29.7	38.7

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	231	239	239	239	269	269	269
Reserves	7,435	8,167	8,182	9,396	12,115	16,113	21,325
Net worth	7,666	8,406	8,421	9,636	12,384	16,382	21,594
Minority Interest	789	-	1	-	-	-	-
Provisions	1,017	814	912	112	828	1,111	1,370
Debt	7,644	8,584	9,316	3,608	5,108	5,408	4,908
Other non-current liabilities	1,441	1,868	145	417	567	761	625
Total Liabilities	18,556	19,672	18,796	13,772	18,886	23,662	28,497
Fixed assets	8,254	8,330	8,790	6,200	8,454	10,633	12,871
Capital Work In Progress	-	162	152	123	106	131	47
Other Intangible assets	381	536	646	16	16	16	16
Investments	799	923	765	1,006	755	761	938
Other non current assets	789	739	1,419	1,714	1,888	2,535	3,126
Net working capital	4,615	7,034	5,729	3,650	5,603	5,812	6,439
Inventories	3,763	3,852	5,039	4,614	6,450	8,386	10,288
Sundry debtors	2,538	5,672	6,591	2,791	5,691	7,640	8,564
Loans & Advances	531.6	-	-	-	-	-	-
Other current assets	1,944	2,576	2,093	4,953	3,104	2,084	2,569
Sundry creditors	(3,512)	(3,980)	(4,387)	(3,231)	(5,488)	(6,720)	(8,105)
Other current liabilities & Prov	(649)	(1,085)	(3,606)	(5,478)	(4,155)	(5,577)	(6,877)
Cash	561	1,240	421	1,000	1,685	2,760	3,497
Other Financial Assets	3,159	706	874	63	378	1,014	1,563
Total Assets	18,556	19,672	18,796	13,772	18,886	23,662	28,497

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	0.11	0.11	0.12
Asset turnover (x)	0.9	0.8	0.6	1.2	1.5	1.6	1.7
Financial leverage (x)	2.6	2.5	2.8	2.5	2.2	2.1	2.0
RoE (%)	7.3%	-2.3%	9.2%	14.9%	24.7%	27.8%	27.4%

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	3,666	5,440	7,091
Depreciation	291	299	184	225	268	327	393
Tax paid	205	(132)	(292)	(555)	(947)	(1,442)	(1,879)
Working capital Δ	254	(2,419)	1,305	2,079	(1,953)	(210)	(626)
Operating cashflow	1,127	(2,307)	2,267	3,651	1,034	4,116	4,978
Capital expenditure	635	(538)	(633)	2,394	(2,506)	(2,531)	(2,547)
Free cash flow	1,762	(2,845)	1,634	6,045	(1,472)	1,585	2,431
Equity raised	(1,013)	138	(761)	(134)	30	-	-
Investments	155	(124)	158	(241)	251	(5)	(177)
Others	(498)	2,347	(957)	1,145	(489)	(1,283)	(1,140)
Debt financing/disposal	(1,985)	941	732	(5,708)	1,500	300	(500)
Other items	945	224	(1,625)	(528)	865	477	124
Net Δ in cash	(634)	680	(820)	579	685	1,074	738
Opening Cash Flow	1,195	561	1,240	421	1,000	1,685	2,760
Closing Cash Flow	561	1,240	421	1,000	1,685	2,760	3,497

Source: Company Reports, Aриhant 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%	35.9%	34.2%	23.3%
Op profit growth	45.1%	-33.3%	104.5%	59.8%	66.3%	39.3%	26.7%
Profitability ratios (%)							
OPM	6.8%	5.3%	11.2%	9.5%	11.6%	12.0%	12.4%
Net profit margin	3.3%	-1.2%	5.3%	4.8%	7.2%	7.9%	8.3%
RoCE	11.0%	15.1%	6.6%	12.6%	20.8%	21.7%	22.4%
RoNW	7.3%	-2.3%	9.2%	14.9%	24.7%	27.8%	27.4%
RoA	3.1%	-1.0%	4.1%	9.8%	14.4%	16.9%	18.3%
Per share ratios (INR)							
EPS	(2.7)	(0.9)	0.5	9.7	20.2	29.7	38.7
Dividend per share	-	-	-	-	-	-	-
Cash EPS	7.5	0.9	8.0	13.1	22.2	32.2	41.7
Book value per share	66.3	70.4	70.4	80.6	92.1	121.8	160.5
Valuation ratios (x)							
P/E	-	-	-	105.4	50.5	34.3	26.3
P/CEPS	135.4	1,091.9	126.8	77.6	45.9	31.7	24.5
P/B	15.4	14.5	14.5	12.7	11.1	8.4	6.4
EV/EBITDA	102.7	159.0	78.9	46.9	31.9	22.8	17.8
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%	25.8%	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	62	67	69
Leverage ratios (x)							
Interest coverage	1.0	0.6	2.6	3.0	5.4	8.8	11.4
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	0.8	0.4	0.2

Source: Company Reports, Aриhant 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.

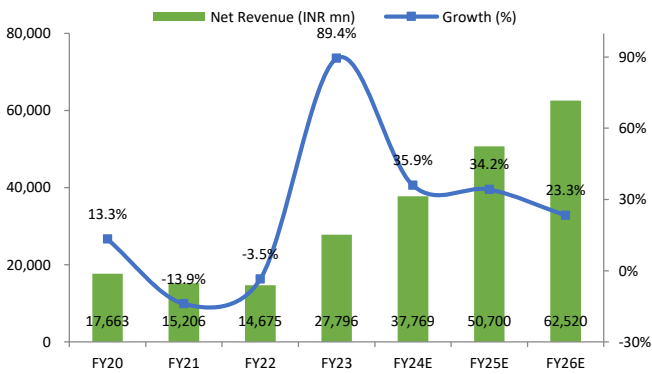


Exhibit 14: Gross margins are expected to improve going forward.

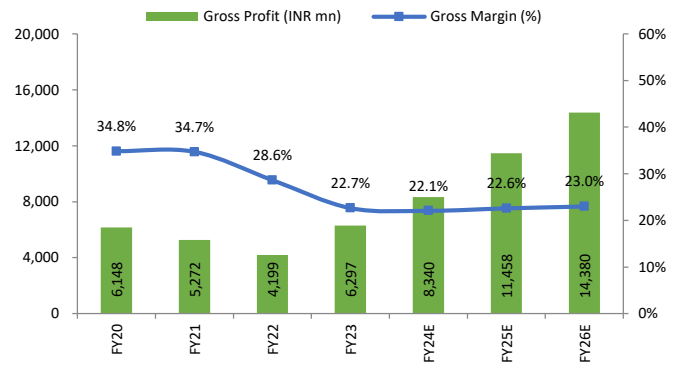


Exhibit 15: Growth in EBITDA & PAT levels

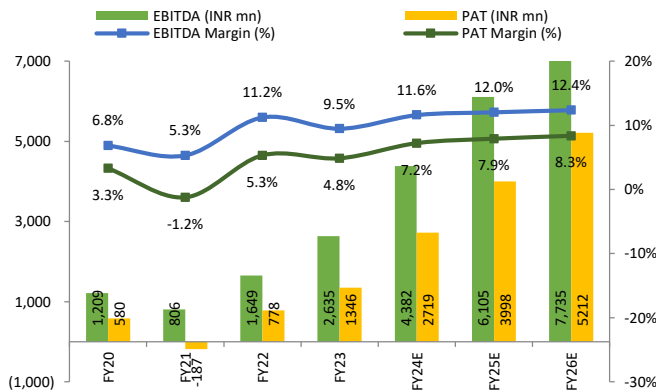


Exhibit 16: Return ratios to be improve

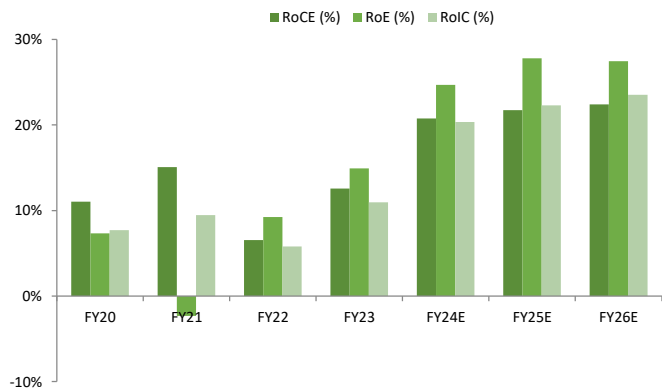


Exhibit 17: Working capital days to be improve.

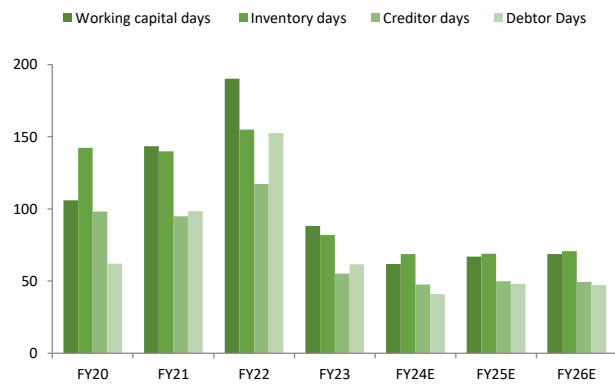
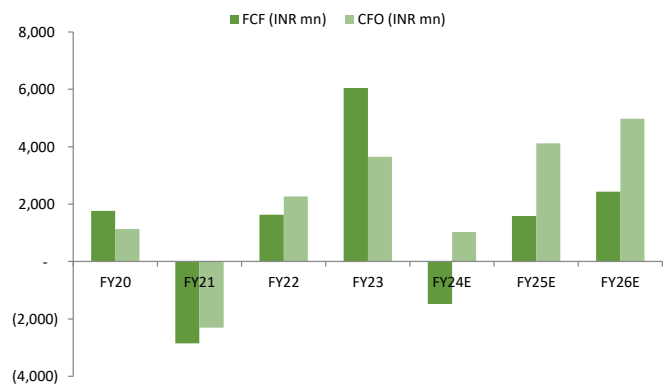


Exhibit 18: Cash flows to be improve.



Source: Company Reports, Arianth Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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

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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. 022-42254800 Fax. 022-42254880