

**CMP: INR 1,212**

**Rating: BUY**

**Target Price: INR 1,571**

**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)	1,63,225
52w H/L (INR)	1,249 / 321
Avg Yearly Volume (in 000')	1,480.9

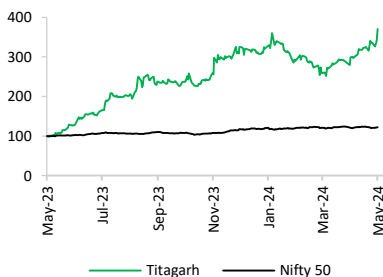
**Shareholding Pattern %**

(As on Mar, 2024)

Promoters	42.46
DII	13.72
FII	17.27
Public & Others	26.54

Stock Performance (%)	3m	6m	12m
TITAGARH	26.6	44.6	270.5
NIFTY	1.6	13.3	22.5

**Titagarh vs Nifty**



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**Titagarh Rail Systems** reported numbers, Q4FY24 revenue stood at INR 10,524mn (+8% YoY/+10.2% QoQ); above our estimates of INR 9,760mn driven by freight rail systems. Gross Profit stood at INR 2,449mn (+8% YoY/+18% QoQ), above our estimates of INR 2,137mn. Gross margins flat YoY (up by 153 bps QoQ) to 23.3% in Q4FY24. EBITDA stood at INR 1,201mn (+25.7% YoY/+8.5% QoQ); above our estimates of INR 1,064mn. EBITDA margin improved by 161 bps YoY (down by 18 bps QoQ) to 11.4% vs 9.8% in Q4FY23. PAT stood at INR 811mn (+69% YoY/+8% QoQ); above our estimates of INR 642mn. PAT margin improved by 278 bps YoY (down by 16 bps QoQ) to 7.7% vs 4.9% in Q4FY23.

**Key Highlights**

**Strong order book shows potential business visibility:** The order book stood at INR 280.76bn (~7.3x of FY24 revenue). The standalone order book stood at INR 147.5bn. The breakup is freight rail systems – INR 80bn (54%) and Passenger rail systems – INR 67.5bn (46%). The JV share order book stood at INR 133.26bn. Around 53% share (INR 70.26bn) from Vande Bharat with BEML and 47% share (INR 63bn) from wheelsets with Ramkrishna forgings. Indian railways and Private order book mix stood at 55-60: 40-45. The industry requirement is around 30,000-35,000 wagons per annum and the company has a capacity of 12,000 wagons per annum. We believe, the company can able to get sizable orders from the industry and able to execute going forward.

**Wagon execution remains strong:** Freight Rail Systems revenue stood at INR 10,169mn (+25.8% YoY/+19.1% QoQ); EBIT Stood at INR 1,279mn (+49.9% YoY/+16.2% QoQ). EBIT margin improved by 202 bps YoY (down by 31 bps QoQ) to 12.6% vs 10.6% in Q4FY23. The wagon volumes stood at 2,700 in Q4FY24. The wagon production stood at 1,089 units in Mar-24. The company has produced 700 wagons per month in FY24 and is expected to produce 900-950 wagons per month in FY25E.

**Passenger Rail Systems execution is expected to ramp up:** Passenger Rail Systems revenue stood at INR 355mn (-78.6% YoY/-64.8% QoQ); EBIT Stood at INR 7mn (-92.5% YoY/-69.3% QoQ) due to the completion of the Pune Metro contract and delays in the Bangalore Metro projects. Bangalore metro projects are expected to commence in FY25E. EBIT margin contracted by 393 bps YoY (down by 31 bps QoQ) to 2.1% vs 6% in Q4FY23. Passenger rail systems margins stood at 3% in FY24. The margin expansion of 4%-4.5% is due to propulsion systems in the next few years. Overall, the company is targeting a 10% margin in passenger rail systems. The company has produced 4 cars per month in FY24. The production is expected two trains per month (12 cars per month) in FY25E. The company is targeting 15-20 cars per month by the end of FY25E.

**Export opportunities for metros:** The company got export orders for components. The company is doing propulsion, traction converters, and other electrical components for coaches in Europe. Wagon volumetric capacity costs INR 35 lakhs while the same volumetric capacity of metros costs INR 100mn to 120mn. So, the transportation costs as a % of the equipment cost is less for metros. Metro coaches are easily exportable and the company is exploring opportunities.

**Outlook & Valuation:** Titagarh Rail Systems has a strong order book (~7.3x of FY24 revenue) shows business visibility. The company is expected to execute 900 wagons per month in freight rail systems and 12 cars per month in passenger rail systems in FY25E. The ramp-up is expected to reach 15-20 cars per month in end of FY25E. The backward integration through traction motors and propulsion systems will improve the margins from 3% (FY24) to 7%-7.5% and the company is targeting 10% margins going forward. The industry demand remains strong for freight and passenger coaches and company has the capacity and ability to deliver the orders going forward. In Base Case, Revenue is expected to grow at a CAGR of 17.2% for FY24-FY27E, and RoE is expected to maintain at 19.1% in FY27E. The stock is trading at 34x of its FY25E EPS. In Base Case Scenario, At the CMP of INR 1,212 per share, We upgraded to a "BUY" (earlier "ACCUMULATE") rating and valued the stock at 30x of its FY27E EPS of INR 52.4, and arrived at a price objective of INR 1,571, an upside of 29.6%.

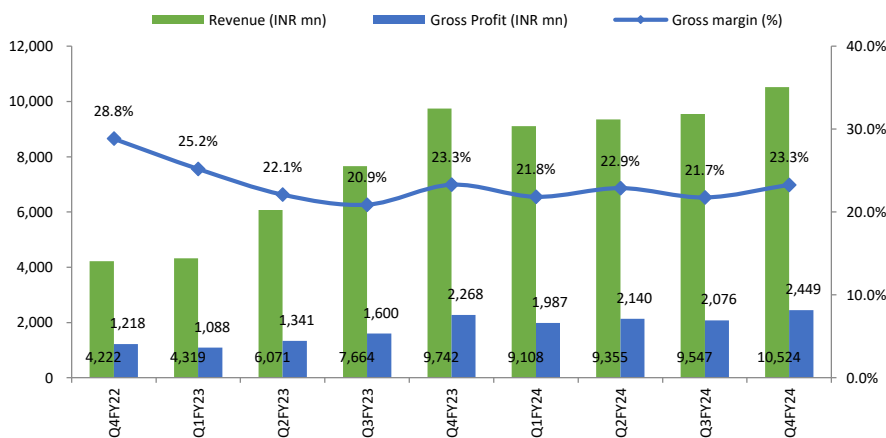
**Q4FY24 Results**

**Income statement summary**

Particular (INR Mn)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>9,742</b>	<b>9,547</b>	<b>10,524</b>	<b>8.0%</b>	<b>10.2%</b>
Net Raw Materials	7,474	7,471	8,075	8.0%	8.1%
<b>Gross Profit</b>	<b>2,268</b>	<b>2,076</b>	<b>2,449</b>	<b>8.0%</b>	<b>18.0%</b>
<b>Gross Margin (%)</b>	<b>23.3%</b>	<b>21.7%</b>	<b>23.3%</b>	<b>-1 bps</b>	<b>+153 bps</b>
Employee Cost	169	151	181	6.3%	-12.8%
Other Expenses	1,144	818	1,067	11.9%	0.3%
<b>EBITDA</b>	<b>955</b>	<b>1,107</b>	<b>1,201</b>	<b>25.7%</b>	<b>8.5%</b>
<b>EBITDA Margin (%)</b>	<b>9.8%</b>	<b>11.6%</b>	<b>11.4%</b>	<b>+161 bps</b>	<b>-18 bps</b>
Depreciation	64	68	70		
Interest expense	222	182	158		
Other income	69.8	144.7	146.7		
Share of profits associate & JV	(37)	1	(22)		
<b>Profit before tax</b>	<b>702</b>	<b>1,002</b>	<b>1,097</b>		
Taxes	222	251	286		
<b>PAT</b>	<b>480</b>	<b>751</b>	<b>811</b>	<b>69.0%</b>	<b>8.0%</b>
<b>PAT Margin (%)</b>	<b>4.9%</b>	<b>7.9%</b>	<b>7.7%</b>	<b>+278 bps</b>	<b>-16 bps</b>
Other Comprehensive income	(2.8)	0.2	(2.6)		
<b>Net profit</b>	<b>477</b>	<b>751</b>	<b>809</b>	<b>145.0%</b>	<b>7.6%</b>
<b>Net profit Margin (%)</b>	<b>4.9%</b>	<b>7.9%</b>	<b>7.7%</b>	<b>3.87%</b>	<b>0.40%</b>
<b>EPS (INR)</b>	<b>4.0</b>	<b>5.6</b>	<b>6.0</b>		

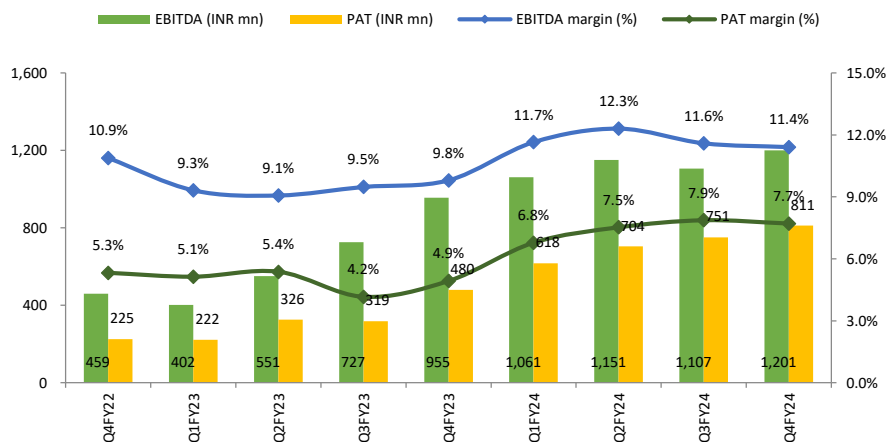
Source: Company Reports, Arihant Capital Research

**Exhibit 1: Gross margins flat YoY (up by 153 bps QoQ) to 23.3% in Q4FY24 due to lower RM costs.**



Source: Company Reports, Arihant Capital Research

**Exhibit 2: EBITDA margin improved by 161 bps YoY (down by 18 bps QoQ) to 11.4% in Q4FY24 due to lower other expenses in-terms of sales.**



Source: Company Reports, Arihant Capital Research

**Q4FY24 Concall Highlights****Order book**

- The standalone order book stood at INR 147.5bn. The breakup is freight rail systems – INR 80bn (54%) and Passenger rail systems – INR 67.5bn (46%).
- The JV share order book stood at INR 133.26bn. Around 53% share (INR 70.26bn) from Vande Bharat with BEML and 47% share (INR 63bn) from wheelsets with Ramkrishna forgings.
- Indian railways and Private order book mix stood at 55-60: 40-45.

**Wagon volumes**

- The wagon volumes stood at 2,700 in Q4FY24. The wagon production stood at 1,089 units in Mar-24.
- The wagon volumes stood at ~8,400 units in FY24.
- The company has produced 700 wagons per month in FY24 and is expected to produce 900-950 wagons per month in FY25E.

**Passenger volumes**

- The company has produced 4 cars per month in FY24.
- In Passenger rail systems, the production is expected two trains per month (12 cars per month) in FY25E.
- The company is targeting 15-20 cars per month by the end of FY25E.

**Passenger rail systems**

- Passenger rail systems performance was muted in Q4FY24 due to the completion of the Pune Metro contract and delays in the Bangalore Metro projects. Bangalore metro projects are expected to commence in FY25E.
- Passenger rail systems margins stood at 3% in FY24. The margin expansion of 4%-4.5% is due to propulsion systems in the next few years. Overall, the company is targeting a 10% margin in passenger rail systems.

**Metros**

- The metro coach's capacity is expected to reach 36 cars per month and the Vande Bharat train's capacity is expected to reach 36 cars per month over the next 2-2.5 years. Total capacity is expected 72 cars per month in Passenger rail systems.
- Bangalore metros execution and delivery will start from the beginning of Jul-24. Stainless steel coaches production will start from Q1FY25E. Stainless steel coaches are cost cost-effective than aluminum coaches and margins are higher.
- In Pune metro, the production was completed in Mar-24, and 90% of coaches were dispatched. Some small part of the revenue is expected to be booked in FY25E.
- In Ahmedabad metro projects, ABB propulsion systems are used.

### Q4FY24 Concall Highlights

#### Metros

- The company is exploring export opportunities for metro coaches.
- In Q2FY24, Surat metro project execution is expected.
- Metro coach's value is around INR 100mn to 120mn.

#### Capex

- The capex is expected INR 10bn over the next few years. Some of the amount is already spent remaining for capacity building, passenger coaches, upgradation of the foundry and backward integration.

#### Vande Bharat

- In Vande Bharat, brownfield expansion is going on.

#### Traction motors and propulsion systems

- Traction motors are under production. The capacity stood at 250 traction motors. The company is focused on utilizing 60%-70% of the capacity.
- Propulsion systems cost around 20%-30% of the coach based on speed, type of the coach, etc.

#### Exports

- The company got export orders for components. The company is doing propulsion, traction converters, and other electrical components for coaches in Europe.
- Wagon volumetric capacity costs INR 35 lakhs to INR 40 lakhs, while the same volumetric capacity of metros costs INR 100mn to 120mn. So, the transportation costs as a % of the equipment cost is less for metros. Metro coaches are easily exportable.

#### Industry

- The industry size is around 30,000-35,000 wagons per annum and company capacity stood at 12,000 wagons per annum.

#### Other highlights

- The company is focused on design and engineering capability. The company has a fully pledged design center, a JV design center in Hyderabad, and also opened design center in Bangalore.
- Private demand is around 10%-20% and the remaining is from Indian railways.
- Domestic coach manufacturing competitors are Alstom and BEML.
- Railways will take over the share in logistics once lines are operational due to low cost and operational convenience.

## Scenario Analysis

## Exhibit 3: Scenario Analysis

Bull Case (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Freight Rail Systems	22,509	34,176	44,800	51,250	50,000
Passenger Rail Systems	5,287	4,357	6,300	14,400	18,450
<b>Total Revenue</b>	<b>27,796</b>	<b>38,533</b>	<b>51,100</b>	<b>65,650</b>	<b>68,450</b>

Base Case (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Freight Rail Systems	22,509	34,176	42,120	44,460	46,800
Passenger Rail Systems	5,287	4,357	5,100	12,240	15,300
<b>Total Revenue</b>	<b>27,796</b>	<b>38,533</b>	<b>47,220</b>	<b>56,700</b>	<b>62,100</b>

Bear Case (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Freight Rail Systems	22,509	34,176	38,000	41,800	43,700
Passenger Rail Systems	5,287	4,357	4,800	10,400	12,800
<b>Total Revenue</b>	<b>27,796</b>	<b>38,533</b>	<b>42,800</b>	<b>52,200</b>	<b>56,500</b>

## Valuation

## Exhibit 4: Bull Case Scenario

Bull Case (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,796	38,533	51,100	65,650	68,450
EBITDA	2,635	4,519	6,106	8,140	8,795
EBITDA Margin (%)	9.5%	11.7%	11.9%	12.4%	12.8%
PAT	1,157	2,865	5,247	7,302	7,827
PAT Margin (%)	4.2%	7.4%	10.3%	11.1%	11.4%
EPS (INR)	11.3	21.4	39.0	54.2	58.1

Valuation - P/E (FY27E)

EPS (INR) 58.1

P/E (x) 35.0

Target Price (INR) 2,034

CMP (INR) 1,212

Upside/Downside (%) 67.8%

## Exhibit 5: Base Case Scenario

Bull Case (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,796	38,533	47,220	56,700	62,100
EBITDA	2,635	4,519	5,642	7,030	7,979
EBITDA Margin (%)	9.5%	11.7%	11.9%	12.4%	12.8%
PAT	1,157	2,865	4,798	6,237	7,050
PAT Margin (%)	4.2%	7.4%	10.2%	11.0%	11.4%
EPS (INR)	11.3	21.4	35.6	46.3	52.4

Valuation - P/E (FY27E)

EPS (INR) 52.4

P/E (x) 30.0

Target Price (INR) 1,571

CMP (INR) 1,212

Upside/Downside (%) 29.6%

Source: Company, Arihant Capital Research

## Exhibit 6: Bear Case Scenario

Bull Case (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,796	38,533	42,800	52,200	56,500
EBITDA	2,635	4,519	5,114	6,472	7,259
EBITDA Margin (%)	9.5%	11.7%	11.9%	12.4%	12.8%
PAT	1,157	2,865	4,287	5,702	6,366
PAT Margin (%)	4.2%	7.4%	10.0%	10.9%	11.3%
EPS (INR)	11.3	21.4	31.8	42.3	47.3

Valuation - P/E (FY27E)

EPS (INR) 47.3

P/E (x) 30.0

Target Price (INR) 1,418

CMP (INR) 1,212

Upside/Downside (%) 17.0%

Source: Company, Arihant Capital Research

## Sensitivity Analysis

## 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	42,120											
	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
	10,400	36,400	37,440	38,480	39,520	40,560	41,600	42,640	43,680	44,720	45,760	46,800
	10,800	37,800	38,880	39,960	41,040	42,120	43,200	44,280	45,360	46,440	47,520	48,600
	11,200	39,200	40,320	41,440	42,560	43,680	44,800	45,920	47,040	48,160	49,280	50,400
	11,600	40,600	41,760	42,920	44,080	45,240	46,400	47,560	48,720	49,880	51,040	52,200
	12,000	42,000	43,200	44,400	45,600	46,800	48,000	49,200	50,400	51,600	52,800	54,000
	12,400	43,400	44,640	45,880	47,120	48,360	49,600	50,840	52,080	53,320	54,560	55,800
	12,800	44,800	46,080	47,360	48,640	49,920	51,200	52,480	53,760	55,040	56,320	57,600

## 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	44,460											
	9,000	31,500	32,400	33,300	34,200	35,100	36,000	36,900	37,800	38,700	39,600	40,500
	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
	10,500	36,750	37,800	38,850	39,900	40,950	42,000	43,050	44,100	45,150	46,200	47,250
	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
	13,000	45,500	46,800	48,100	49,400	50,700	52,000	53,300	54,600	55,900	57,200	58,500
	13,500	47,250	48,600	49,950	51,300	52,650	54,000	55,350	56,700	58,050	59,400	60,750
	14,000	49,000	50,400	51,800	53,200	54,600	56,000	57,400	58,800	60,200	61,600	63,000

## Freight Rail Systems Revenue (INR mn) - FY27E

		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	46,800											
	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
	10,500	36,750	37,800	38,850	39,900	40,950	42,000	43,050	44,100	45,150	46,200	47,250
	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
	13,000	45,500	46,800	48,100	49,400	50,700	52,000	53,300	54,600	55,900	57,200	58,500
	13,500	47,250	48,600	49,950	51,300	52,650	54,000	55,350	56,700	58,050	59,400	60,750
	14,000	49,000	50,400	51,800	53,200	54,600	56,000	57,400	58,800	60,200	61,600	63,000
	14,500	50,750	52,200	53,650	55,100	56,550	58,000	59,450	60,900	62,350	63,800	65,250

Source: Company Reports, Arianth Capital Research

- Bull Case

- Base Case

- Bear Case

**Sensitivity Analysis**

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

		Rollingstocks Realization (INR Mn/car)										
5,100		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	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
	120	7,200	7,800	8,400	9,000	9,600	10,200	10,800	11,400	12,000	12,600	13,200

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

		Rollingstocks Realization (INR Mn/car)										
12,240		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	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
	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

**Passenger Rail Systems Revenue (INR mn) - FY27E**

		Rollingstocks Realization (INR Mn/car)										
15,300		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	100	6,000	6,500	7,000	7,500	8,000	8,500	9,000	9,500	10,000	10,500	11,000
	115	6,900	7,475	8,050	8,625	9,200	9,775	10,350	10,925	11,500	12,075	12,650
	130	7,800	8,450	9,100	9,750	10,400	11,050	11,700	12,350	13,000	13,650	14,300
	145	8,700	9,425	10,150	10,875	11,600	12,325	13,050	13,775	14,500	15,225	15,950
	160	9,600	10,400	11,200	12,000	12,800	13,600	14,400	15,200	16,000	16,800	17,600
	175	10,500	11,375	12,250	13,125	14,000	14,875	15,750	16,625	17,500	18,375	19,250
	190	11,400	12,350	13,300	14,250	15,200	16,150	17,100	18,050	19,000	19,950	20,900
	205	12,300	13,325	14,350	15,375	16,400	17,425	18,450	19,475	20,500	21,525	22,550
	220	13,200	14,300	15,400	16,500	17,600	18,700	19,800	20,900	22,000	23,100	24,200
	235	14,100	15,275	16,450	17,625	18,800	19,975	21,150	22,325	23,500	24,675	25,850
	250	15,000	16,250	17,500	18,750	20,000	21,250	22,500	23,750	25,000	26,250	27,500

Source: Company Reports, Arianth Capital Research

- Bull Case

- Base Case

- Bear Case

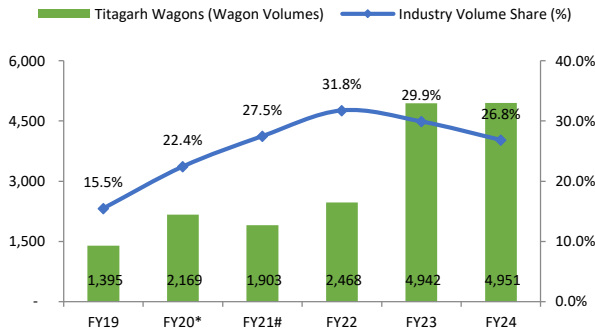






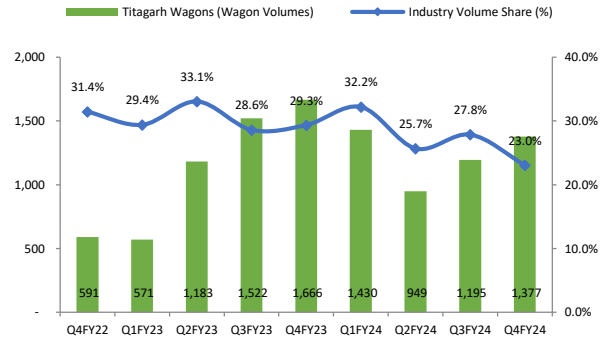
**Industry Wagon Volumes – Indian Railways (RSP)**

**Exhibit 7: Titagarh’s railways wagons volume share stood at 26.8% in FY24.**



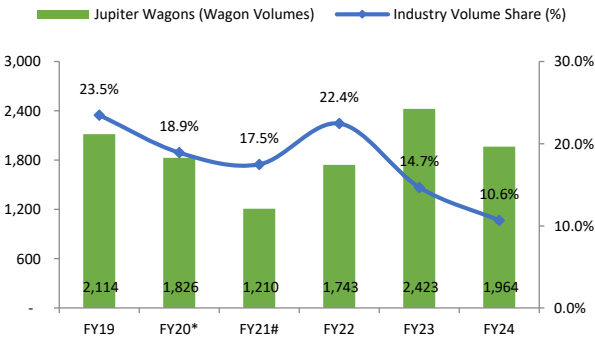
Source: Ministry of Railways, Industry, Aриhant Capital Research

**Exhibit 8: Titagarh’s railway wagon execution remain on track in Q4FY24. Private wagons order book is around 40%-45%.**



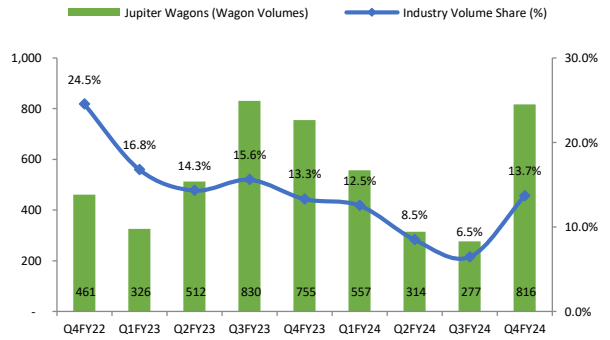
Source: Ministry of Railways, Industry, Aриhant Capital Research

**Exhibit 9: JWL has ramped-up Private wagon manufacturing in FY24 and reduced railway volumes. Private wagons are yielding higher realizations compared to Indian railway wagons.**



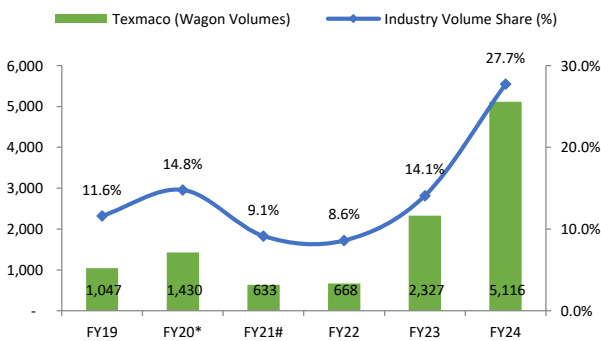
Source: Ministry of Railways, Industry, Aриhant Capital Research

**Exhibit 10: JWL railway wagons are moving upward trajectory and private wagon execution remains strong.**



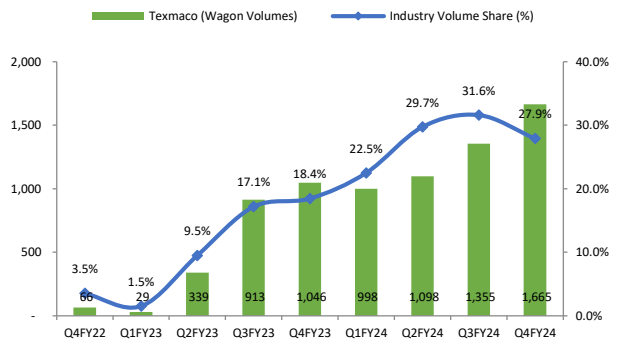
Source: Ministry of Railways, Industry, Aриhant Capital Research

**Exhibit 11: Texmaco ramped up production and volume share stood at 27.7% in FY24.**



Source: Ministry of Railways, Industry, Aриhant Capital Research

**Exhibit 12: Texmaco’s railway wagon volumes share remain stable nearly ~30% over the past 3 quarters.**



Source: Ministry of Railways, Industry, Aриhant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	15,206	14,675	27,796	38,533	47,220	56,700	62,100
Net Raw Materials	9,934	10,476	21,499	29,881	36,359	43,432	47,320
Employee Cost	2,106	454	565	663	803	936	994
Other Expenses	2,360	2,096	3,096	3,470	4,416	5,302	5,807
<b>EBITDA</b>	<b>806</b>	<b>1,649</b>	<b>2,635</b>	<b>4,519</b>	<b>5,642</b>	<b>7,030</b>	<b>7,979</b>
<b>EBITDA Margin (%)</b>	<b>5.3%</b>	<b>11.2%</b>	<b>9.5%</b>	<b>11.7%</b>	<b>11.9%</b>	<b>12.4%</b>	<b>12.8%</b>
Depreciation	(299)	(184)	(225)	(271)	(363)	(438)	(518)
Interest expense	(812)	(573)	(807)	(735)	(537)	(249)	(216)
Other income	249	177	426	398	1,785	2,143	2,347
Share of profits associate & JV	1	-	(127)	(26)	-	-	-
<b>Profit before tax</b>	<b>(55)</b>	<b>1,070</b>	<b>1,901</b>	<b>3,886</b>	<b>6,528</b>	<b>8,486</b>	<b>9,592</b>
Taxes	(132)	(292)	(555)	(1,001)	(1,730)	(2,249)	(2,542)
<b>PAT</b>	<b>(187)</b>	<b>778</b>	<b>1,346</b>	<b>2,884</b>	<b>4,798</b>	<b>6,237</b>	<b>7,050</b>
<b>PAT Margin (%)</b>	<b>-1.2%</b>	<b>5.3%</b>	<b>4.8%</b>	<b>7.5%</b>	<b>10.2%</b>	<b>11.0%</b>	<b>11.4%</b>
<b>Loss from Discontinued operations</b>	<b>-</b>	<b>(780)</b>	<b>(89)</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net PAT</b>	<b>(187)</b>	<b>(2)</b>	<b>1,257</b>	<b>2,861</b>	<b>4,798</b>	<b>6,237</b>	<b>7,050</b>
Other Comprehensive income	81	57	(100)	3	-	-	-
<b>Net profit</b>	<b>(106)</b>	<b>55</b>	<b>1,157</b>	<b>2,865</b>	<b>4,798</b>	<b>6,237</b>	<b>7,050</b>
EPS (INR)	(1.6)	6.5	11.3	21.4	35.6	46.3	52.4

Source: Company Reports, Arihant Capital Research

## Balance sheet summary

Y/e 31 Mar (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	239	239	239	269	269	269	269
Reserves	8,167	8,182	9,396	22,041	26,839	33,077	40,127
<b>Net worth</b>	<b>8,406</b>	<b>8,421</b>	<b>9,636</b>	<b>22,311</b>	<b>27,109</b>	<b>33,346</b>	<b>40,397</b>
Minority Interest	-	1	-	-	-	-	-
Provisions	814	912	112	203	65	78	85
Debt	8,584	9,316	3,608	1,919	1,999	1,979	1,479
Other non-current liabilities	1,868	145	417	1,334	708	851	621
<b>Total Liabilities</b>	<b>19,672</b>	<b>18,796</b>	<b>13,772</b>	<b>25,767</b>	<b>29,881</b>	<b>36,254</b>	<b>42,582</b>
Fixed assets	8,330	8,790	6,200	6,476	9,592	11,674	13,803
Capital Work In Progress	162	152	123	1,078	121	146	52
Other Intangible assets	536	646	16	674	674	674	674
Investments	923	765	1,006	3,621	4,250	5,103	5,589
Other non current assets	739	1,419	1,714	574	2,361	2,835	3,105
<b>Net working capital</b>	<b>7,034</b>	<b>5,729</b>	<b>3,650</b>	<b>7,076</b>	<b>8,272</b>	<b>8,998</b>	<b>9,706</b>
Inventories	3,852	5,039	4,614	5,237	7,770	9,043	9,723
Sundry debtors	5,672	6,591	2,791	5,325	6,468	7,456	8,167
Loans & Advances	-	-	-	-	-	-	-
Other current assets	2,576	2,093	4,953	3,038	3,881	3,884	4,253
Sundry creditors	(3,980)	(4,387)	(3,231)	(3,194)	(5,126)	(5,715)	(6,228)
Other current liabilities & Prov	(1,085)	(3,606)	(5,478)	(3,330)	(4,722)	(5,670)	(6,210)
Cash	1,240	421	1,000	6,091	4,140	5,689	8,101
Other Financial Assets	706	874	63	177	472	1,134	1,553
<b>Total Assets</b>	<b>19,672</b>	<b>18,796</b>	<b>13,772</b>	<b>25,767</b>	<b>29,881</b>	<b>36,254</b>	<b>42,582</b>

Source: Company Reports, Arihant Capital Research

## Du-Pont Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	3.4	0.7	0.7	0.7	0.7	0.7	0.7
Interest burden (x)	(0.1)	0.7	0.8	0.9	1.2	1.3	1.3
EBIT margin (x)	0.0	0.10	0.09	0.11	0.11	0.12	0.12
Asset turnover (x)	0.8	0.6	1.2	1.6	1.5	1.5	1.4
Financial leverage (x)	2.5	2.8	2.5	1.5	1.3	1.2	1.2
<b>RoE (%)</b>	<b>-2.3%</b>	<b>9.2%</b>	<b>14.9%</b>	<b>18.1%</b>	<b>19.4%</b>	<b>20.6%</b>	<b>19.1%</b>

Source: Company Reports, Arihant Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR Mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	(55)	1,070	1,901	3,886	6,528	8,486	9,592
Depreciation	299	184	225	271	363	438	518
Tax paid	(132)	(292)	(555)	(1,001)	(1,730)	(2,249)	(2,542)
Working capital Δ	(2,419)	1,305	2,079	(3,426)	(1,196)	(726)	(708)
<b>Operating cashflow</b>	<b>(2,307)</b>	<b>2,267</b>	<b>3,651</b>	<b>(271)</b>	<b>3,965</b>	<b>5,949</b>	<b>6,860</b>
Capital expenditure	(538)	(633)	2,394	(1,503)	(2,521)	(2,546)	(2,552)
<b>Free cash flow</b>	<b>(2,845)</b>	<b>1,634</b>	<b>6,045</b>	<b>(1,774)</b>	<b>1,444</b>	<b>3,403</b>	<b>4,309</b>
Equity raised	138	(761)	(134)	9,855	-	-	-
Investments	(124)	158	(241)	(2,615)	(629)	(853)	(486)
Others	2,347	(957)	1,145	369	(2,083)	(1,136)	(689)
Debt financing/disposal	941	732	(5,708)	(1,688)	80	(20)	(500)
Other items	224	(1,625)	(528)	1,008	(764)	155	(222)
<b>Net Δ in cash</b>	<b>680</b>	<b>(820)</b>	<b>579</b>	<b>5,091</b>	<b>(1,951)</b>	<b>1,549</b>	<b>2,412</b>
<b>Opening Cash Flow</b>	<b>561</b>	<b>1,240</b>	<b>421</b>	<b>1,000</b>	<b>6,091</b>	<b>4,140</b>	<b>5,689</b>
<b>Closing Cash Flow</b>	<b>1,240</b>	<b>421</b>	<b>1,000</b>	<b>6,091</b>	<b>4,140</b>	<b>5,689</b>	<b>8,101</b>

Source: Company Reports, Aриhant Capital Research

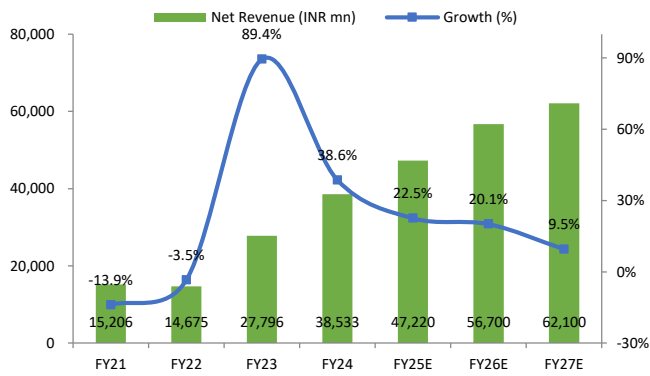
## Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>							
Revenue growth	-13.9%	-3.5%	89.4%	38.6%	22.5%	20.1%	9.5%
Op profit growth	-33.3%	104.5%	59.8%	71.5%	24.8%	24.6%	13.5%
<b>Profitability ratios (%)</b>							
OPM	5.3%	11.2%	9.5%	11.7%	11.9%	12.4%	12.8%
Net profit margin	-1.2%	5.3%	4.8%	7.5%	10.2%	11.0%	11.4%
RoCE	15.1%	6.6%	12.6%	19.4%	19.9%	18.6%	16.6%
RoNW	-2.3%	9.2%	14.9%	19.4%	20.6%	19.1%	16.8%
RoA	-1.0%	4.1%	9.8%	16.1%	17.2%	16.6%	15.0%
<b>Per share ratios (INR)</b>							
EPS	(0.9)	0.5	9.7	21.3	35.6	46.3	52.4
Dividend per share	-	-	-	0.5	-	-	-
Cash EPS	0.9	8.0	13.1	23.4	38.3	49.6	56.2
Book value per share	70.4	70.4	80.6	165.7	201.3	247.6	300.0
<b>Valuation ratios (x)</b>							
P/E	-	-	125.2	57.0	34.0	26.2	23.2
P/CEPS	1,297.4	150.7	92.2	51.7	31.6	24.5	21.6
P/B	17.2	17.2	15.0	7.3	6.0	4.9	4.0
EV/EBITDA	187.4	92.8	55.6	34.4	27.8	22.0	18.9
<b>Payout (%)</b>							
Dividend payout	0.0%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%
Tax payout	-	27.3%	29.2%	25.8%	26.5%	26.5%	26.5%
<b>Liquidity ratios</b>							
Debtor days	99	153	62	38	46	45	46
Inventory days	140	155	82	60	65	71	72
Creditor days	95	117	55	34	37	40	40
WC Days	143	190	88	64	74	76	78
<b>Leverage ratios (x)</b>							
Interest coverage	0.6	2.6	3.0	5.8	9.8	26.5	34.5
Net debt / equity	0.9	1.1	0.3	-0.2	-0.1	-0.1	-0.2
Net debt / op. profit	9.1	5.4	1.0	-0.9	-0.4	-0.5	-0.8

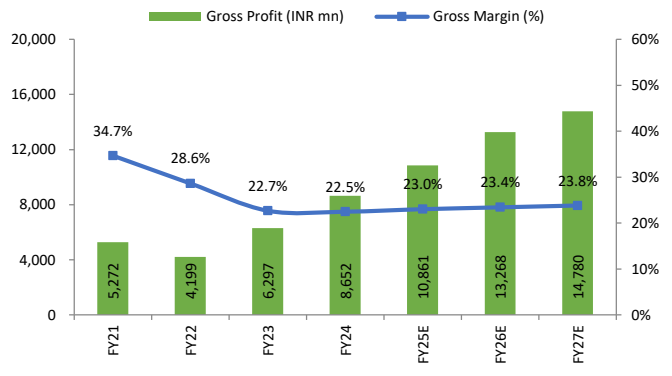
Source: Company Reports, Aриhant Capital Research

**Story in Charts**

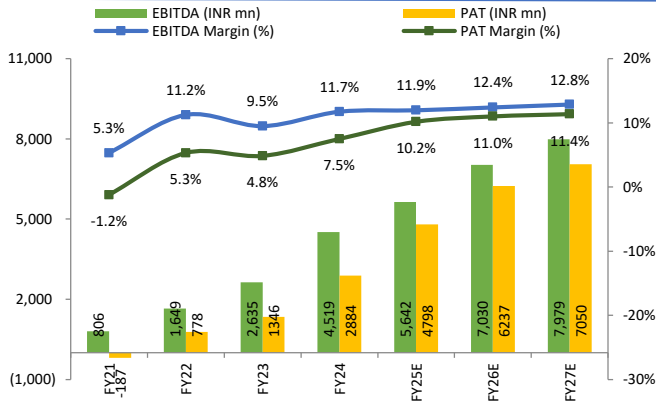
**Exhibit 13: Freight Wagons, Metro and Vande Bharat trains are expected to drive revenue growth over the period of FY24-FY27E.**



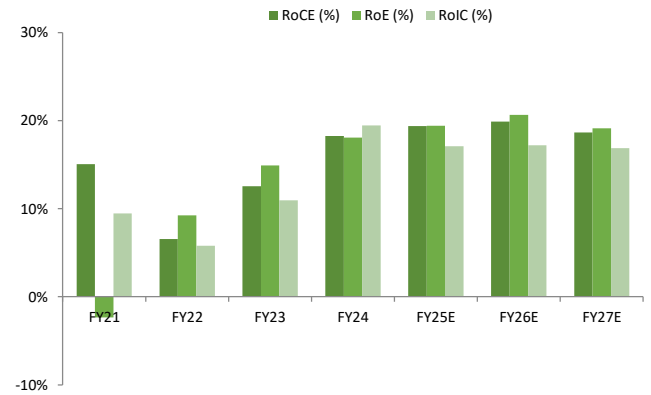
**Exhibit 14: Gross margins are expected to improve going forward.**



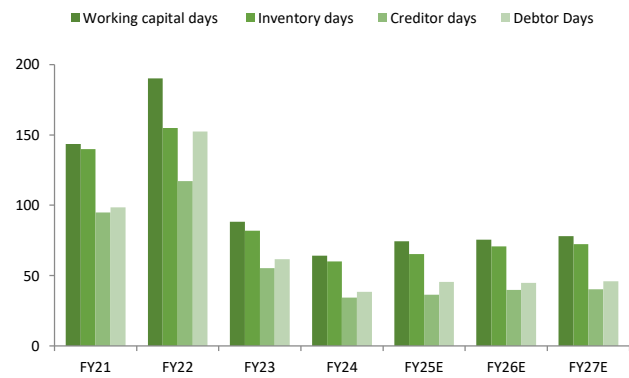
**Exhibit 15: Growth in EBITDA & PAT levels**



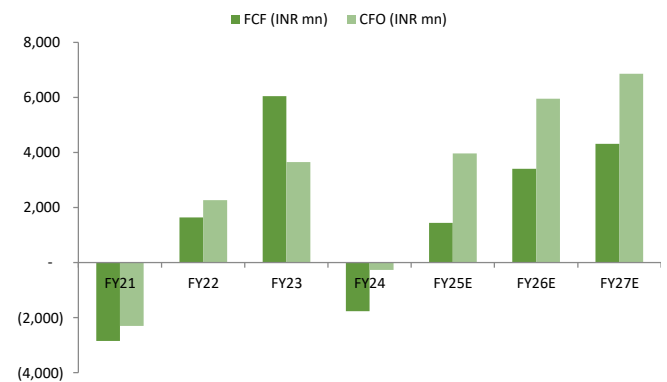
**Exhibit 16: Return ratios to be improve**



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



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



Source: Company Reports, Arianth Capital Research

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