# **Arihant**Capital Generating Wealth

# Q4FY24 Result update 17<sup>th</sup> May, 2024

# **Titagarh Rail Systems Ltd**

# Strong execution on freight, passenger rail systems yet to pick-up.

# CMP: INR 1,212

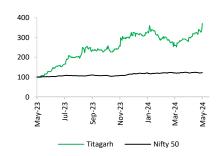
# **Rating: BUY**

# 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)	

(AS ON MUL, 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 O4FY23.

### **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 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 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%.

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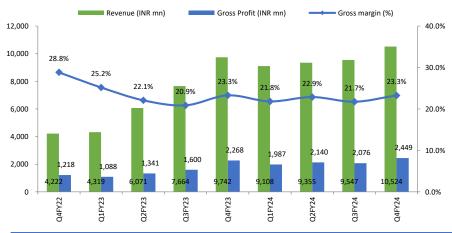
# **Titagarh Rail Systems Ltd**

### Q4FY24 Results

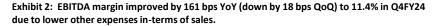
Particular (INR Mn)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Revenue	9,742	9,547	10,524	8.0%	10.2%
Net Raw Materials	7,474	7,471	8,075	8.0%	8.1%
Gross Profit	2,268	2,076	2,449	8.0%	18.0%
Gross Margin (%)	23.3%	21.7%	23.3%	-1 bps	+153 bps
Employee Cost	169	151	181	6.3%	-12.8%
Other Expenses	1,144	818	1,067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

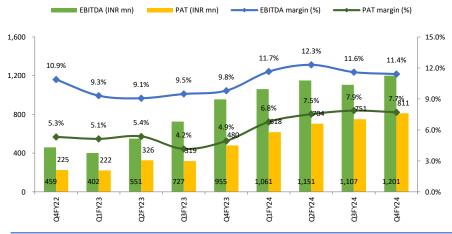
Source: Company Reports, Arihant Capital Research





Source: Company Reports, Arihant Capital Research





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.

# Q4FY24 Result update

# Titagarh Rail Systems Ltd

# **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
Total Revenue	27,796	38,533	51,100	65,650	68,450
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
Total Revenue	27,796	38,533	47,220	56,700	62,100
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
Total Revenue	27,796	38,533	42,800	52,200	56,500
Valuation					
Exhibit 4: Bull Case Scenario					
Bull Case (INR mn) Revenue	<b>FY23</b> 27,796	<b>FY24</b> 38,533	<b>FY25E</b> 51,100	<b>FY26E</b> 65,650	<b>FY27E</b> 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 (%) EPS (INR)	4.2% 11.3	7.4% 21.4	10.3% 39.0	11.1% 54.2	11.4% 58.1
	11.0		0010	0.112	00.1
Valuation - P/E (FY27E)					50.4
EPS (INR) P/E (x)					58.1 35.0
Target Price (INR)					2,034
CMP (INR)					1,212
Upside/Downside (%)					67.8%
Exhibit 5: Base Case Scenario	51/22	51/24	EVALE	EVACE	51/275
Bull Case (INR mn) Revenue	<b>FY23</b> 27,796	<b>FY24</b> 38,533	<b>FY25E</b> 47,220	<b>FY26E</b> 56,700	<b>FY27E</b> 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 (%) EPS (INR)	4.2% 11.3	7.4% 21.4	10.2% 35.6	11.0% 46.3	11.4% 52.4
	11.5	21.4	33.0	40.5	52.4
Valuation - P/E (FY27E)					
EPS (INR) P/E (x)					52.4 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) CMP (INR)					1,418 1,212
Upside/Downside (%)					17.0%
Source: Company, Arihant Capital Research					

# **Sensitivity Analysis**

Freight Rail Systems Revenue (INR mn) - FY25E

	<u>,                                    </u>	Freight Wagon Realization (INR Mn/Wagon)3.53.63.73.83.94.04.14.24.34.430,80031,68032,56033,44034,32035,20036,08036,96037,84038,720332,20033,12034,04034,96035,88036,80037,72038,64039,56040,480433,60034,56035,52036,48037,44038,40039,36040,32041,28042,240435,00036,00037,00038,00039,00040,00041,00042,00043,00044,000436,40037,44038,48039,52040,56041,60042,64043,68044,72045,760437,80038,88039,96041,04042,12043,20044,28045,36046,44047,5204											
	42,120	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	
	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	
les	10,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000	44,000	45,000	
Volumes	10,400	36,400	37,440	38,480	39,520	40,560	41,600	42,640	43,680	44,720	45,760	46,800	
۶ ۶	10,800	37,800	38,880	39,960	41,040	42,120	43,200	44,280	45 <i>,</i> 360	46,440	47,520	48,600	
Wagon	11,200	39,200	40,320	41,440	42,560	43,680	44,800	45,920	47,040	48,160	49,280	50,400	
Wa	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 <i>,</i> 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 Re	ealization (	INR Mn/W	agon)			
	44,460	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
	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 <i>,</i> 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
Jes	10,500	36,750	37,800	38,850	39,900	40,950	42,000	43,050	44,100	45,150	46,200	47,250
Volumes	11,000	38,500	39,600	40,700	41,800	42,900	44,000	45,100	46,200	47,300	48,400	49,500
ک کار	11,500	40,250	41,400	42,550	43,700	44,850	46,000	47,150	48,300	49,450	50,600	51,750
Wagon	12,000	42,000	43,200	44,400	45,600	46,800	48,000	49,200	50,400	51,600	52,800	54,000
Ŵ	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 <i>,</i> 300	54,600	55 <i>,</i> 900	57,200	58,500
	13,500	47,250	48,600	49 <i>,</i> 950	51,300	52 <i>,</i> 650	54,000	55 <i>,</i> 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)											
	46,800	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5		
	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		
Jes	11,000	38,500	39,600	40,700	41,800	42,900	44,000	45,100	46,200	47,300	48,400	49,500		
Volumes	11,500	40,250	41,400	42,550	43,700	44,850	46,000	47,150	48,300	49,450	50,600	51,750		
ە / د	12,000	42,000	43,200	44,400	45,600	46,800	48,000	49,200	50,400	51,600	52,800	54,000		
Wagon	12,500	43,750	45,000	46,250	47,500	48,750	50,000	51,250	52,500	53 <i>,</i> 750	55,000	56,250		
N S	13,000	45,500	46,800	48,100	49,400	50,700	52,000	53 <i>,</i> 300	54,600	55 <i>,</i> 900	57,200	58,500		
	13,500	47,250	48,600	49,950	51,300	52,650	54,000	55 <i>,</i> 350	56,700	58 <i>,</i> 050	59 <i>,</i> 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 <i>,</i> 650	55,100	56,550	58,000	59,450	60,900	62,350	63,800	65,250		
	-													

Source: Company Reports, Arihant Capital Research

- Bull Case

- Base Case

- Bear Case

# **Sensitivity Analysis**

Passenger Rail Systems Revenue (INR mn) - FY25E

					Rolli	ngstocks F	Realization	(INR Mn/c	ar)			
	5,100	60	65	70	75	80	85	90	95	100	105	110
	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
es	40	2,400	2,600	2,800	3,000	3,200	3,400	3,600	3,800	4,000	4,200	4,400
Volumes	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
Rollingstocks	70	4,200	4,550	4,900	5,250	5,600	5,950	6,300	6,650	7,000	7,350	7,700
gsto	80	4,800	5,200	5,600	6,000	6,400	6,800	7,200	7,600	8,000	8,400	8,800
lin	90	5,400	5,850	6,300	6,750	7,200	7,650	8,100	8,550	9,000	9,450	9,900
Ro	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

			6,0006,5007,0007,5008,0008,5009,0009,50010,00010,50011,006,6007,1507,7008,2508,8009,3509,90010,45011,00011,55012,507,2007,8008,4009,0009,60010,20010,80011,40012,00012,60013,77,8008,4509,1009,75010,40011,05011,70012,35013,00013,65014,338,4009,1009,80010,50011,20011,90012,60013,30014,00014,70015,43										
	12,240	60	65	70	75	80	85	90	95	100	105	110	
	100	6,000	6,500	7,000	7,500	8,000	8 <i>,</i> 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	
es	120	7,200	7,800	8,400	9,000	9,600	10,200	10,800	11,400	12,000	12,600	13,200	
Volumes	130	7,800	8,450	9,100	9,750	10,400	11,050	11,700	12,350	13,000	13,650	14,300	
<b>N</b>	140	8,400	9,100	9,800	10,500	11,200	11,900	12,600	13,300	14,000	14,700	15,400	
Rollingstocks	150	9,000	9,750	10,500	11,250	12,000	12,750	13,500	14,250	15,000	15,750	16,500	
gsto	160	9,600	10,400	11,200	12,000	12,800	13,600	14,400	15,200	16,000	16,800	17,600	
li.	170	10,200	11,050	11,900	12,750	13,600	14,450	15,300	16,150	17,000	17,850	18,700	
Ro	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

					Roll	ingstocks F	Realization	(INR Mn/c	ar)			
	15,300	60	65	70	75	80	85	90	95	100	105	110
	100	6,000	6,500	7,000	7,500	8,000	8 <i>,</i> 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
es	130	7,800	8,450	9,100	9,750	10,400	11,050	11,700	12,350	13,000	13,650	14,300
Volumes	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
Rollingstocks	175	10,500	11,375	12,250	13,125	14,000	14,875	15,750	16,625	17,500	18,375	19,250
gsto	190	11,400	12,350	13,300	14,250	15,200	16,150	17,100	18,050	19,000	19,950	20,900
lin I	205	12,300	13,325	14,350	15,375	16,400	17,425	18,450	19,475	20,500	21,525	22,550
8	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, Arihant Capital Research

- Bull Case

- Base Case

- Bear Case

# **Titagarh Rail Systems Ltd**

# Industry Wagon Volumes – Indian Railways (RSP)

Wagon Volumes (Units)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Titagarh Wagons	559	447	620	810	591	571	1,183	1,522	1,666	1,430	949	1,195	1,377
Jupiter Wagons	503	560	334	388	461	326	512	830	755	557	314	277	816
Texmaco	270	209	135	258	66	29	339	913	1,046	998	1,098	1,355	1,665
Modern	296	215	178	264	132	250	408	-	44	27	-	-	-
H.E.I	166	222	119	91	11	203	481	923	735	550	610	566	1,036
Besco (WD)	80	62	113	104	-	105	219	290	320	249	208	196	157
Besco (FD)	-	-	-	-	-	-	-	85	215	200	225	205	343
Oriental	42	-	-	-	-	-	-	171	232	148	182	264	322
Amtek	-	5	-	-	-	-	17	-	-	-	-	-	-
CIMMCO	9	-	-	-	-	-	-	-	-	-	-	-	-
CEBBCO	65	-	2	-	-	-	-	-	-	-	-	-	-
Jindal	-	-	-	-	-	-	-	-	-	-	-	-	-
Braithwaite	273	158	278	198	458	358	250	385	458	153	111	82	-
SRBWIL	-	-	35	88	161	101	170	206	207	132	-	152	258
Total Industry Wagons	2,263	1,878	1,814	2,201	1,880	1,943	3,579	5,325	5,678	4,444	3,697	4,292	5,974

Volume Share (%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Titagarh Wagons	24.7%	23.8%	34.2%	36.8%	31.4%	29.4%	33.1%	28.6%	29.3%	32.2%	25.7%	27.8%	23.0%
Jupiter Wagons	22.2%	29.8%	18.4%	17.6%	24.5%	16.8%	14.3%	15.6%	13.3%	12.5%	8.5%	6.5%	13.7%
Texmaco	11.9%	11.1%	7.4%	11.7%	3.5%	1.5%	9.5%	17.1%	18.4%	22.5%	29.7%	31.6%	27.9%
Modern	13.1%	11.4%	9.8%	12.0%	7.0%	12.9%	11.4%	0.0%	0.8%	0.6%	0.0%	0.0%	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%	16.5%	13.2%	17.3%
Besco (WD)	3.5%	3.3%	6.2%	4.7%	0.0%	5.4%	6.1%	5.4%	5.6%	5.6%	5.6%	4.6%	2.6%
Besco (FD)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	3.8%	4.5%	6.1%	4.8%	5.7%
Oriental	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	4.1%	3.3%	4.9%	6.2%	5.4%
Amtek	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	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%	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%	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%	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%	3.0%	1.9%	0.0%
SRBWIL	0.0%	0.0%	1.9%	4.0%	8.6%	5.2%	4.7%	3.9%	3.6%	3.0%	0.0%	3.5%	4.3%

Source: Ministry of Railways, Arihant Capital Research; Volumes as per RSP (Indian Railway)

# Wagon Industry Note

ArihantCap Generating S	Modth Industry Note	
	Wagons are gearing up on the right track.	
Railway Sector Note	Union Budget 2023-24, Railway capital outlay is INR 2.4 lakh or which is the of the 2013-34 capital outlay. The watern manufacturing is ramping up due to demand for freight & passenger waterns.	CMP: INR 295
	There is a shift in commercial vehicles to Rall for transportation. Recently, National transporters raised a demand for 90,000 wagons and awarded 72,358 wagons to 7 manufacturers. Further,	Rating: BUY
1.178	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 acknowagon cost around INR 7mm to IRI 10mm. It will be a same characer in the wagons buildings. The wagon	Target Price: INR 4
	manufacturers are in full swing mode for manufacturing and operating at full 70% - 90%	Stock Info
The second	capacity compared to 40% in past years. The railways currently operate 3,00,000 wagons and	RSE
and a second second second	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
NAME AND ADDRESS OF AD	which was impacted due to supply chain issues. Post-Dec-22, wagon manufacturing ramped up	Bloomberg
LACK CONTRACTOR	due to the normalization of wheelset supplies.	Reutera
State of the second second	Top wegon manufacturers' revenue is expected to grow at a 25% CAGR over the period of FY22-	Sector O
NORTH THE REAL PROPERTY AND INCOME.	PY25E, backed by strong order inflows from the Indian railway along with an increase in price	Face Value (INR)
an Advant Capital Research	per wagon. Ramping up capacity utilization and better absorption of fixed costs led to EBITDA	Equity Capital (INR mn)
	margin improvement of 200 bps for top wagon manufacturers over the period of PY22-PY25E. Wagon manufacturer's Debt/EBITDA is expected to reduce from "4x to less than 2x roing	Mkt Cap (INR mn)
	forward. The debt coverage metrics are expected to improve along with steady improvement of	52w HA. (INR)
	revenues and margins. Overall, Wagon manufacturers' credit profile is likely to improve over	Ave Yearb Volume (in
	the medium term.	0007)
	The price per wagon is currently in the range of INR 3.3mn to INR 4.5mn based on wagon	Shareholding Pattern %
	models. Private wagon's price is INR 4lakh to INR Slakh higher than railway wagons which is	(As on Dec, 2022)
	more than 10%. Private wagons are fixed price contracts, so wagon manufacturers are taking	Promoters
	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	DI
	customers. Steel and labor cost is pass-through based on WPI. The rise in power demand leads	0
	to an increase in coal transportation. The wagon demand is witnessed from Cement, Steel, Coal,	Public & Others
	and Mining industries. Wagon transport is more convenient and economical than commercial	
	vehicles.	Stock Performance (%) 3m
	Titagargh wagon's order book-to-revenue ratio stood at 4.43x (FY22 TTM revenue), which	TWL 33.7
	provides revenue visibility. The company has received orders for 24,177 wagons from Indian	NIFTY -1.9
	Railways. The order is worth around INR 78bn which is executable in 39 months. Recently, Titagargh Wagons and BHEL are L2 at INR 1.398bn per car. The order size is estimated for 80	TWL vs Nifty
	cars is around INR 112bn. TRagarsh wagons and Ramurshna forgings emerged L1 for	
	manufecturing and supplying wheelsets to Indian railways. The supply of "1.6-million-wheel	270
	discs of different rolling stocks of Indian Railways over a period of 20 years at about 80,000 wheels per annum.	200
	writers per arrest.	150
	Jupiter wagon's order book-to-revenue ratio stood at 3.32x (FY22 TTM revenue), which	130
	provides revenue visibility. The order book stood at around INII: 52bn which comprises 13,800 wagons. The company has placed orders of close to 20,000 wheel sets on foreign supplier. The	
	wagons. The company has placed orders of close to 20,000 wheel sets on foreign supplier. The company is commenced disc brake production with an initial order of INR 800mn. The company	2 2 2 8 8
	has participated in 40,000 brake discs and expects substantial orders from Indian Railways. The	
	company is targeting commercial EV launch by Oct-Nov this year. The company is targeting 828	
Andread Inter	In commercial EV and focused capture a 7% to 10% market share.	
hishek Jain Barthantras tal. com	Texmaco Rail's order book-to-revenue ratio stood at 4.85x (FY22 TTM revenue), which provides	Abhishek Jain abhishek jain@arihantcapital.co
2-422548871	revenue visibility. The company has received orders for 20,067 wagons from Indian railways.	022-422548871
iarubramanian A	The order is worth around INR 64.5bn which is executable in 39 months. The company is currently making 300 to 350 wagons per month. The company has a requirement to supply 550	
sis (Parthantcapital.com 22-67114780	wagons per month and is focused to deliver 675 wagons per month. Foundry is expected to	Balasubramanian A bala@arthantcapital.com
actor a anticipal	reach maximum capacity in the next 4 to 6 months. The company has focused on small-duration	022-67114780
	contracts. The Rail EPC contracts are generally 9-18 months and a maximum of 24 months.	
Arihant Capital Markets Ltd	Arihant Capital Markets Limited Issuent Autor Sitt Reported in Notematics	Arihant Capital Markets Ltd

Source: Arihant Capital Research

# Titagarh Plant Visit Note

Generat	ing Wealth	Titagarh Wagons	
		Wagons on cards	
CMP: INR 2	195	We visited Titagarh freight wagon's and Ship building plant at Titagarh, Kolkata and Rolling stocks, Propulsion systems and traction motor plant	Railway Them
Rating: BUY		at Uttorpara, Kolkata. Also we interacted with Mr. Saket Kandoi – Freight Rolling Stock COO, Mr. Mrinal Kanti Das – Freight Wagon Plant	infrastructure YoV from INR 1
Target Price: If	NR 470	Head, Mr. Dilip Jadeja – Passenger Rolling Stock COO, Mr. Veerakumar Sivasubramanian – Passenger Rolling Stock Plant Head, Mr. Sai	over the period from Alter Fr2
Stock Info BSE	532966	Subramaniam – Propulsion Plant Head, Mr. Sourav Singhania – Jt CPO & Group Finance Controller, Mr. Anil Kumar Agarwal – Director (Finance), CPO & GINRO and other TRagarh members.	"kalways will and efficient movement of
NSE Bloomberg	TWL	Key Highlights	One Product popularized to supply chains"
Reuters	TITW.NS	Strong revenue visibility backed by order book: The company has an order book of 25,000 wagons and around 8,000 + 10,000 wagons are	from incon Frd
Sector Face Value (INR)	Capital Goods 2	expected to complete in FY24 at optimum utilization levels. We are expecting around INR 39bn - INR 40bn revenue in FY24E on a	Rig apportun Traine: 1600 V coming up a
Equity Capital (INR mn) Mkt Cap (INR mn)	239 35,273	conservative basis. The company is manufacturing around 600 wagons per month and focused to manufacture 1,000 wagons per month from	Trains are en Aug-2022".
52w H/L (INR) Avg Yearly Volume (In	310/93.4	September onwards due to improvement in supply chain efficiencies. The plant is making around 32-34 wagons per day and is focused to reach	ATP opport "Under Kas
2007)	178.3	40 wagons per day. Out of 40 wagons, 25 are BOXNHL wagons and 15 are Covered Wagons. There is a structural change in wagons and rail systems	Protection (# deployed acro
Shareholding Pattern (4e c= Dec, 2022)		due to make in India. The industry is expected manufacture 20,000 to 30,000 wagons per annum and Titagarh is expected to capture 30%-33%	beginning with will be rolled a every subseque
Promoters	47.82	share over medium term.	Opportunity i
Fil Public & Others	5.27 40.10	First mover advantage in wheelsets: Titagarh Wagons bagged orders from the Ministry of Railways to supply "1.54 million forged wheels of	PM-Gatishak5 coming three
Stock Performance (%) 3		different rolling stocks of Indian Railways over a period of 20 years at about 77,000 wheels per annum. The order worth is around INR 122.3bn.	Opportunities new stations 122 calvase
TWL 33		spread over 20 years. The company has 30:30 partnerships with RK Forgings. The project costs around INR 10bn and will be funded through	ectate develo 50,000cr and
TWL vs Nifty		internal accruals (50%) and long-term debts. The funding is expected to complete in the next 2 years. The company is setting up a capacity of 2	are coming up Opportunities
200 200 200 100	m	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 breakeven is normally expected at 40,000 to 50,000 wheels.	"Metro rail p generate this initial of oppo companies of FV20P".
	a a a	Casting wheelset cost around INR 2.3 lakhs, while forged wheelsets cost around INR 2.7 lakhs to INR 2.8 lakhs. Forged wheelsets are costiler and stronger than casting wheelsets. On a conservative basis, we assume INR	Opportunities speed rail
* * * *	8 2 2 NBy 50	2lakh per wheel, Titagarh's revenue share is expected around INR 40bn to INR 50bn in 5 years which starts from FY26E. The payback period is	Ahmedabad sanctioned at bot.
Abhishek Jain		expected in 3 years. Wheelsets business margins are expected around 13% going forward. Titagarh -RK forgings is expected to export wheelsets after a few years, which will be a potential opportunity.	"Pune-Nachisi project cancti INR 16,039 of
abhahek jain@arthantcapi 022-422548871	tal.com		
022-422548871 Balasubramanian A		Backward Integration will lead to margin improvement: The backward integration of traction motor and propulsion systems will lead to margin improvements.	Abhishek Jain abhishek Jain ( 022-42254887
bala@arthantcapital.com		1) Propulsion: BHEL is having development order for propulsion	Ralanderaman

 1) Propulsion: BHEL is having development order for propulsion and BHEL is a major supplier for Indian Reliveys. Tilegent wago organizioni under the testing stage. Arihent Capital Markets: Limited Swawsh Andre HM Hadination No. Medication 355, Market Development Ros New 10 For Andread Relived (1) Model of Market Science (1) Market (1) Model (1) Mode

Source: Arihant Capital Research

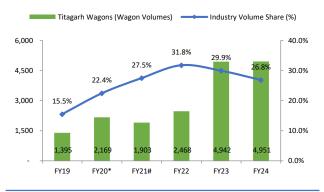
#### **Railway Sector Note**

ArihantCap	30 <sup>th</sup> Jan 2023 Sector update	Railways
		eady to leave station.
Dene	Indian railway system is 4th largest in the world, behind only US.	Russia, and China, India is
and National Rol Rep.	the 4+ largest rail freight carrier in the world. Indian railwa	
cture is expected to grow 25%	employer in India and the 8th largest in the world. The Rafwa	
INR 50 lakh to INR 542 lakh or period of Fr23-Fr30".	uptick and remain robust for the next decade. In the FY22 but	
m FY22 Annual report.	allotted INR 1.1 lakh or to the Ministry of Railways (MoA). The ra towards dedicated freight corridors, network decongestion, but	
	semi-high-speed train projects. The "Atmanirbhar Bharat" initial	on for the development of
s will develop new products icient logistics services for	alternative high-tech machines, that are needed to build high-sp	
et of parcels. 'One Station-	plan for 2030, Indian railways is expected to reach a future-read	
roduct' concept will be	to bring down logistics cost and ensure 100% electrification in	rail routes by FY23E. The
and to help local businesses &	railway infrastructure investment is expected around INR 50 lakh	cr between 2018 to 2030.
on FT22 Annual report.		
	The increasing income in urban and rural areas has made rail to number of indians. The improvement in rural connectivity will b	
ortunity in Vondhe Altarot 900 Vondhe Altarot Trains are	growth, in railways, around 350 new stations are coming up	
up and 75 Vandhe Bharat	passenger and freight growth and opportunities for railway	
re expected to complete by 27.	population is expected to reach 543 mn by FY25 will further accel	
aportunity under Kavach: Kavach, Automatic Train	National Infrastructure investments are nearly INR 75 lakh or of and the National Infrastructure Plan outlined by the Governme	
in (ATP) system, will be	and the historial infrastructure vian outsned by the upventme lakh cr over the period of FY2D-FY25E. Transport, Energy, and v	
factors the entire tail network	"BO% of NP spending of planned of INR 111 lakh cr. More that	
g with 2,000 km in FY22 and alled out in 4,000 to 5,000 km	under construction and EPC has the opportunity at INR 42 lakh	
becaust year".	section. The redevelopment opportunity in railways has INR 1	
	development accounting for "70% of development. Around	
nity in Cargo Terminols: "100 stakti Cargo Terminals in	identified by the railways and 1 <sup>st</sup> station Habibgari has com- station redevelopment scheme is expected to be implemented up	
hree years".	station redevelopment scheme is expected to be implemented u	ther the www.program.
nities in redevelopment and	The railway infra players have the potential opportunity due to 4	00 Vandhe Bharat Trains;
tion: 'The redevelopment of	75 Vandhe Bharat trains are expected to be complete by Aug	
way stations along with real evelopment is estimated INR	Cargo Terminals, 2,000 km coverage under Kavach, Solar power f	
and amound new 350 stations	stations redevelopment and connectivity to the major ports. Th	
ng up".	expected to finance through budgetary support and remaining market borrowings & Institutional finance.	from internal sources and
nities in Metro roll projects:		
rail projects are expected to	Doubling of Lines and New lines capex is expected around 45% of	
INR 1.7 lakh or (25% of urban apportunities for construction	Rail Wkas Nigam's 50% of business comes from these areas which	
es over the period of FY23-	potential business opportunity going forward. Locomotives and 1 around 20% of the total railway capex and Titagarh Wagons, Te	
	and Jupiter Wagons are expected to benefit going forward. Muti-	
nities in High & Semi high	around 19% of total railways capes and Rites is handling 70% of	
rail projects: "Munitai-	by Indian railways, The company has potential business opp	ortunities going forward.
had high-speed rail project ed at a total cost of \$14.52	Transmission lines capex is expected around 1% of total railway	
on at a table cast or partial	and Kalpataru Power Transmission are expected to benefit fr	
achisk semi high-speed rail	capes. The automatic signalling capes is expected around 2% of is well positioned on signalling and modernization of projects.	
active sensi tigh-speed rational sensitioned at a total cost of	companies are ircon international, XEC international, Rail Vikas	
and.	Texmaco Rail & Engineering, Rites, Railtel, Kalpataru Power Tran	
	Kernex Micro Systems are expected to be beneficial on Rail	
alan ain garihart capital.com	forward. All the Railways infra companies are maintaining at least	
48871	the revenue which shows potential business visibility going forwa	ed.
A naine A		
tartcapital.com		

Source: Arihant Capital Research

# Industry Wagon Volumes – Indian Railways (RSP)

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



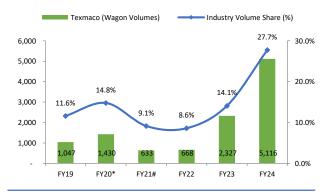
Source: Ministry of Railways, Industry, Arihant Capital Research

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, Arihant Capital Research

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



Source: Ministry of Railways, Industry, Arihant 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, Arihant Capital Research

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



Source: Ministry of Railways, Industry, Arihant Capital Research

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



Source: Ministry of Railways, Industry, Arihant 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
EBITDA	806	1,649	2,635	4,519	5,642	7,030	7,979
EBITDA Margin (%)	5.3%	11.2%	9.5%	11.7%	11.9%	12.4%	12.8%
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)	-	-	-
Profit before tax	(55)	1,070	1,901	3,886	6,528	8,486	9,592
Taxes	(132)	(292)	(555)	(1,001)	(1,730)	(2,249)	(2,542)
РАТ	(187)	778	1,346	2,884	4,798	6,237	7,050
PAT Margin (%)	-1.2%	5.3%	4.8%	7.5%	10.2%	<b>11.0%</b>	11.4%
Loss from Discontinued operations	-	(780)	(89)	(23)	-	-	-
Net PAT	(187)	(2)	1,257	2,861	4,798	6,237	7,050
Other Comprehensive income	81	57	(100)	3	-	-	-
Net profit	(106)	55	1,157	2,865	4,798	6,237	7,050
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
Net worth	8,406	8,421	9,636	22,311	27,109	33,346	40,397
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
Total Liabilities	19,672	18,796	13,772	25,767	29,881	36,254	42,582
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 <i>,</i> 589
Other non current assets	739	1,419	1,714	574	2,361	2,835	3,105
Net working capital	7,034	5,729	3,650	7,076	8,272	8,998	9,706
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
Total Assets	19,672	18,796	13,772	25,767	29,881	36,254	42,582

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
<u>RoE (%)</u>	-2.3%	9.2%	14.9%	18.1%	19.4%	20.6%	19.1%

Source: Company Reports, Arihant Capital Research

# **Financial Statements**

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 <i>,</i> 542)
Working capital Δ	(2,419)	1,305	2,079	(3,426)	(1,196)	(726)	(708)
Operating cashflow	(2,307)	2,267	3,651	(271)	3,965	5,949	6,860
Capital expenditure	(538)	(633)	2,394	(1,503)	(2,521)	(2,546)	(2 <i>,</i> 552)
Free cash flow	(2 <i>,</i> 845)	1,634	6,045	(1,774)	1,444	3,403	4,309
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)
Net ∆ in cash	680	(820)	579	5,091	(1,951)	1,549	2,412
Opening Cash Flow	561	1,240	421	1,000	6,091	4,140	5,689
Closing Cash Flow	1,240	421	1,000	6,091	4,140	5,689	8,101

Source: Company Reports, Arihant Capital Research

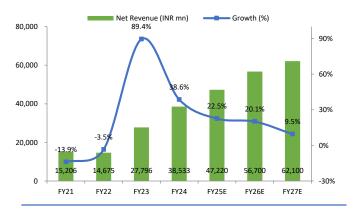
Ratio analysis							
Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)							
Revenue growth	-13.9%	-3.5%	89.4%	38.6%	22.5%	20.1%	9.5%
Op profit growth	-33.3%	104.5%	59.8%	71.5%	24.8%	24.6%	13.5%
Profitability ratios (%)							
OPM	5.3%	11.2%	9.5%	11.7%	11.9%	12.4%	12.8%
Net profit 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%
Per share ratios (INR)							
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
Valuation ratios (x)							
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
Payout (%)							
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%
Liquidity ratios							
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
Leverage ratios (x)							
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, Arihant Capital Research

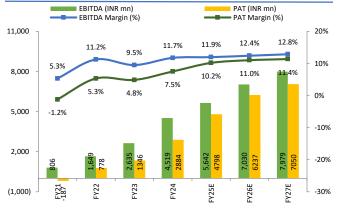
# **Titagarh Rail Systems Ltd**

# **Story in Charts**

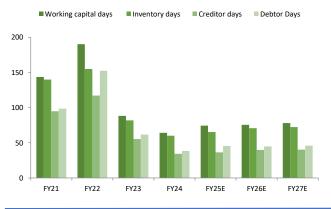
#### Exhibit 13: Freight Wagons, Metro and Vande Bharat trains are expected to drive revenue growth over the period of FY24-FY27E.



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

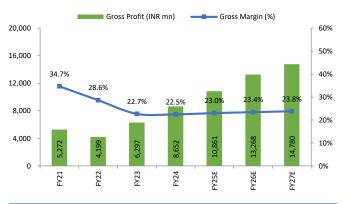


#### Exhibit 17: Working capital days to be improve.

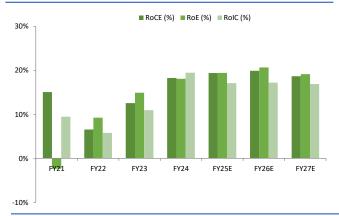


Source: Company Reports, Arihant Capital Research

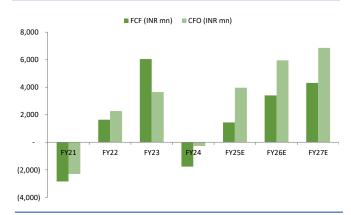
#### Exhibit 14: Gross margins are expected to improve going forward.



# Exhibit 16: Return ratios to be improve



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



Q4FY24 Result update

# **Titagarh Rail Systems Ltd**

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%

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