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CMP: INR 634

Rating: BUY

Target Price: INR 851

Stock Info

BSE	532966
NSE	TITAGARH
Bloomberg	TWL:IN
Reuters	TITG.NS
Sector	Capital Goods
Face Value (INR)	2
Equity Capital (INR mn)	239
Mkt Cap (INR mn)	75,808
52w H/L (INR)	675 / 120
Avg Yearly Volume (in 000')	890.6

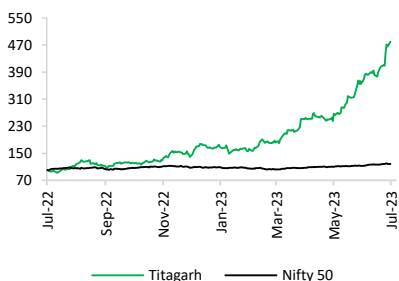
Shareholding Pattern %

(As on Jun, 2023)

Promoters	44.96
DII	9.10
FII	12.60
Public & Others	33.34

Stock Performance (%)	3m	6m	12m
TITAGARH	91.3	184.3	380.1
NIFTY	10.9	8.6	18.3

Titagarh vs Nifty



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Titagarh Rail Systems reported strong numbers, Q1FY24 revenue stood at INR 9,108mn (+110.9% YoY/-6.5% QoQ); above our estimates of INR 8,965mn, backed by strong performance across segments. Gross Profit stood at INR 1,987mn (+82.7% YoY/-12.4% QoQ), below our estimates of INR 2,241mn. Gross margins contracted by 337 bps YoY (down by 147 bps QoQ) to 21.8% vs 25.2% in Q1FY23. The margin contraction is mainly because of raw material cost increase in terms of sales. The raw material cost in terms of sales stood at 78.2% vs 74.8% in Q1FY23. EBITDA stood at INR 1,061mn (+163.7% YoY/+11.1% QoQ); above our estimates of INR 825mn. EBITDA margin improved by 233 bps YoY (up by 185 bps QoQ) to 11.7% vs 9.3% in Q1FY23. EBITDA margin improvement backed by reduction in employee costs and other expenses in-terms of sales. PAT stood at INR 618mn (+178.7% YoY/+28.7% QoQ); above our estimates of INR 479mn. PAT margin improved by 165 bps YoY (up by 186 bps QoQ) to 6.8% vs 5.1% in Q1FY23.

Freight Rail Systems revenue stood at INR 7,461mn (+129.9% YoY/-7.7% QoQ); EBIT Stood at INR 972mn (+205% YoY/+14% QoQ). EBIT margin improved by 321 bps YoY (up by 247 bps QoQ) to 13% vs 9.8% in Q1FY23. The company is currently executing 650-700 wagons per month and focused on 1,000 wagons per month by the end of FY24E.

Passenger Rail Systems revenue stood at INR 1,647mn (+102.1% YoY/-0.9% QoQ); EBIT Stood at INR 63.8mn (+151.9% YoY/-36.3% QoQ). EBIT margin improved by 77 bps YoY (down by 215 bps QoQ) to 3.9% vs 3.1% in Q1FY23. The company is making 5-6 cars per month and focused to reach 20 cars per month by end of FY24E and focused on 70 cars per month over the medium term. The backward integration of propulsion systems will improve the margins going forward.

Key Highlights

Strong order book shows potential business visibility: The order book stood at INR 278.9bn (~8.5x of FY23 TTM revenue) showing potential business visibility. Freight rolling stocks order book stood at INR 136.12bn and Passenger Rolling stocks order book stood at INR 142.78bn. Vandhe Bharat's order book share stood at ~INR 127.16bn. Wheels order book share stood at INR 63bn and the remaining order book of INR 88.74bn is for freight wagons and metro and others.

Capex and Supply chain efficiencies lead to ramp-up execution: The Capex is around INR 10bn, INR 2.5bn already incurred in past years, and the remaining is expected in the next 3-4 years. Capex funding is through part of internal accruals and debt. Wagon manufacturing capacity stood at 700 wagons per month and is expected to reach 1,000 wagons per month going forward. Foundry capacity stood at 30,000 MT and is expected to reach 50,000 MT in the next two years. Passenger rolling stock capacity stood at 20 coaches per month and is expected to reach 70 coaches per month going forward. The capacity expansion with the availability of wheelsets and supply chain efficiencies lead to a ramp-up in the execution of orders.

Wheels and Metro & Vandhe Bharat trains will be the key trigger: The company has signed the contracts for Vande Bharat tender and Forged wheels tender. Ramkrishna Titagarh Rail Wheels Ltd has incorporated and Plant is expected to complete and start commercial production by Q4FY26E. The wheelset plant is expected to generate minimum INR 20bn per annum going forward. The company has received LOA from Gujarat Metro Rail Corporation for Design, Manufacturing, Supply, Testing, commissioning & training of 72 Train sets for Surat Metros. The orders valued around INR 119.2mn/car for INR 8.57bn. In Vande Bharat, the company is focused on execution of 80 Vande Bharat trains.

Outlook & Valuation: Titagarh Railsystems has a strong order book (~8.5x of FY23 TTM revenue), Capacity expansion for freight wagons and Passenger coaches, backward integration through traction motors and propulsion systems, well positioned to benefit from freight wagons, Vandhe Bharat Trains, Metros, and global wagon tenders, New orders for Vandhe Bharat Trains and Wheelsets will drive business growth going forward. In Base Case, Revenue is expected to grow at a CAGR 30.8% over the period of FY23-FY26E, RoE is expected to improve from 14.9% (FY23) to 23.8% in FY26E. The stock is trading at 35x of its FY24E EPS. In Base Case Scenario, At the CMP of INR 634 per share, We maintain our "BUY" rating and valued the stock at 25x of its FY26E EPS of INR 34, and arrived at a price objective of INR 851, an upside of 34.3%.

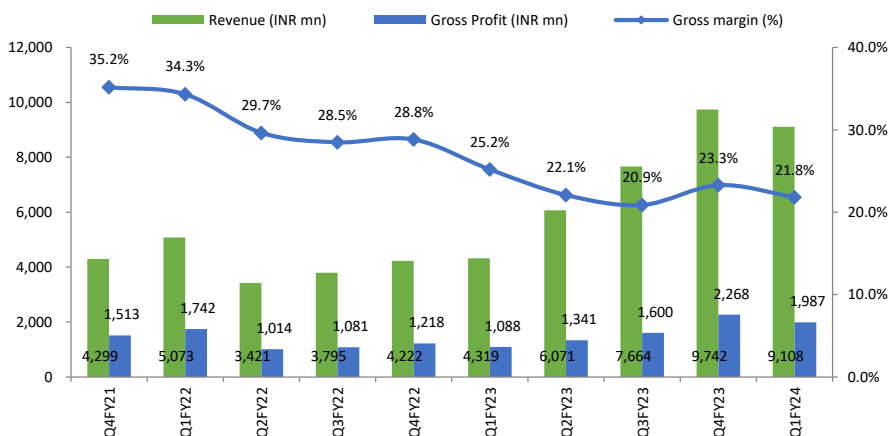
Q1FY24 Results

Income statement summary

Particular (INR Mn)	Q1FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Revenue	4,319	9,742	9,108	110.9%	-6.5%
Net Raw Materials	3,231	7,474	7,120	120.4%	-4.7%
Employee Cost	124	169	158	27.1%	-6.5%
Other Expenses	561	1,144	768	36.9%	-32.9%
EBITDA	402	955	1,061	163.7%	11.1%
EBITDA Margin (%)	9.3%	9.8%	11.7%	+233 bps	+185 bps
Depreciation	54	64	66		
Interest expense	156	222	191		
Other income	89.8	69.8	38.9		
Share of profits associate & JV	-	(37)	-		
Profit before tax	283	702	843		
Taxes	61	222	225		
PAT	222	480	618	178.7%	28.7%
PAT Margin (%)	5.1%	4.9%	6.8%	+165 bps	+186 bps
Other Comprehensive income	(21.8)	(2.8)	11.2		
Net profit	200	477	629	214.7%	31.8%
Net profit Margin (%)	4.6%	4.9%	6.9%	+228 bps	+201 bps
EPS (INR)	1.9	4.0	5.2		

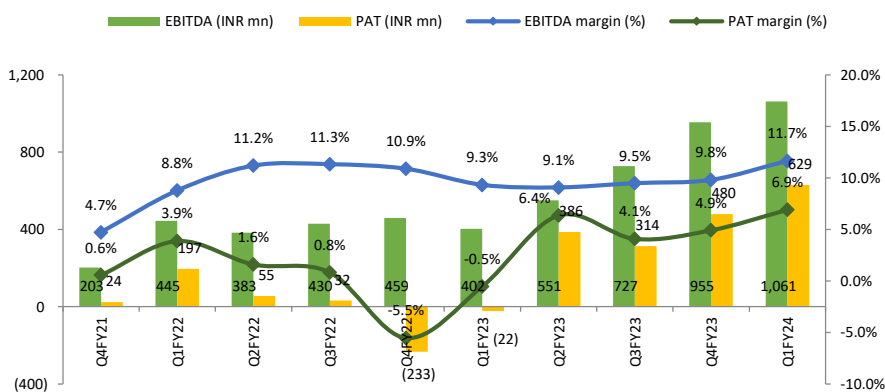
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins contracted by 337 bps YoY to 21.8% due to higher RM costs in Q1FY24.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA Margin improved by 233 bps YoY due to lower employee and other expenses in-terms of sales in Q1FY24.



Source: Company Reports, Aриhant Capital Research

Q1FY24 Concall Highlights**Margins**

- EBITDA margin is expected around 8%-10%. The company is targeting 10% margins on yearly basis.
- In passenger rolling stocks, Margins are lower due to volumes and expected to improve based on capacity utilization, backward integration such as traction motors and propulsion systems.

Freight Wagons

- The Wagons industry is expected to manufacture 30,000 wagons per year and 15%-20% wagons are expected to be Private wagons.
- The company is executing 650-700 freight wagons per month and expected to reach 1,000 wagons by the end of FY24.
- In Q1FY24, the company manufactured 1,700-1,800 wagons.
- Private wagons realization are higher and Fixed price contracts. Railways wagons realization is relatively lower compared to private wagons and prices are pass-through in nature.

Passenger rail systems

- In passenger rail systems, the plant has capacity of 20 cars per month and capacity utilization is around 20%-25%. Ramp-up is expected from Q2FY24 onwards and expected to improve quarter on quarter. Metro production is expected to stabilize in Q3FY24/Q4FY24.
- The company is expected to reach 20 cars per month by the end of FY24. The company is focused to achieve a capacity of 70 cars per month in the next 2.5 to 3 years.

Metros & Vande Bharat trains

- The company has received LOA from Gujarat Metro Rail Corporation for Design, Manufacturing, Supply, Testing, commissioning & training of 72 Train sets for Surat Metros. The orders valued around INR 119.2mn/car for INR 8.57bn.
- The company is executing Pune Metros in FY24. Bangalore metro is expected to start from FY24 and expected to complete by next year or little far from that.
- In Metro orders, some of them have price variation and some of them have fixed cost. Metro corporations are giving 10%-15% advance for orders. Payments are expected for 3-6 weeks of supply. Payments are per car basis.
- Vande Bharat trains are an aspiration for new India. The pipeline remains healthy for Vande Bharat trains. The company is focused on execution of 80 Vande Bharat trains.

Traction motors and Propulsion systems

- In traction motors, trial periods are over for supply to Indian railways. The company graduated from prototype to limited series supply and commercial supply is expected going forward. The traction motor capacity is around 180 motors per month.
- Each locomotive has a requirement of 8 traction motors and replacement demand also there.
- The company is producing lots of traction motors for its own consumption.
- Propulsion systems would take 2 years to commercialize.

Wheelsets

- The company is importing wheels for private wagons. India is a net importer for wheelsets and expected to be net exporter going forward.
- Wheels production is expected by the end of FY26.
- The Indian forged wheel import is around INR 5bn. The wheelsets plant is expected to generate a minimum INR 20bn per year. At full capacity of 2 lakh wheels, revenue is expected around INR 40bn per year. The company is witnessing lots of demand from freight trains and passenger coaches in International markets such as Europe and US.

Seasonality

- Earlier, orders were placed on yearly basis and currently orders are placed on 3 years once. Generally, Q1 will be a little slower, however seasonality has come down. H2FY24 is expected to be better.

Other highlights

- Firema performance is picking up and production is continuously ramping-up.
- The company has signed contracts for Vande Bharat trains tender and Forged Wheels tender in Q1FY24.

Scenario Analysis

Exhibit 3: Scenario Analysis

Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	32,000	43,200	45,600
Passenger Rail Systems	5,287	13,680	22,800	28,500
Shipbuilding, Bridges and Defence	-	670	683	712
Total Revenue	27,796	46,350	66,683	74,812

Base Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	29,070	36,480	41,040
Passenger Rail Systems	5,287	10,200	16,320	20,400
Shipbuilding, Bridges and Defence	-	670	683	712
Total Revenue	27,796	39,940	53,483	62,152

Bear Case (INR mn)	FY23	FY24E	FY25E	FY26E
Freight Rail Systems	22,509	25,380	33,300	37,740
Passenger Rail Systems	5,287	8,640	14,400	17,280
Shipbuilding, Bridges and Defence	-	670	683	712
Total Revenue	27,796	34,690	48,383	55,732

Source: Company, Arianth Capital Research

Valuation

Exhibit 4: Bull Case Scenario

Bull Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	46,350	66,683	74,812
EBITDA	2,635	4,279	6,362	7,422
EBITDA Margin (%)	9.5%	9.2%	9.5%	9.9%
PAT	1,157	2,627	4,271	5,047
PAT Margin (%)	4.2%	5.7%	6.4%	6.7%
EPS (INR)	11.3	22.0	35.7	42.2

Valuation - P/E (FY26)				
EPS (INR)				42.2
P/E (x)				27.0
Target Price (INR)				1,140
CMP (INR)				634
Upside/Downside (%)				79.7%

Source: Company, Arianth Capital Research

Exhibit 5: Base Case Scenario

Base Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	39,940	53,483	62,152
EBITDA	2,635	3,687	5,103	6,166
EBITDA Margin (%)	9.5%	9.2%	9.5%	9.9%
PAT	1,157	2,168	3,291	4,071
PAT Margin (%)	4.2%	5.4%	6.2%	6.6%
EPS (INR)	11.3	18.1	27.5	34.0

Valuation - P/E (FY26)				
EPS (INR)				34.0
P/E (x)				25.0
Target Price (INR)				851
CMP (INR)				634
Upside/Downside (%)				34.3%

Source: Company, Arianth Capital Research

Exhibit 6: Bear Case Scenario

Bear Case (INR mn)	FY23	FY24E	FY25E	FY26E
Revenue	27,796	34,690	48,383	55,732
EBITDA	2,635	3,203	4,616	5,529
EBITDA Margin (%)	9.5%	9.2%	9.5%	9.9%
PAT	1,157	1,793	2,912	3,577
PAT Margin (%)	4.2%	5.2%	6.0%	6.4%
EPS (INR)	11.3	15.0	24.4	29.9

Valuation - P/E (FY26)				
EPS (INR)				29.9
P/E (x)				22.0
Target Price (INR)				658
CMP (INR)				634
Upside/Downside (%)				3.8%

Source: Company, Arianth Capital Research

Sensitivity Analysis

Freight Rail Systems Revenue (INR mn) - FY24E

		Freight Wagon Realization (INR mn/Wagon)										
29,070		3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Wagon Volumes	6,000	21,000	21,600	22,200	22,800	23,400	24,000	24,600	25,200	25,800	26,400	27,000
	6,400	22,400	23,040	23,680	24,320	24,960	25,600	26,240	26,880	27,520	28,160	28,800
	6,800	23,800	24,480	25,160	25,840	26,520	27,200	27,880	28,560	29,240	29,920	30,600
	7,200	25,200	25,920	26,640	27,360	28,080	28,800	29,520	30,240	30,960	31,680	32,400
	7,600	26,600	27,360	28,120	28,880	29,640	30,400	31,160	31,920	32,680	33,440	34,200
	8,000	28,000	28,800	29,600	30,400	31,200	32,000	32,800	33,600	34,400	35,200	36,000
	8,400	29,400	30,240	31,080	31,920	32,760	33,600	34,440	35,280	36,120	36,960	37,800
	8,800	30,800	31,680	32,560	33,440	34,320	35,200	36,080	36,960	37,840	38,720	39,600
	9,200	32,200	33,120	34,040	34,960	35,880	36,800	37,720	38,640	39,560	40,480	41,400
	9,600	33,600	34,560	35,520	36,480	37,440	38,400	39,360	40,320	41,280	42,240	43,200
10,000	35,000	36,000	37,000	38,000	39,000	40,000	41,000	42,000	43,000	44,000	45,000	

Freight Rail Systems Revenue (INR mn) - FY25E

		Freight Wagon Realization (INR Mn/Wagon)										
36,480		3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Wagon Volumes	6,300	22,050	22,680	23,310	23,940	24,570	25,200	25,830	26,460	27,090	27,720	28,350
	6,800	23,800	24,480	25,160	25,840	26,520	27,200	27,880	28,560	29,240	29,920	30,600
	7,300	25,550	26,280	27,010	27,740	28,470	29,200	29,930	30,660	31,390	32,120	32,850
	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	

Freight Rail Systems Revenue (INR mn) - FY26E

		Freight Wagon Realization (INR Mn/Wagon)										
41,040		3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5
Wagon Volumes	7,500	26,250	27,000	27,750	28,500	29,250	30,000	30,750	31,500	32,250	33,000	33,750
	8,000	28,000	28,800	29,600	30,400	31,200	32,000	32,800	33,600	34,400	35,200	36,000
	8,500	29,750	30,600	31,450	32,300	33,150	34,000	34,850	35,700	36,550	37,400	38,250
	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	

Source: Company Reports, Arianth Capital Research

 - Bull Case

 - Base Case

 - Bear Case

Sensitivity Analysis

Passenger Rail Systems Revenue (INR mn) - FY24E

		Rollingstocks Realization (INR mn/car)										
		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	10,200											
	74	4,440	4,810	5,180	5,550	5,920	6,290	6,660	7,030	7,400	7,770	8,140
	84	5,040	5,460	5,880	6,300	6,720	7,140	7,560	7,980	8,400	8,820	9,240
	94	5,640	6,110	6,580	7,050	7,520	7,990	8,460	8,930	9,400	9,870	10,340
	104	6,240	6,760	7,280	7,800	8,320	8,840	9,360	9,880	10,400	10,920	11,440
	114	6,840	7,410	7,980	8,550	9,120	9,690	10,260	10,830	11,400	11,970	12,540
	124	7,440	8,060	8,680	9,300	9,920	10,540	11,160	11,780	12,400	13,020	13,640
	134	8,040	8,710	9,380	10,050	10,720	11,390	12,060	12,730	13,400	14,070	14,740
	144	8,640	9,360	10,080	10,800	11,520	12,240	12,960	13,680	14,400	15,120	15,840
	154	9,240	10,010	10,780	11,550	12,320	13,090	13,860	14,630	15,400	16,170	16,940
	164	9,840	10,660	11,480	12,300	13,120	13,940	14,760	15,580	16,400	17,220	18,040
174	10,440	11,310	12,180	13,050	13,920	14,790	15,660	16,530	17,400	18,270	19,140	

Passenger Rail Systems Revenue (INR mn) - FY25E

		Rollingstocks Realization (INR Mn/car)										
		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	16,320											
	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
	220	13,200	14,300	15,400	16,500	17,600	18,700	19,800	20,900	22,000	23,100	24,200
	230	13,800	14,950	16,100	17,250	18,400	19,550	20,700	21,850	23,000	24,150	25,300
	240	14,400	15,600	16,800	18,000	19,200	20,400	21,600	22,800	24,000	25,200	26,400
	250	15,000	16,250	17,500	18,750	20,000	21,250	22,500	23,750	25,000	26,250	27,500
	260	15,600	16,900	18,200	19,500	20,800	22,100	23,400	24,700	26,000	27,300	28,600
270	16,200	17,550	18,900	20,250	21,600	22,950	24,300	25,650	27,000	28,350	29,700	

Passenger Rail Systems Revenue (INR mn) - FY26E

		Rollingstocks Realization (INR Mn/car)										
		60	65	70	75	80	85	90	95	100	105	110
Rollingstocks Volumes	20,400											
	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
	345	20,700	22,425	24,150	25,875	27,600	29,325	31,050	32,775	34,500	36,225	37,950
360	21,600	23,400	25,200	27,000	28,800	30,600	32,400	34,200	36,000	37,800	39,600	

Source: Company Reports, Arianth Capital Research

 - Bull Case

 - Base Case

 - Bear Case

Industry Wagon Volumes – Indian Railways (RSP)

Table with 11 columns: Wagon Volumes (company wise), Q4FY21, Q1FY22, Q2FY22, Q3FY22, Q4FY22, Q1FY23, Q2FY23, Q3FY23, Q4FY23, Q1FY24. Rows include Titagarh Wagons, Jupiter Wagons, Texmaco, Modern, H.E.I, Besco (WD), Besco (FD), Oriental, Amtek, CIMMCO, CEBBCO, Jindal, Braithwaite, SRBWIL, and Total Industry Wagons.

Table with 11 columns: Volume Share (%), Q4FY21, Q1FY22, Q2FY22, Q3FY22, Q4FY22, Q1FY23, Q2FY23, Q3FY23, Q4FY23, Q1FY24. Rows include Titagarh Wagons, Jupiter Wagons, Texmaco, Modern, H.E.I, Besco (WD), Besco (FD), Oriental, Amtek, CIMMCO, CEBBCO, Jindal, Braithwaite, SRBWIL.

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

Wagon Industry Note

Report section for Wagon Industry Note. Includes Aриhant Capital logo, date 31st Mar 2023, and detailed text on industry trends, production volumes, and price movements.

Titagarh Plant Visit Note

Report section for Titagarh Plant Visit Note. Includes Aриhant Capital logo, date 15th Apr, 2023, and detailed text on plant operations, production status, and future outlook.

Railway Sector Note

Report section for Railway Sector Note. Includes Aриhant Capital logo, date 10th Jan 2023, and detailed text on railway infrastructure projects, investments, and operational updates.

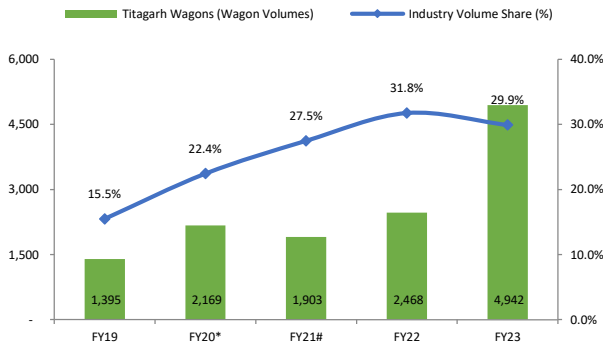
Source: Aриhant Capital Research

Source: Aриhant Capital Research

Source: Aриhant Capital Research

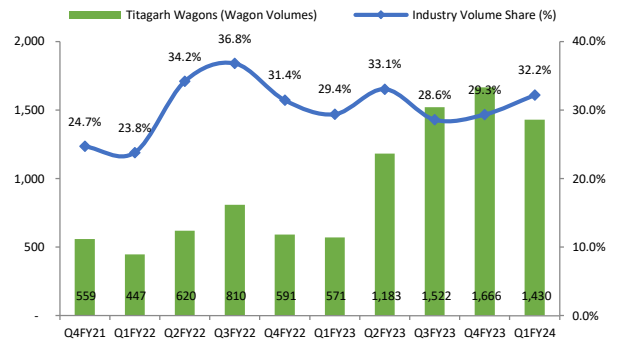
Industry Wagon Volumes – Indian Railways (RSP)

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



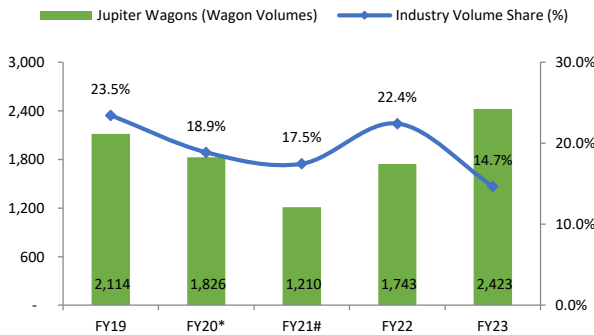
Source: Ministry of Railways, Industry, Aриhant Capital Research

Exhibit 8: Titagarh volumes increased by ~3x over the period of Q4FY21-Q1FY24.



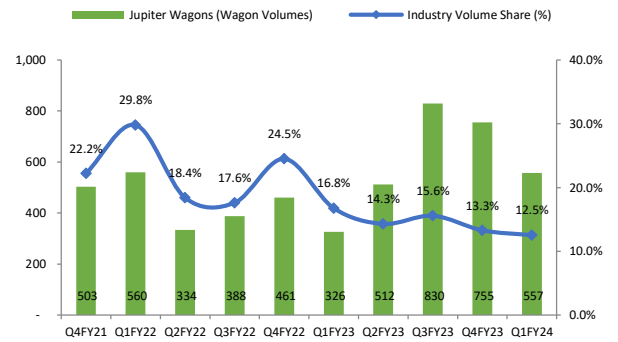
Source: Ministry of Railways, Industry, Aриhant Capital Research

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



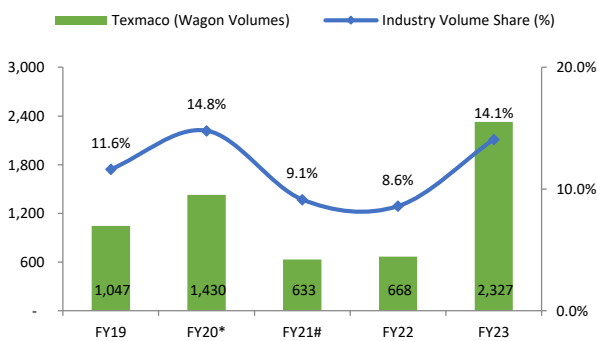
Source: Ministry of Railways, Industry, Aриhant Capital Research

Exhibit 10: Jupiter Wagons volumes shares decreased over the period of Q4FY21-Q1FY24.



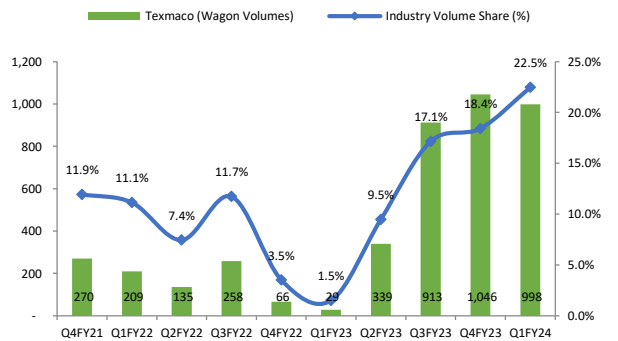
Source: Ministry of Railways, Industry, Aриhant Capital Research

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 volume share increased over the period of Q4FY21-Q1FY24.



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	39,940	53,483	62,152
Net Raw Materials	11,515	9,934	10,476	21,499	30,754	40,968	47,453
Employee Cost	1,518	2,106	454	565	879	1,177	1,367
Other Expenses	3,421	2,360	2,096	3,096	4,620	6,235	7,165
EBITDA	1,209	806	1,649	2,635	3,687	5,103	6,166
EBITDA Margin (%)	6.8%	5.3%	11.2%	9.5%	9.2%	9.5%	9.9%
Depreciation	(291)	(299)	(184)	(225)	(244)	(301)	(362)
Interest expense	(883)	(812)	(573)	(807)	(721)	(631)	(619)
Other income	340	249	177	426	320	337	392
Profit before tax	375	(55)	1,070	1,901	3,042	4,508	5,577
Taxes	205	(132)	(292)	(555)	(874)	(1,217)	(1,506)
PAT	580	(187)	778	1,346	2,168	3,291	4,071
PAT Margin (%)	3.3%	-1.2%	5.3%	4.8%	5.4%	6.2%	6.6%
Loss from Discontinued operations	(941)	-	(780)	(89)	-	-	-
Net PAT	(361)	(187)	(2)	1,257	2,168	3,291	4,071
Other Comprehensive income	53	81	57	(100)	-	-	-
Net profit	(309)	(106)	55	1,157	2,168	3,291	4,071
EPS (INR)	5.0	(1.6)	6.5	11.3	18.1	27.5	34.0

Source: Company Reports, Aриhant Capital Research

Balance sheet summary

Y/e 31 Mar (INR Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	231	239	239	239	239	239	239
Reserves	7,435	8,167	8,182	9,396	11,565	14,855	18,927
Net worth	7,666	8,406	8,421	9,636	11,804	15,095	19,166
Minority Interest	789	-	1	-	-	-	-
Provisions	1,017	814	912	112	875	1,172	1,362
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	599	802	622
Total Liabilities	18,556	19,672	18,796	13,772	18,386	22,477	26,057
Fixed assets	8,254	8,330	8,790	6,200	8,479	10,684	12,953
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	799	802	932
Other non current assets	789	739	1,419	1,714	1,997	2,674	3,108
Net working capital	4,615	7,034	5,729	3,650	5,689	5,839	6,089
Inventories	3,763	3,852	5,039	4,614	6,741	8,755	10,141
Sundry debtors	2,538	5,672	6,591	2,791	6,018	8,059	8,514
Loans & Advances	531.6	-	-	-	-	-	-
Other current assets	1,944	2,576	2,093	4,953	3,283	2,198	2,554
Sundry creditors	(3,512)	(3,980)	(4,387)	(3,231)	(5,959)	(7,290)	(8,283)
Other current liabilities & Prov	(649)	(1,085)	(3,606)	(5,478)	(4,393)	(5,883)	(6,837)
Cash	561	1,240	421	1,000	901	1,261	1,358
Other Financial Assets	3,159	706	874	63	399	1,070	1,554
Total Assets	18,556	19,672	18,796	13,772	18,386	22,477	26,057

Source: Company Reports, Aриhant 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	0.09	0.09	0.09
Asset turnover (x)	0.9	0.8	0.6	1.2	1.6	1.7	1.7
Financial leverage (x)	2.6	2.5	2.8	2.5	2.3	2.3	2.1
RoE (%)	7.3%	-2.3%	9.2%	14.9%	20.2%	24.5%	23.8%

Source: Company Reports, Aриhant 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	3,042	4,508	5,577
Depreciation	291	299	184	225	244	301	362
Tax paid	205	(132)	(292)	(555)	(874)	(1,217)	(1,506)
Working capital Δ	254	(2,419)	1,305	2,079	(2,039)	(150)	(251)
Operating cashflow	1,127	(2,307)	2,267	3,651	373	3,442	4,182
Capital expenditure	635	(538)	(633)	2,394	(2,506)	(2,531)	(2,547)
Free cash flow	1,762	(2,845)	1,634	6,045	(2,133)	911	1,635
Equity raised	(1,013)	138	(761)	(134)	-	(0)	-
Investments	155	(124)	158	(241)	207	(3)	(130)
Others	(498)	2,347	(957)	1,145	(619)	(1,347)	(918)
Debt financing/disposal	(1,985)	941	732	(5,708)	1,500	300	(500)
Other items	945	224	(1,625)	(528)	946	500	9
Net Δ in cash	(634)	680	(820)	579	(99)	360	97
Opening Cash Flow	1,195	561	1,240	421	1,000	901	1,261
Closing Cash Flow	561	1,240	421	1,000	901	1,261	1,358

Source: Company Reports, Arianth 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%	43.7%	33.9%	16.2%
Op profit growth	45.1%	-33.3%	104.5%	59.8%	39.9%	38.4%	20.8%
Profitability ratios (%)							
OPM	6.8%	5.3%	11.2%	9.5%	9.2%	9.5%	9.9%
Net profit margin	3.3%	-1.2%	5.3%	4.8%	5.4%	6.2%	6.6%
RoCE	11.0%	15.1%	6.6%	12.6%	17.2%	19.0%	19.2%
RoNW	7.3%	-2.3%	9.2%	14.9%	20.2%	24.5%	23.8%
RoA	3.1%	-1.0%	4.1%	9.8%	11.8%	14.6%	15.6%
Per share ratios (INR)							
EPS	(2.7)	(0.9)	0.5	9.7	18.1	27.5	34.0
Dividend per share	-	-	-	-	-	-	-
Cash EPS	7.5	0.9	8.0	13.1	20.2	30.0	37.1
Book value per share	66.3	70.4	70.4	80.6	98.7	126.2	160.3
Valuation ratios (x)							
P/E	-	-	-	65.5	35.0	23.0	18.6
P/CEPS	84.2	678.7	78.8	48.2	31.4	21.1	17.1
P/B	9.6	9.0	9.0	7.9	6.4	5.0	4.0
EV/EBITDA	65.8	101.8	50.9	29.4	21.5	15.5	12.7
Payout (%)							
Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax payout	-	-	27.3%	29.2%	28.7%	27.0%	27.0%
Liquidity ratios							
Debtor days	62	99	153	62	40	48	49
Inventory days	142	140	155	82	67	69	73
Creditor days	98	95	117	55	46	50	51
WC Days	106	143	190	88	61	67	71
Leverage ratios (x)							
Interest coverage	1.0	0.6	2.6	3.0	4.8	7.6	9.4
Net debt / equity	0.9	0.9	1.1	0.3	0.4	0.3	0.2
Net debt / op. profit	5.9	9.1	5.4	1.0	1.1	0.8	0.6

Source: Company Reports, Arianth 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.

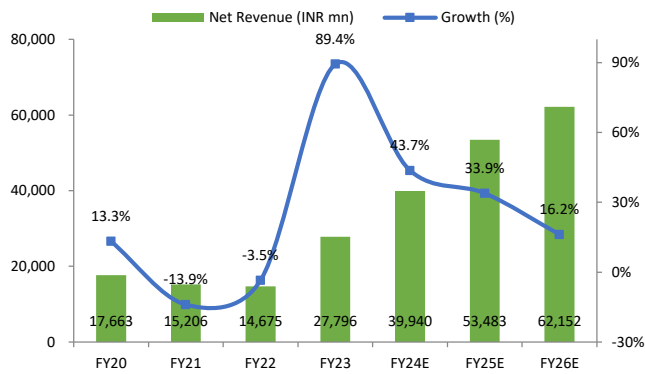


Exhibit 14: Gross margins are expected to improve going forward.

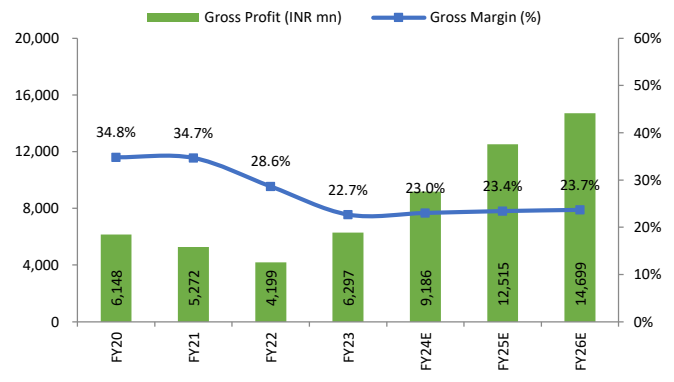


Exhibit 15: Growth in EBITDA & PAT levels

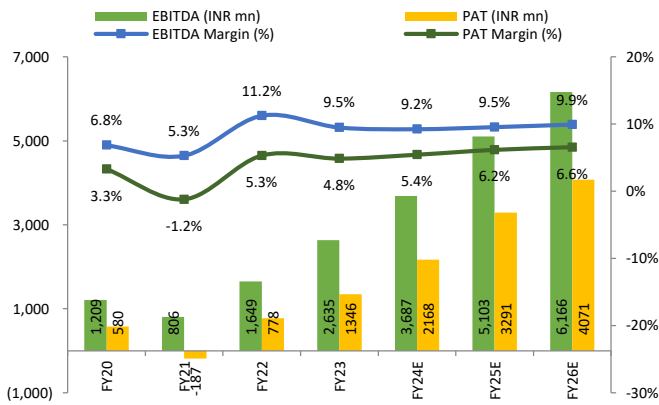


Exhibit 16: Return ratios to be improve

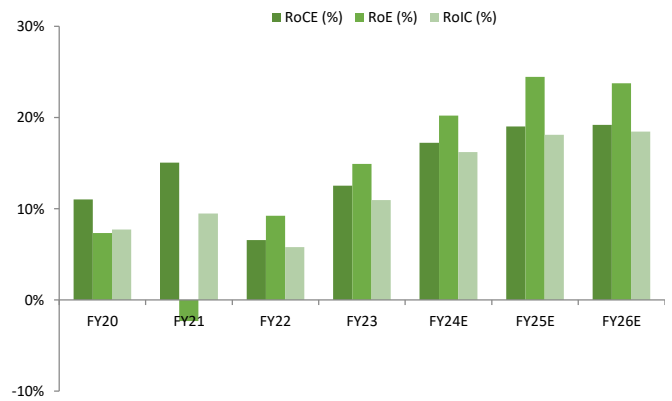


Exhibit 17: Working capital days to be improve.

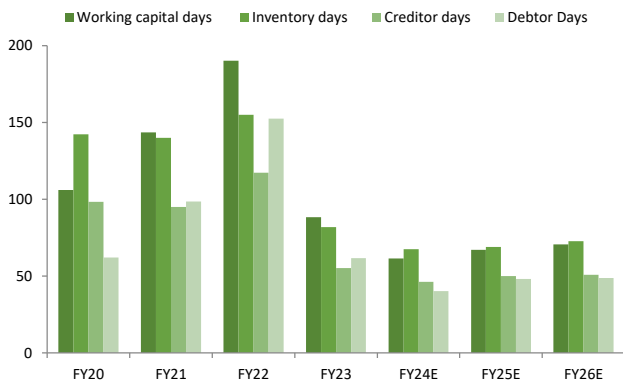
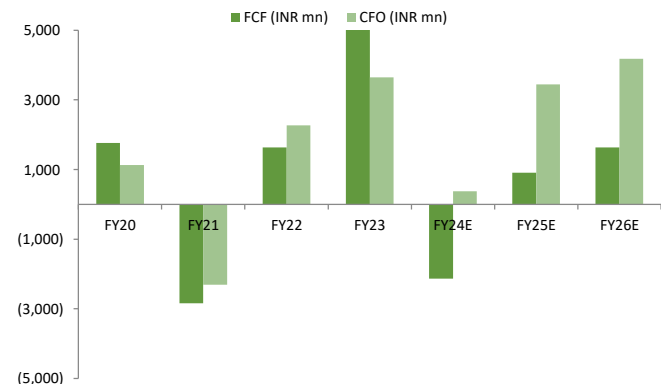


Exhibit 18: Cash flows to be improve.



Source: Company Reports, Arianth Capital Research

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