**Titagarh Wagons Ltd Q1FY23 Concall Highlights**
**Titagarh Wagons Ltd | CMP: 136 | Mcap: INR 1,624cr**

**Order inflows**
The company has received largest orders from Indian railways for 24,177 wagons valued INR 7,800cr.

The company has received orders worth INR 184cr from the largest rolling stock manufacturer.

**Order book split**
In FY22, the revenue stood at INR 1,931cr and the current total order book stood around INR 10,000cr (5x of FY22 revenue).

Freight rolling stocks segment order book stood at INR 8,465cr.

Passenger rolling stocks order book stood at INR 1,211cr.

Shipbuilding Bridges and Defence segment order book stood at INR 365cr.

**Pune metro projects and monthly target**
In Pune metro projects, the company has delivered 8 trains in Q1FY23.

The company has ramped up production and targeted 3 trains per month for the next 3 months.

The company sales stood around 800 wagons in Q1FY23 and the company has focused on 700 wagons per month going forward.

**Italy business**
Italy's business order book stood at INR 4,000 cr. The Italian business is expected to deliver an EBITDA margin of 5% to 6%.

In the Italian subsidiary, EBITDA breakeven is expected in the current year and net breakeven in next financial year.

5% of legacy orders and 95% of new orders for Italy business.

**Capex**
The capex of INR 800 to 1,000cr over next 3 to 5 years.

**Margin**
The sustainable EBITDA margin 8% to 10% are expected going forward.

**Other Highlights**
Standalone net debt is zero and working capital is around INR 140cr.

The execution of Pune metro project is on schedule and production at Uttarpara is in full swing and expecting order to be completed by FY23.

The order book mix remains healthy between government and private orders.

The company has focused on stabilizing the production.

The larger projects would take 2 to 3 years for delivery.

Coal prices have increased due to the Russia - Ukraine war.

For freight rolling, the company has installed a capacity of 8,400 wagons per annum.

**Valuation:** At CMP INR 136, the stock is trading at an EV/EBITDA of 16.2 of its FY22 EBITDA. The demand outlook remains strong. The company has around INR 10,000cr worth of order book, larger order inflows from metro & freight, capex of INR 800 to 1,000 cr would increase the capacity which leads to execution capabilities would drive the business going forward. We have a positive outlook on the stock.

*CMP – as on 18th Aug, 2022*

**<u>Texmaco Rail & Engineering Ltd Q1FY23 Concall Highlights</u>**
**Texmaco Rail & Engineering Ltd | CMP: INR 42.4 | Mcap: INR 1,365cr**

**Order Inflows**
The company has bagged orders from Indian railways. The order worth of INR 6,450cr consists of 20,000 wagons which is executable over the period of 39 months.

The 35-month order is expected to be delivered in 39 months. 1st three month goes for preparation of prototypes, supply chain etc.

**Wagons production is expected to improve**
The rolling stock wagon division is expected to improve Q2FY23 onwards.

The company has focused on delivering 3,300 wagons in the next 6 months and 6,600 wagons in the next financial year.

The company has focused on delivering 900 wagons in Q2FY23.

The company has focused to increase the production and productivity by increasing shifts, by investing in balancing equipment and making sure the transaction facilities are duly provided with working capital.

The industry produced less than 15,000 wagons per year till now and expected to produce 30,000 wagons per annum going forward.

**Non-availability of wheel sets impacted the business**
The company performance has impacted due to non-availability of wheel sets for executing the orders.

The company has relied on china imports and wheel sets prices are shooting up due to higher demands. The

company has to re-negotiate the price with customers because of the increase in wheel sets price.

Ukraine is the major supplier of wheel sets; the market has been disrupted due to the Russia – Ukraine war. So the market is moving towards china.

The company has placed import orders in China and delivery is expected from November onwards, so the company is able to deliver wagons as per the delivery schedule.

The wheel sets has a diameter of 1,000 mm and 840 mm. 80% of the order book has a requirement of 840 mm diameter wheel sets.

The company has produced around 200 wagons and waiting for wheel sets which resulted in an increase in inventory of INR 75cr.

**Ramping up in steel foundry division**

The steel foundry division was impacted due to no suction in the wagon plant. The company has produced around 20,000 to 21,000 tonnes per annum till now and expected to increase the production to 30,000 to 35,000 tonnes per annum from H2FY24 onwards.

Calcutta capacity expansion was restricted due to the orange zone and not able to expand the melting capacity.

**Focused on proper mix**

The company has a large chunk of orders from private players while peers have larger chunks of orders from the government. The company has focused on proper order book and revenue mix going forward.

The larger chunk of private orders is yielding better margins compared to government orders.

**Order book breakup**

The company has an order book around INR 9,525cr as on Q1FY23 which is from Indian railways, private customers and EPC business etc.

Heavy engineering – INR 7,900cr
Steel foundry – INR 115 cr
Kalindee – INR 960cr
Bright power division – INR 350cr
Others – INR 200cr

Heavy engineering division including rolling stocks – INR 7,700cr
Hydro mechanical bridges and high tech – INR 2,200cr

**Debt and working capital**

The long term debt stood at INR 135cr and working capital debt stood around INR 700cr.

The working capital is expected to increase by INR 100cr in the engineering division due to increase in production.

**Capex**

The capex is expected around INR 100cr; INR 70cr to INR 80cr from borrowing and remaining from internal accruals.

**Payment cycle**

The payment cycle is fast, generally 7 to 10 days, however the quarter end remains challenging due to new budget allocation in railways.

The payment cycle for EPC projects is around 45 to 60 days.

**Margins**
The margins were impacted due to increase in raw material prices.

In Q1FY23, EBITDA margin stood at around 6%. The margin is expected to improve based on volume.

**MD Resignation**
Mr Ashish Kumar Gupta – MD of the company has resigned to pursue new greener pastures.

**Other Highlights**
60% of revenue comes from rail EPC.

The demand comes from the steel and power sectors.

The company has more than 50% of customer acquisition in private sectors.

Indian railways orders are based on price variation clauses and have low risk.

The company has closed 70% of old projects in the last 2 years.

The life cycle of the wagon is around 30 to 35 years.

**Valuation:** At CMP INR 42.4, the stock is trading at an EV/EBITDA of 14 of its FY22 EBITDA. The demand outlook remains strong. The company has around INR 10,000cr worth of order book, larger order bagged from Indian railways, wheel set is expected to come from November onwards which leads to ramp-up delivery and Railway target from 1.4 bn to 3 bn tonnes trade by FY30 would drive the business going forward. We have a positive outlook on the stock.

*CMP – as on 19th Aug, 2022*

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

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