



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

08 May 2024

## Jupiter Wagons

### Robust execution amid healthy order book

Jupiter Wagons delivered yet another robust set of results as Revenue/EBITDA/PAT saw a strong growth of 57%/60%/167% YoY led by higher volume growth and better margin. The company manufactured the highest-ever 2,520 wagons during the quarter, a whopping 64.5% YoY/31% QoQ growth which corresponds to a run-rate of 840 wagons/month. As a result, revenue increased sharply by 57% YoY/+25% QoQ to ₹11.1 bn. This was further bolstered by 35% growth in CV bodies volume to 2,911. EBITDA margin improved marginally by 25bps YoY/ -67bps QoQ to 13.2%. The sequential fall in margin is largely due to higher raw material costs as JWL ordered more wheels. Net profit was further supported by higher other income of ₹116mn vs ₹50mn QoQ owing to a higher cash balance. Net profit rose 167% YoY/28% QoQ to ₹1.05 bn.

Order book remained healthy at ₹71bn at the end of FY24 vs ₹70.8 bn at the end of Q3FY24. This was bolstered by 1) a ₹9.6 bn order from IR for 2,237 BOSM wagons, 2) a ₹4.7 bn order from the defense for 697 BOM wagons, and 3) a ₹1 bn order from an auto OEM. With the brownfield expansion at Kolkata foundry capacity from 2500mt to 3000mt the company's wagons capacity has increased to 900wagons/month. Further, it expects the greenfield foundry at Jabalpur with 2000mt to be completed by FY25 which would bring the total capacity to 1000wagons/month. JWL's recent acquisition of Bonatrans India at ₹2.71 bn makes it a completely integrated player capable of manufacturing wheelsets. The company has an ambitious plan to raise its capacity to 100,000 wheelsets per annum from the current 10,000 wheelsets over the next 2-3 years at a total capex of ₹10-15 bn. We keep our revenue estimates largely unchanged while raising EBITDA estimates by 2.4%/5.8% for FY25E/FY26E on the back of wheelsets manufacturing. We raise our TP to ₹535 from earlier ₹474 as we increase our target PER multiple to 33x from earlier 30x as the company is now completely integrated with a series of backward integration, superior margins, entry into high-growth e-LCV market, and strong industry tailwinds.

### Order book remains healthy; entry into wheelsets would aid to its margins

Order backlog currently stands at ₹71 bn (vs ₹70.7bn in Q3FY24), secured several significant orders from IR and pvt companies during Q4FY24. 60-70% market share in private order book. 40% of the order book is from Private Players. Nearly 75% of the order book is for Wagons with an execution period of 18 months and the rest from CV bodies, Containers, and CMS crossings with an execution period of 12 months. JWL plans to raise the total wheelsets manufacturing capacity to 100,000 within 2-3 years at a total capex of ₹10-15 bn. At full utilization, annual potential revenue could be ~₹30 bn/annum. Nearly 50% of production will be for the export market as disrupted supply from Ukraine and Russia left a lot of vacuum. The management indicated a sharp jump in the margin but refrained from giving any guidance. JWL expects revenue of ₹4 bn from Bonatrans in FY25.

### Raise TP to ₹535 from earlier ₹474; Maintain BUY on the stock

The company expects a strong execution from Kovis and Dako JV which is expected to generate a revenue of ₹3 bn. Also, e-LCV is expected to be launched from Jul'24 and it expects to sell ~500 vehicles in the first year. We forecast a strong revenue/EBITDA/PAT CAGR of 30%/40%/42% during FY24-FY26E. We maintain BUY with a revised TP of ₹535.

#### RESULT UPDATE

Sector: Railway Wagons Rating: BUY  
CMP: Rs 408 Target Price: Rs 535

#### Stock Info

Sensex/Nifty	73,466/ 22,303
Bloomberg	JWL IN
Equity shares (mn)	412
52-wk High/Low	Rs 442/107
Face value	Rs 10
M-Cap	Rs 168bn/ USD 2bn
3-m Avg Value	USD 9.4mn

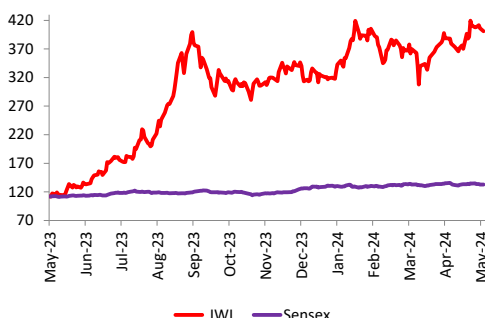
#### Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	36.4	48.1	63.7
EBITDA	4.9	7.2	9.5
PAT	3.3	5.0	6.7
EPS (Rs)	8.0	12.1	16.2
PE (x)	50.8	33.9	25.2
EV/EBITDA (x)	34.6	23.5	17.8
RoE (%)	20.5	23.5	24.3
RoCE (%)	22.7	26.6	27.4
Dividend yield (%)	0.2	0.2	0.2

#### Shareholding Pattern (%)

	Sep'23	Dec'23	Mar'24
Promoter	72.4	70.1	70.1
FII	0.9	1.3	2.3
DII	1.0	1.1	1.9
Others	25.7	27.5	25.7

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Investors are advised to refer disclosures made at the end of the research report.

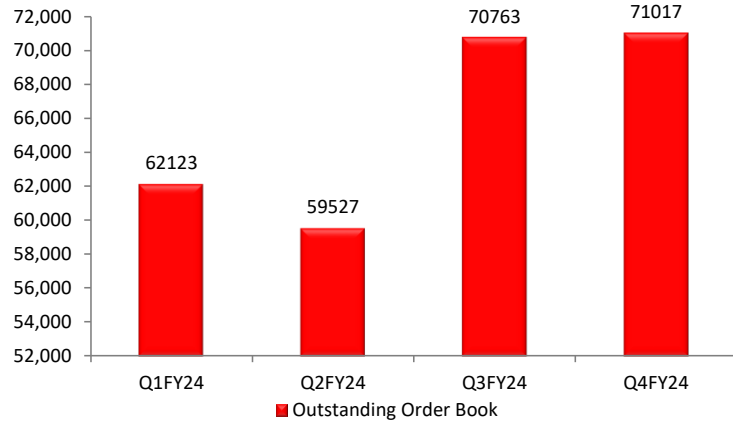
### Q4FY24 Concall Highlights

- **Order book Break-up:** Robust demand from both Private and IR. Recently, received a few new contracts from IR which bolstered the order book. 60-70% market share in private order book. 40% of the order book is from Private Players. Nearly 75% of the order book is for Wagons with an execution period of 18 months and rest from CV bodies, Containers, and CMS crossings with an execution period of 12 months.
- **Wheelset manufacturing:** Planning to raise the total capacity to 1L wheelset within 2-3 years. At full utilization, annual potential revenue could be Rs30 bn+/annum. Nearly 50% of production will be for the export market as disrupted supply from Ukraine and Russia left a lot of vacuum. Total capex is expected to be between Rs10-15 bn. The margin would be substantially higher but refrained from giving any guidance. Expect revenue of Rs400cr from Bonatrans in FY25.
- **Kovis & Dako JV:** FY25 execution would be strong as the order book is Rs300cr+. The export market is strong and guided for a revenue of Rs300 cr+ in FY25 combining both businesses. The margin profile in the Disc and Braking system is much better and is at the upward of 14%.
- **Misc:** JWL supplies Brakes, battery system (EV), and wheelsets to Vande Bharat which is nearly 30-40% of the total value of the coach. Expect final certification to receive within 7-10 days for e-LCVs and expect a launch by July 2024. Targeting to sell 500 vehicles within the first year. Working capital is currently at 75 days and expects to be the same in FY25.

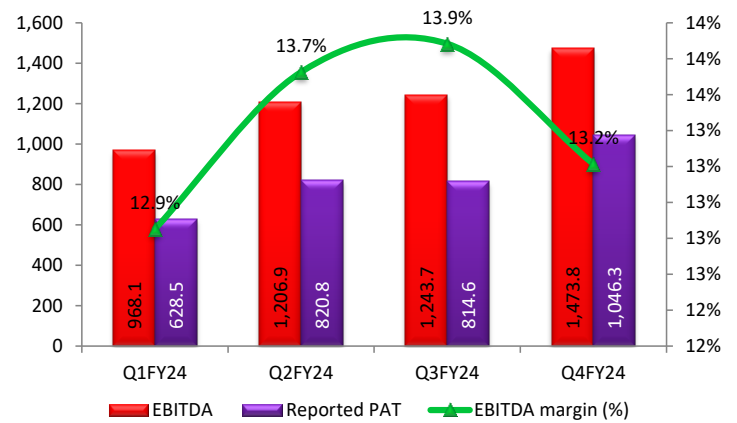
### Exhibit 1: Quarterly Highlights

Consolidated (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% YoY	% QoQ
<b>Revenues</b>	<b>7,117.0</b>	<b>7,531.9</b>	<b>8,793.0</b>	<b>8,958.4</b>	<b>11,154.1</b>	<b>56.7</b>	<b>24.5</b>
Gross Profit	1,624.2	1,697.1	1,919.7	2,071.2	2,459.4	51.4	18.7
Gross profit margin (%)	22.8%	22.5%	21.8%	23.1%	22.0%	-77	-107
<b>EBITDA</b>	<b>922.3</b>	<b>968.1</b>	<b>1,206.9</b>	<b>1,243.7</b>	<b>1,473.8</b>	<b>59.8</b>	<b>18.5</b>
<b>EBITDA margin (%)</b>	<b>13.0%</b>	<b>12.9%</b>	<b>13.7%</b>	<b>13.9%</b>	<b>13.2%</b>	<b>25</b>	<b>-67</b>
Depreciation	61.9	65.5	71.3	68.5	76.3	23.2	11.4
Interest	87.2	83.7	104.2	114.6	107.6	23.4	-6.1
Other Income	10.0	22.2	57.9	49.7	115.7	1056.8	132.6
PBT before JVs	783.2	841.1	1,089.3	1,110.3	1,405.6	79.5	26.6
Profit/ (Loss) in JVs	-7.5	-2.1	5.8	-15.0	-16.1	114.3	7.4
<b>Adj PBT</b>	<b>775.7</b>	<b>839.0</b>	<b>1,095.1</b>	<b>1,095.4</b>	<b>1,389.6</b>	<b>79.1</b>	<b>26.9</b>
Current Tax	229.8	209.2	272.6	276.9	336.6	-	21.6
Deferred Tax	153.7	1.3	1.8	3.9	6.7	-95.6	71.7
<b>ETR (%)</b>	<b>49.0%</b>	<b>25.0%</b>	<b>25.2%</b>	<b>25.3%</b>	<b>24.4%</b>	<b>-50.1</b>	<b>-3.4</b>
<b>Reported PAT</b>	<b>392.2</b>	<b>628.5</b>	<b>820.8</b>	<b>814.6</b>	<b>1,046.3</b>	<b>166.7</b>	<b>28.4</b>
<b>PAT (%)</b>	<b>5.5%</b>	<b>8.3%</b>	<b>9.3%</b>	<b>9.1%</b>	<b>9.4%</b>	<b>387</b>	<b>29</b>
Reported EPS (Rs.)	1.0	1.6	2.1	2.0	2.5	158.5	28.4

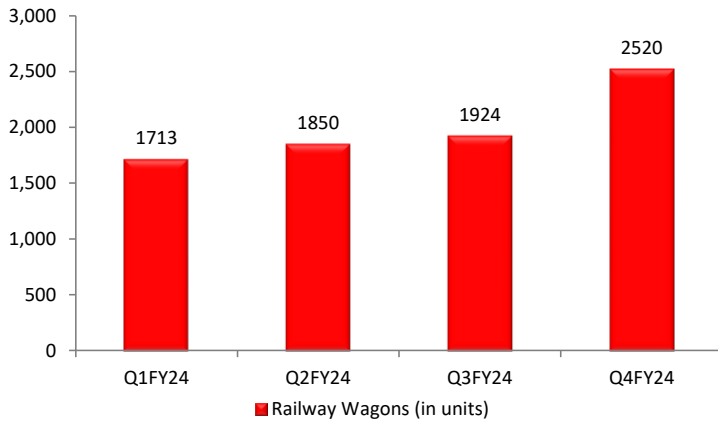
Source: Company, Systematix Institutional Research

**Exhibit 2: Outstanding Orderbook maintains upward trend**

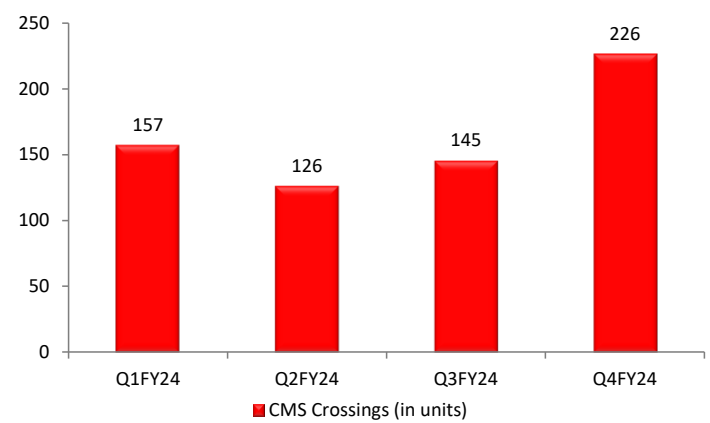
Source: Company, Systematix Institutional Research

**Exhibit 3: Quarterly Financial Performance**

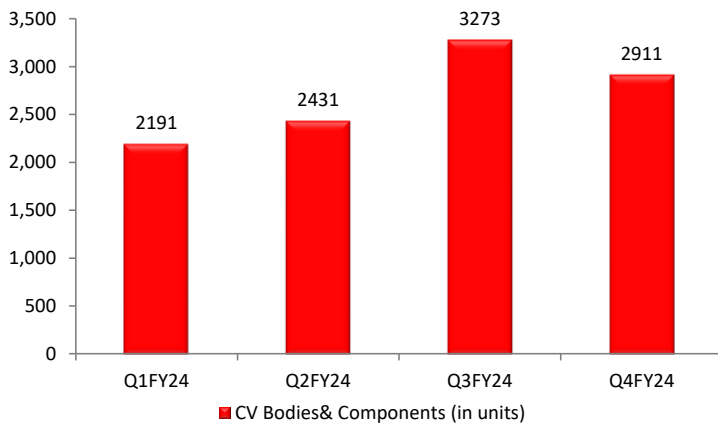
Source: Company, Systematix Institutional Research

**Exhibit 4: Railway Wagons quarterly production up 31% QoQ**

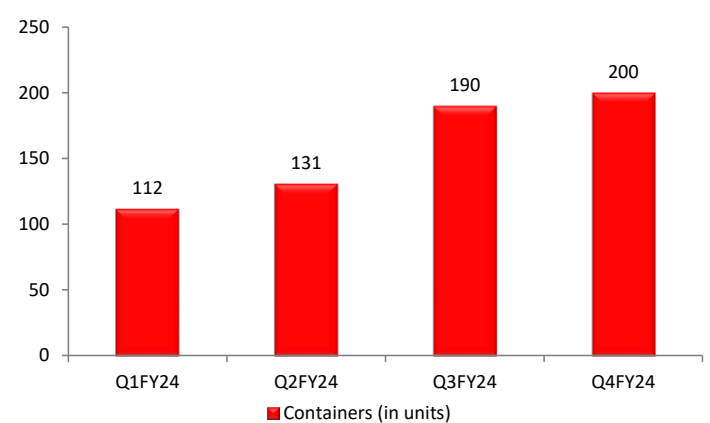
Source: Company, Systematix Institutional Research

**Exhibit 5: CMS Crossings quarterly production jump ~55.9% QoQ**

Source: Company, Systematix Institutional Research

**Exhibit 6: CV bodies & Components production down 11.1% QoQ**

Source: Company, Systematix Institutional Research

**Exhibit 7: Containers quarterly production jump 5.3% QoQ**

Source: Company, Systematix Institutional Research

## FINANCIALS (CONSOLIDATED)

### Profit & Loss Statement

Y/E Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net revenue</b>	<b>11,784</b>	<b>20,682</b>	<b>36,437</b>	<b>48,063</b>	<b>63,701</b>
Materials consumed	8,968	15,745	28,290	37,134	49,179
Gross Profit	2,815	4,938	8,147	10,930	14,522
Employee cost	338	420	514	530	601
Other expenses	1,336	1,998	2,741	3,168	4,376
<b>EBITDA</b>	<b>1,141</b>	<b>2,521</b>	<b>4,892</b>	<b>7,232</b>	<b>9,545</b>
Depreciation	234	250	282	614	807
<b>EBIT</b>	<b>907</b>	<b>2,271</b>	<b>4,611</b>	<b>6,618</b>	<b>8,738</b>
Interest Cost	182	289	410	415	479
Other Income	34	51	245	295	353
<b>PBT Before Exceptionals</b>	<b>760</b>	<b>2,033</b>	<b>4,446</b>	<b>6,498</b>	<b>8,612</b>
Exceptional Items	0	0	0	0	0
PBT	760	2,033	4,446	6,498	8,612
Tax	260	798	1,109	1,635	2,168
Share of profit/(Loss) from JV	-3	-28	-27	107	234
Reported PAT	497	1,207	3,310	4,969	6,678
<b>Adjusted PAT</b>	<b>497</b>	<b>1,207</b>	<b>3,310</b>	<b>4,969</b>	<b>6,678</b>
Reported EPS (Rs)	1.3	3.1	8.0	12.1	16.2
<b>Adjusted EPS (Rs)</b>	<b>1.3</b>	<b>3.1</b>	<b>8.0</b>	<b>12.1</b>	<b>16.2</b>

Source: Company, Systematix Institutional Research

### Cash Flow

Y/E Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Pre-Tax Profit	760	2,033	4,446	6,605	8,846
Depreciation	234	250	282	614	807
Change in Working Capital	-536	-1,678	-4,099	-1,871	-2,170
Tax Paid	-16	-94	-1,086	-1,635	-2,168
Other Operating Activities	154	265	266	415	479
<b>Operating Cash Flow</b>	<b>595</b>	<b>777</b>	<b>-191</b>	<b>4,127</b>	<b>5,795</b>
Capital Expenditure	-356	-685	-4,203	-3,550	-4,350
Change in Investments	-144	-530	-553	0	0
Other Investing Activities	9	-9	109	0	0
<b>Investing Cash Flow</b>	<b>-491</b>	<b>-1,224</b>	<b>-4,646</b>	<b>-3,550</b>	<b>-4,350</b>
Free Cash Flow	104	-448	-4,837	577	1,445
Equity raised/(repaid)	0	0	5,123	0	0
Debt raised/(repaid)	14	1,489	500	176	1,119
Other Financing Activities	-182	-277	-734	-1,011	-1,281
<b>Financing Cash Flow</b>	<b>-168</b>	<b>1,212</b>	<b>4,889</b>	<b>-835</b>	<b>-162</b>
Change in Cash	-63	764	52	-259	1,283
Opening Cash Balance	470	909	2,078	2,130	1,871
<b>Closing Cash Balance</b>	<b>407</b>	<b>1,674</b>	<b>2,130</b>	<b>1,871</b>	<b>3,154</b>

Source: Company, Systematix Institutional Research

### Balance Sheet

Y/E Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Share Capital	3,874	3,874	4,123	4,123	4,123
Reserves & Surplus	2,954	4,160	12,193	16,566	22,443
<b>Networth</b>	<b>6,829</b>	<b>8,034</b>	<b>16,316</b>	<b>20,689</b>	<b>26,566</b>
Short + Long Term Debt	1,387	2,877	3,377	3,552	4,671
Deferred Tax Liabilities	0	497	582	582	582
Other Long Term Liabilities	34	44	37	37	37
<b>Capital Employed</b>	<b>8,250</b>	<b>11,453</b>	<b>20,311</b>	<b>24,860</b>	<b>31,856</b>
Gross Block	5,134	5,754	9,374	13,758	17,998
Accumulated Depreciation	869	1,119	1,401	1,905	2,603
Net Block	4,265	4,635	7,974	11,853	15,396
Capital WIP	222	275	538	538	538
Total Fixed Assets	4,487	4,909	8,511	12,391	15,933
LT Investments & Others	550	596	1,265	1,265	1,265
<b>Current Assets</b>	<b>5,687</b>	<b>10,835</b>	<b>19,623</b>	<b>22,394</b>	<b>29,469</b>
Inventories	3,194	4,912	9,835	11,851	14,835
Sundry Debtors	710	2,133	4,908	5,267	6,981
Cash & Bank Balance	407	1,674	2,130	1,871	3,154
Short Term Loans & Advances	0	36	41	41	41
Others	1,375	2,080	2,710	3,364	4,459
<b>Curr. Liabilities &amp; Provisions</b>	<b>2,474</b>	<b>4,887</b>	<b>9,088</b>	<b>11,190</b>	<b>14,812</b>
Creditors	1,437	1,981	5,530	5,595	7,411
Other Current Liabilities	1,037	2,907	3,558	5,594	7,401
Net Current Assets	3,213	5,947	10,535	11,205	14,658
<b>Total Assets</b>	<b>8,250</b>	<b>11,453</b>	<b>20,311</b>	<b>24,860</b>	<b>31,856</b>

Source: Company, Systematix Institutional Research

### Ratios (Consolidated)

Y/E Mar	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Growth</b>					
Revenue growth	18.3%	75.5%	76.2%	31.9%	32.5%
EBITDA growth	7.3%	120.9%	94.1%	47.8%	32.0%
Adjusted PAT growth	-7.0%	143.0%	174.3%	50.1%	34.4%
<b>Margins</b>					
Gross margin	23.9%	23.9%	22.4%	22.7%	22.8%
EBITDA margin	9.7%	12.2%	13.4%	15.0%	15.0%
PBT margin	6.4%	9.8%	12.2%	13.5%	13.5%
Effective Tax rate	34.2%	39.3%	24.9%	25.2%	25.2%
Adjusted PAT margin	4.2%	5.8%	9.1%	10.3%	10.5%
<b>Operating Cycle</b>					
Inventory days	99	87	99	90	85
Debtor days	22	19	49	40	40
Creditor days	49	40	64	50	50
Working Capital Cycle	72	66	84	80	75
<b>Return Ratios</b>					
ROE	7.3%	15.4%	20.5%	23.5%	24.3%
Pre-tax ROCE	11.0%	19.8%	22.7%	26.6%	27.4%
Net debt / Equity	0.2	0.4	0.2	0.2	0.2
<b>Valuation</b>					
P/E (x)	316.8	130.4	50.6	33.7	25.1
P/B (x)	23.0	19.6	10.3	8.1	6.3
EV/Sales (x)	13.4	7.7	4.6	3.5	2.7
EV/EBITDA (x)	138.7	62.9	34.5	23.4	17.7

Source: Company, Systematix Institutional Research

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