

Revenues to grow at a CAGR of 25% between FY23-FY26 owing to strong orderbook

The current orderbook for Jupiter Wagons Ltd (JWL) as at FY23 stands at Rs 58.2 bn.- from which orderbook (OB) for wagons is ~Rs 50bn . The management expects to execute the same within a period of 18-24 months. The current order-book to operating income (OB/OI ratio) for the company is ~2.82x.

Revenue Break-up:

For FY23 their revenue stood at ~20.7bn highest ever till date. 80% of their revenues driven by the demand from wagons. Average realisation per wagon is ~40 lacs.

Balance revenue from other segments namely, CV Load bodies, CMS Crossings & Containers.

Production to be enhanced by more than 50% by FY24-end:

In FY23 due to rising demand, the company had ramped up its monthly wagon production from 200 to 500+ wagons by Mar'23.

The company expects to operate at a rate of 600-700 wagons pm in FY 24.

Higher orders from Private Wagons, better margin profile:

Private wagons to IR (Indian Railway) wagons split: Currently, 70% of their wagons' OB caters to the demand from private sector and balance 30% for IR. The split is expected to remain similar in the near future. The company fetches more value from the specialised wagons its supplies to the Private sector as compared to those supplied to IR. The total market size for wagons from the Private sector is ~5000 wagons p.a. - this demand will stay robust in the near-term, not expected to fall from current levels.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	11,784	20,682	31,210	37,680	41,278
EBIDTA	1,141	2,521	4,339	5,216	5,680
Margins (%)	9.7	12.2	13.9	13.8	13.8
Adjusted net profit	497	1,207	2,913	3,801	4,215
EPS (Rs)	1.3	3.1	7.3	9.5	10.6
P/E (x)	117	48	21	16	14
EV/EBITDA (x)	52	24	14	11	10
RoCE (%)	13.89%	23.10%	28.76%	28.01%	25.44%
RoE (%)	7.27%	15.02%	24.50%	25.12%	22.50%

Source: Company, Dalal & Broacha Research

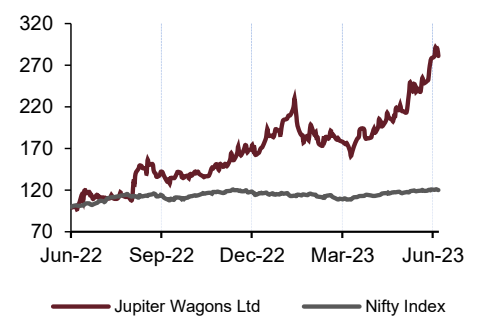
Rating	TP (Rs)	Up/Dn (%)
BUY	209	39

Market data

Current price	Rs	150
Market Cap (Rs.Bn)	(Rs Bn)	60
Market Cap (US\$ Mn)	(US\$ Mn)	733
Face Value	Rs	10
52 Weeks High/Low	Rs	161.65 / 50
Average Daily Volume	('000)	1,912
BSE Code		533272
Bloomberg		JWL .IN

Source: Bloomberg

One Year Performance



Source: Bloomberg 500002 75 25

% Shareholding	Mar-23	Dec-22
Promoters	72.36	74.62
Public	27.64	25.38
Total	100	100

Source: Bloomberg

Akash Vora
+91 22 67141489

akash.vora@dalal-broacha.com

Double-digit Margins to be maintained, new products such as brake-systems have higher margins:

The company has generated an **industry-leading EBITDA margin** of >12% in the latest 2 quarters. The management attributes the same to their superior execution capability & their **focus on choosing high-margin projects**. With new products coming into the mix like brake systems, brake discs, specialised containers, e-LCV's - which are expected to generate EBITDA margins over 15-20% - the management is confident it can sustain or even better their current margins in the future.

New Business & Other segments generating higher margins:

1. **Brake Business:** With the onset of Vande Bharat, DFC, Metro rail, RRTS, high traction & focus by Government on Indian railways- the railway brakes **market is expected to grow from Rs 30bn to 60bn at more than 25% CAGR** - Jupiter wagons plans to start production of brake discs & brake systems for passenger coaches, freight wagons & Vande Bharat coaches. This will also give the company the opportunity to backward integrate for its freight biz. The management aims to **generate Rs 5bn** from its brake business by FY25 and target a **20% market share in the next 3-4 years' time**.

>**E-LCV:** The company has already launched its 2 electric LCV's model - commercial production for the same will commence from Dec'23 onwards -under a separate entity formed with Greenpower known as Jupiter Electric mobility(JEM)- JEM focuses on the 1 ton-5 ton payload capacity. Management plans to deploy a **B2B strategy** for selling these e-LCV's, expects to **garner a 10% mkt share in this segment**.

>**Containers Business:** Focus on specialized containers- to generate higher margins. **Marquee clients** in this segment are GE & Schneider. Revenue expected to double from FY23-FY24 for containers.

> **CV Load bodies & CMS Crossings-** Company has history of manufacturing load bodies for CV's sold by Tata Motors & Eicher in India & has an **OB of Rs 4.5bn** as on Mar'23. Also, company is one of the few players with technology for "weldable" CMS crossings used on rail tracks and has an **OB of Rs 1.75bn** as on Mar'23.

Global tender a future trigger supported by strong partnerships:

The management expects a global tender for wagons to be floated by IR in Q2/Q3 FY24. This tender will be for **~40,000-50,000 wagons** – the nature of the wagons will be more specialised than the current ones in operation- with average price per wagon expected to be around **Rs 70-80 lacs** (almost 2x of current average). The IR will even allow global players to participate in the same, however the manufacturing needs to be localised in India.

Thus **Jupiter Wagons- through its partnership with Tatrawagonka** (Europe's leading rail wagon player) is expected to have an edge in bidding for the tender. The tender will be split between L1(60% of the tender) bidder & L2 bidder (40% of the tender). Management is confident of becoming L1 bidder once this tender is floated.

Valuation & Outlook:

With its orderbook currently almost 3x of its FY23 revenues – demand for wagons not expected to fall anytime soon – JWL looks well set, at-least for the next couple of years- **it currently trades at 21x FY24E EPS & ~16x FY25E EPS – which seems cheap** given the recent traction & tailwinds that railway sector has gained and the cyclical uptick that rail product manufacturing companies have seen.

Going by the execution timelines that the management has estimated for converting the current OB to revenue- JWL's revenues and PBT are expected to increase at **26% & 40% CAGR**, respectively from FY23-FY26E. JWL's tax rate for FY23 was 40% which is expected to normalize in the coming years leading to **PAT CAGR of 52%** from FY23-FY26E.

The company is undervalued even from a price-earnings growth(PEG) standpoint **and trades below 1 PEG** on 1-year forward basis.

Even if we ignore the prospects of the global tender (which could be huge if the company wins) – the management expects the orderbook to stay above Rs 50 bn range – thus Jupiter wagons' is a **Low risk/reward bet**.

We have valued the company at 22x FY25E EPS of Rs 9.5, arriving at a target price of Rs 209.

Financials

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	11,784	20,682	31,210	37,680	41,278
Total Operating Expenses	8,968	15,745	23,698	28,637	31,371
Employee Cost	338	420	520	624	718
Other Expenses	1,336	1,998	2,653	3,203	3,509
Operating Profit	1,141	2,521	4,339	5,216	5,680
Depreciation	234	250	313	329	352
PBIT	907	2,271	4,026	4,887	5,328
Other income	34	51	80	120	150
Interest	182	289	375	414	413
PBT (Before share of JV/associates)	760	2,033	3,732	4,592	5,065
Share of JV/Associates	(3)	(28)	114	356	416
PBT	756	2,005	3,845	4,949	5,481
Provision for tax	260	798	933	1,148	1,266
PAT (From continuing operations)	497	1,207	2,913	3,801	4,215
PAT (From Discontinuing operations)	-	-	-	-	-
MI	2	1		1	1
Reported PAT	497	1,207	2,913	3,801	4,215
Adjusted Profit	497	1,207	2,913	3,801	4,215

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT (excluding JV/Associates)	760	2,033	3,732	4,592	5,065
Add: Dep. & Amort.	234	250	313	329	352
Add: Interest Expenses	182	289	375	414	413
Operating profit before working capital change	1,175	2,572	4,419	5,336	5,830
(Inc)/Dec in					
Working capital adjustment	(718)	(2,597)	(1,356)	(1,439)	(863)
Gross cash generated from operations	457	(25)	3,063	3,898	4,967
Direct taxes paid	(260)	(798)	(933)	(1,148)	(1,266)
Others	398	1,600	150	197	248
CF from Oper. activities	595	777	2,280	2,947	3,948
CF from Inv. activities	(491)	(1,224)	(1,266)	(602)	(811)
CF from Fin. activities	(168)	1,212	1,004	(324)	(503)
Cash generated/(utilised)	(63)	765	2,018	2,021	2,635
Cash at start of the year	470	407	1,171	3,190	5,210
Cash at end of the year	407	1,171	3,190	5,210	7,845
Balance sheet	407	1,171	3,190	5,209	7,845

Balance Sheet (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	3,874	3,874	3,995	3,995	3,995
Reserves	2,952	4,159	7,893	11,138	14,737
Net worth	6,827	8,034	11,888	15,133	18,732
Minority Interest	2	1		1	1
Non Current Liabilities	309	537	574	644	754
Current Liabilities	3,586	7,769	10,643	12,668	14,386
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-
TOTAL LIABILITIES	10,728	16,340	23,105	28,444	33,872
Non Current Assets	5,038	5,508	6,479	6,734	7,170
Fixed Assets	4,294	4,715	5,546	5,618	5,824
Goodwill	204	146	146	146	146
Non Current Investments	80	113	142	179	226
Loans	6	36	4	4	4
Non-current assets tax (net)	21	21	21	21	21
Deferred Tax Asset	271	-	-	-	-
Other Financial Assets	104	340	428	538	678
Other Non Current Assets	58	109	137	173	218
Current Assets	5,690	10,832	16,627	21,711	26,702
Current investments	-	-	-	-	-
Inventories	3,194	4,912	7,791	9,415	10,314
Trade Receivables	710	2,133	2,394	2,994	3,393
Cash and Bank Balances	407	1,171	3,190	5,210	7,845
Other bank balances	282	503	633	797	1,003
Short Term Loans and Advances	6	36	4	4	4
Other Financial Assets	248	418	527	663	835
Other current assets tax (net)	4	3	3	3	3
Other current assets	840	1,656	2,085	2,625	3,305
Other Assets(associated with discontinued operations/ assets held for sale)	-	-	-	-	-
TOTAL ASSETS	10,728	16,340	23,105	28,444	33,872

Source: Dalal& Broacha Research

Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	9.68%	12.19%	13.90%	13.84%	13.76%
NPM	4.20%	5.82%	9.31%	10.05%	10.17%
Tax Rate	34.36%	39.81%	24.26%	23.20%	23.10%
Growth Ratios (%)					
Net Sales	18.00%	75.52%	50.90%	20.73%	9.55%
Operating Profit	7.32%	120.90%	72.14%	20.21%	8.90%
PBT	15.32%	167.65%	83.57%	23.07%	10.29%
PAT	-7.01%	143.03%	141.35%	30.49%	10.91%
Per Share (Rs.)					
Net Earnings (EPS)	1.28	3.11	7.29	9.51	10.55
Cash Earnings (CPS)	1.88	3.76	8.07	10.34	11.43
Payout ratio	0%	0%	7%	5%	5%
Dividend	0.00	0.00	0.50	0.50	0.50
Book Value per share (BVPS)	17.62	20.74	29.76	37.88	46.89
Free Cash Flow	259	106	1,137	2,546	3,390
Valuation Ratios					
P/E(x)	117.04	48.16	20.57	15.77	14.22
P/B(x)	8.51	7.23	5.04	3.96	3.20
EV/EBIDTA(x)	51.79	23.73	13.81	11.16	9.80
Div. Yield(%)	-	-	0.33	0.33	0.33
FCFF Yield(%)	0.45	0.18	1.90	4.25	5.66
Return Ratios (%)					
ROE	7.27%	15.02%	24.50%	25.12%	22.50%
ROCE	13.89%	23.10%	28.76%	28.01%	25.44%

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com