

Q1FY25 Result Update | Capital Goods

Equity Research Desk

Non-wagon business segments & backward integration to steer JWL's earnings going further...

28 July 2024

The company has posted their highest-ever Q1 revenue of ~8799 Mn as well as their best ever Q1 PAT of ~919 Mn. The company increased its production by 14% on a YoY basis. The company remains confident of delivering 10,000+ wagons in FY25 which shall workout to almost a 25% jump from their FY24 levels. Also, the company is optimistic about its braking business now that they have a healthy orderbook of more than 10,000 brake discs & a ~1000 Mn brake systems order. Bonatrans India (BIPL), their wheelsets subsidiary also had a stellar quarter wherein BIPL reported profits for the 1st time ever of ~70 mn.

Financial highlights for the quarter

- **Revenue** of Rs 8,799 Mn in Q1FY25 vs Rs 7532 Mn in Q1FY24 (+17% YoY) vs Rs 11,154 Mn (-21% QoQ)
- **EBITDA** at Rs 1,367 Mn vs Rs 968 Mn (+40% YoY) vs Rs 1,474 Mn (-7% QoQ)
- **Highest ever EBITDA Margin** at 15.5% vs 12.9% (YoY) vs % 13.2% (QoQ).
- **PAT** at Rs 919 Mn vs Rs 629 Mn (+46% YoY) vs Rs 1046 Mn (-12% QoQ)
- **Diluted EPS** - Rs 2.15 vs Rs 1.57 in Q1FY24 - growth of ~37% (Company had raised funds through QIP of ~8000 Mn by issuing 12.20 Mn & has allotted 2.82 Mn warrants to raise ~1350 Mn from its co-promoter - Tatravagonka in Q1FY25 resulting into EPS dilution)
- **Orderbook** as on Jun'24 is 70,283 Mn vs 61220 Mn (+15% YoY) vs 71,016 (+0% QoQ)

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	11,784	20,682	36,437	49,725	61,050	74,400
EBIDTA	1,141	2,521	4,892	7,390	10,183	12,474
Margins (%)	9.7	12.2	13.4	14.9	16.7	16.8
Adjusted net profit	497	1,207	3,310	4,943	6,841	8,553
EPS (Rs)	1.3	3.1	8.0	11.57	16.0	20.0
P/E (x)	481	198	77	53	39	31
EV/EBITDA (x)	210	96	52	35	25	21
RoCE (%)	13.89%	23.10%	25.04%	22.33%	26.34%	27.46%
RoE (%)	7.27%	15.02%	20.48%	16.73%	19.46%	20.40%

Source: Company, Dalal & Broacha Research

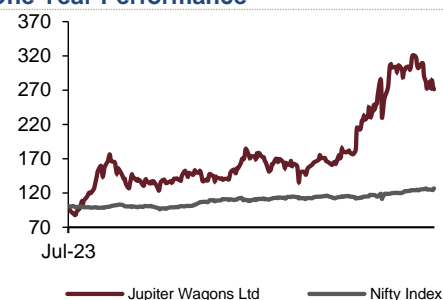
Rating	TP (Rs)	Up/Dn (%)
HOLD	500	-19

Market data

Current price	Rs	617
Market Cap (Rs.Bn)	(Rs Bn)	262
Market Cap (US\$ Mn)	(US\$ Mn)	3,129
Face Value	Rs	10
52 Weeks High/Low	Rs	748.1 / 195
Average Daily Volume	('000)	1,425
BSE Code		533272
Bloomberg		JWL .IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	68.11	70.12
Public	31.89	29.88
Total	100	100

Source: BSE

Akash Vora
+91 22 67141489
akash.vora@dalal-broacha.com

Conference Call Highlights

Freight Wagons Business

Key highlights of the quarter

- **Production:** 1954 wagons in Q1FY25 vs 1713 wagons in Q1FY24 (+14% YoY) vs 2520 wagons in Q4FY24 (-22% YoY)
- Sequentially we see a dip in wagon production due to the seasonality of the business, Q1 was expected to be soft on a QoQ basis. 80% of revenue this quarter continues to come from the wagons business.
- **Guidance:** JWL is consistently increasing capacity at their foundry & is anticipating of reaching a Capacity of **1000 wagons p.m. by Q2FY25**. JWL has guided for delivering 10,000 wagons at least by the end of FY25.
- **Margin Improvement:**
 - As expected FY25, JWL has started executing specialized wagons which currently form part of their orderbook (eg:- automobile double decker wagons, military wagons, etc). The company expects further demand & orders for such specialized wagons especially in the steel/auto/cement sector. Production of these specialized wagons has partially boosted the margins this quarter.
 - JWL has also started captive usage of wheelsets produced at Bonatrans for their own freight car wheelsets which has boosted JWL's consolidated margins.
- JWL remains a dominant player in the private sector market for wagon supply in India & is anticipating strong orders to follow through in the coming months both from the private as well as Indian Railways.

Bonatrans India – Wheelsets Manufacturing Division...

- **Production:** 1925 wheelsets in Q1FY25 vs 192 wheelsets in Q1FY24 (~10x jump YoY) vs 2109 wheelsets in Q4FY24.
- **Performance:** BIPL on a standalone basis recorded a revenue of ~744 Mn; PAT of ~70 Mn; EBITDA margins of ~12.5%. **Q1FY25 was a turnaround quarter for Bonatrans where they became profit making.**
- **FY25 Outlook:** JWL plans to manufacture ~12,000 to 15,000 wheelsets in FY25 both for 2nd party players & for captive use & clock a revenue between 3000-4000 Mn by the end of FY25. It also expects to ramp up capacities to 28,000-30,000 by the end of FY25.
- **Future Outlook:** JWL plans to ramp up capacities at BIPL eventually to 40,000-50,000 wheelsets by the end of FY26.
- **Industry Scenario & JWL's long term plan:** Wheelsets generally have a life of 6-7 years & considering the significant capex on the Railways side by the Indian government in the last 3 fiscals – India will soon require 5-6 lac wheelsets p.a.- from which Rail Wheel Factory (owned by IR) is able to meet demand for 1-1.5 lacs rest being imported. JWL plans to fill this gap by setting up a fully integrated forging plant to be able to forge wheelsets & backward integrate the same with BonaTrans where currently machining of wheels is being done for supply to IR, metros, Vande Bharat & freight car players.
- **The company is in an advanced stage of discussion and contract finalization for setting up an integrated forging line for wheels and axles in India to manufacture around 1 lakh wheelsets annually, which is expected to be completed by FY2027.**

Brake Disc & Brake System Business

- **Production:** Brake discs: 4564 vs 1172 in Q1FY24 ; 50 Disc Brake systems manufactured in Q1FY25. Yet to start commercial production of brake systems in Stone India facility. Commercial operations set to commence soon in the coming couple of months.
- **FY25 Guidance:** JWL expects to do atleast 1500-2000 Mn+ Business combined from Brake discs & Brake Systems in FY25 .
- **Future Outlook :** Eventually in 3-4 years time, the company expects the brake business to grow to a 1000 Cr+ business.
- Currently JWL has ~10,000+ brake discs & a ~1000 Mn order for brake systems in their orderbook.
- Once Stone India becomes fully operational ; brake systems which shall be used for captive consumption shall lead to backward integration & thereby augment wagon production margins on a consolidated level further by 0.5- 1% in FY25.

Other businesses' (CMS Crossings, CV Bodies, Containers, Electric Mobility)

CV load Bodies

- Total Production Volume (In Nos): Q1FY25-2129 units vs 2191 units in Q1FY24.
- Business to grow in line with domestic CV growth in India.

Electric Vehicles Business: (Part of Subsidiary – Jupiter Electric Mobility)

- The company finally received certification from ARAI for their 1st e-LCV model named “Tez” in the 1-ton category.
- Company to adopt a B2B strategy to market the same – from tie-ups with corporates & logistic players.
- Production to commence by Q3FY25- company plans to manufacture ~500 vehicles for FY25. Commercial pricing & strategy – company soon to reveal.
- Currently Tata motors on the only peer in the segment which Jupiter is targeting & their pricing is around ~14 to 16 lacs per vehicle.

Lithium Batteries business (Part of Jupiter Electric Mobility)

- JWL in partnership with Log9, had launched lithium-ion backup batteries for railways , which has been approved by RDSO & by the likes of Siemens & BHEL for their Vande Bharat Trainsets
- Company already won an order for 36 such auxiliary batteries from Siemens this quarter & expects similar such orders to keep flowing from IR as well for AC as well as non-AC passenger/LHB coaches, for Vande Bharat coaches, etc.
- The company also plans to soon develop its own fully integrated batteries by developing its own LFP battery & use its own containers to **create a fully integrated BESS** (Battery Energy Storage System). BESS as a product is highly in demand currently considering electrification & decarbonization is being adopted globally

Containers Business:

- **Production**– 199 units in Q1FY25 vs 112 units in Q1FY24. Company expects to do ~1000 Mn battery containers business in FY25.
- JWL now solely focuses on specialized containers required for battery energy storage & data center usage purposes & has shut its legacy marine containers business. JWL has received traction from reputed clientele such as Schnieder, GE, Tata solar, Toshiba, etc.

CMS Crossings

- **Production:** 291 units in Q1FY25 vs 157 in Q1FY24 vs 226 units in Q4FY24 (QoQ).
- Weldable CMS crossings technology in India : JWL along with some MNC players is one of the few Indian players to have a sizeable capacity in weldable CMS crossings manufacturing.

Valuation & Outlook

In the recent budget for FY24-25, Government has re-iterated its focus on improving railways & infrastructure , the Ministry of Railways has allocated Rs 2.55 trillion(+5.8% more than PY allocation)- & with 3 new special freight corridors announced to be launched in the coming years under PM Gati Shakti scheme. These announcements have tremendously boosted prospects of railway freight focused players & mobility players like Jupiter Wagons (JWL).

Apart from being a sole freight car manufacturer, JWL has taken a wise approach by continuously diversifying in adjacent businesses to bring more synergy into its existing freight business through acquisitions & forming JV's & tie-ups. In the past 1- 1.5 years we have seen, the acquisition of Bonatrans for wheelsets & acquisition of Stone India to venture into brake systems business. The tie-up with Log9 to develop LFP batteries for Railways & pivoting its existing containers business to supply for BESS market has been a prudent move. These steps have helped JWL to backward integrate immensely & have boosted their margins – results of which were seen in this quarter & going forward we can expect margin improvement to continue – once Bonatrans & Stone India start operating at their full potential. At the same time there has been diversification in unrelated business' such as the e-LCV business which will be launched in Q3FY25- it will be interesting how that business adds up to JWL's earnings going forward – as of now one can be optimistic about the business since there are not many competitors apart from Tata Motors currently.

At CMP of 617, JWL currently trades at 53x/ 39x/31x fully diluted estimated EPS of Rs 11.6/16/20 for FY25/Fy26/FY27 earnings currently.-We have rolled our forward our estimates to FY27 & have valued Jupiter wagons at 25x FY27E EPS of Rs 20 at Rs 500. (-19% downside). The wagons business has become a steady state revenue & one can expect ~25-30% growth in that business in FY25, however JWL now also looks to penetrate new product markets like brake discs, wheelsets & braking systems – a lot will depend on how execution & demand unfolds in these segments which currently have a sizeable addressable market. We recommend investors to wait & watch how the new business segments unravel for JWL. Considering the stock has rallied up significantly in the past 1 year we revise our rating from “Buy on Dips” to “HOLD” rating on the stock.

Quarterly Financials

(Rs.Mn)	Q1FY24	Q4FY24	Q1FY25	YoY Growth (%)	QoQ Growth (%)
Revenue from Operations	7,532	11,154	8,799	16.82%	-21.12%
Other Income	22	116	79	253.63%	-32.13%
Total Mfg Cost	5,835	8,695	6,549	12.24%	-24.68%
Employee Benefits Expense	112	160	171	51.90%	7.01%
Other Expenses	617	826	712	15.45%	-13.81%
Total Expenses	6,564	9,680	7,432	13.22%	-23.23%
EBITDA (Excluding Other Income)	968	1,474	1,367	41.20%	-7.26%
Depreciation and Amortisation Expenses	66	76	125	90.20%	63.33%
EBIT / PBIT	925	1,513	1,321	42.82%	-12.72%
Finance Costs	84	108	126	50.94%	17.37%
Profit before share in profit of associate & tax	841	1,406	1,194	42.02%	-15.02%
Share in profit of associate (net of tax)	(2)	(16)	2		
EBT/PBT before exceptional items	839	1,390	1,196	42.60%	-13.90%
Exceptional items	-	-	-		
EBT/PBT before exceptional items	839	1,390	1,196	42.60%	-13.90%
Tax Expense	210	343	278	31.90%	-19.13%
Net Profit after Tax	629	1,046	919	46.19%	-12.18%
EPS	1.57	2.54	2.15	36.65%	-15.28%
Margins (%)				(In bps)	(In bps)
Gross Margins	22.5%	22.0%	25.6%	303	352
EBITDA Margins (Excl Other Income)	12.9%	13.2%	15.5%	268	232
PAT Margins	8.3%	9.4%	10.4%	210	106
As a % to sales					
RM as a % to sales	77.5%	78.0%	74.4%	-303	-352
EE Cost as a % to sales	1.5%	1.4%	1.9%	45	51
Other exps as a % to sales	8.2%	7.4%	8.1%	-10	69

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	11,784	20,682	36,437	49,725	61,050	74,400
Total Operating Expenses	8,968	15,745	28,290	37,557	44,963	54,660
Employee Cost	338	420	514	858	950	1,048
Other Expenses	1,336	1,998	2,741	3,920	4,954	6,218
Operating Profit	1,141	2,521	4,892	7,390	10,183	12,474
Depreciation	234	250	282	555	955	935
PBIT	907	2,271	4,611	6,836	9,228	11,540
Other income	34	51	245	120	150	200
Interest	182	289	410	515	557	669
PBT (Before share of JV/associates)	760	2,033	4,446	6,441	8,822	11,071
Share of JV/Associates	(3)	(28)	(27)	150	225	250
PBT	756	2,005	4,419	6,591	9,047	11,321
Provision for tax	260	798	1,109	1,648	2,205	2,768
PAT (From continuing operations)	497	1,207	3,310	4,943	6,841	8,553
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI	2	1	154	154	154	154
Reported PAT	497	1,207	3,310	4,943	6,841	8,553
Adjusted Profit	497	1,207	3,310	4,943	6,841	8,553

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	3,874	3,874	4,123	4,274	4,274	4,274
Reserves	2,952	4,159	12,039	25,280	30,884	37,662
Net worth	6,827	8,034	16,162	29,553	35,157	41,935
Minority Interest	2	1	154	154	154	154
Non Current Liabilites	309	537	538	554	549	544
Current Liabilites	3,586	7,769	12,546	14,518	17,409	21,399
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	10,728	16,340	29,400	44,779	53,269	64,033
Non Current Assets	5,038	5,508	9,768	12,573	17,182	21,665
Fixed Assets	4,294	4,715	7,905	10,363	14,482	18,284
Goodwill	204	146	146	146	146	146
Non Current Investments	80	113	395	550	765	1,064
Loans	6	36	41	50	50	50
Non-current assets tax (net)	21	21	15	15	15	15
Deferred Tax Asset	271	-	-	-	-	-
Other Financial Assets	104	340	168	234	325	452
Other Non Current Assets	58	109	337	469	653	908
Current Assets	5,690	10,832	19,631	32,206	36,087	42,368
Current investments	-	-	-	-	-	-
Inventories	3,194	4,912	9,835	11,771	13,717	16,491
Trade Receivables	710	2,133	533	4,872	5,336	6,415
Cash and Bank Balances	407	1,171	1,225	10,553	10,182	10,071
Other bank balances	282	503	904	1,258	1,750	2,434
Short Term Loans and Advances	6	36	41	50	50	50
Other Financial Assets	248	418	202	281	390	543
Other current assets tax (net)	4	3	8	8	8	8
Other current assets	840	1,656	1,975	2,747	3,821	5,315
Other Assets(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL ASSETS	10,728	16,340	29,400	44,778	53,269	64,033

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT (excluding JV/Associates)	760	2,033	4,446	5,856	7,952	9,571
Add: Dep. & Amort.	234	250	282	555	745	935
Add: Interest Expenses	182	289	410	515	557	669
Operating profit before working capital change	1,175	2,572	5,138	6,925	9,253	11,174
(Inc)/Dec in						
Working capital adjustment	(718)	(2,597)	(4,149)	(1,545)	(1,437)	(2,466)
Gross cash generated from operations	457	(25)	989	5,380	7,816	8,709
Direct taxes paid	(260)	(798)	(1,109)	(1,464)	(1,988)	(2,393)
Others	398	1,600	(72)	412	501	558
CF from Oper. activities	595	777	(191)	4,329	6,329	6,874
CF from Inv. activities	(491)	(1,224)	(4,646)	(3,658)	(5,737)	(5,928)
CF from Fin. activities	(168)	1,212	4,889	8,657	(963)	(1,057)
Cash generated/(utilised)	(63)	765	52	9,328	(371)	(111)
Cash at start of the year	470	407	1,171	1,225	10,553	10,182
Cash at end of the year	407	1,171	1,225	10,553	10,182	10,071
Balance sheet	407	1,171	1,223	10,552	10,182	10,071

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	9.68%	12.19%	13.43%	14.86%	16.68%	16.77%
NPM	4.20%	5.82%	9.02%	9.92%	11.18%	11.47%
Tax Rate	34.36%	39.81%	25.09%	25.00%	24.38%	24.45%
Growth Ratios (%)						
Net Sales	18.00%	75.52%	76.17%	36.47%	22.78%	21.87%
Operating Profit	7.32%	120.90%	94.10%	51.06%	37.79%	22.50%
PBT	15.32%	167.65%	118.72%	44.86%	36.97%	25.49%
PAT	-7.01%	143.03%	174.30%	49.33%	38.40%	25.02%
Per Share (Rs.)						
Net Earnings (EPS)	1.28	3.11	8.03	11.57	16.01	20.01
Cash Earnings (CPS)	1.88	3.76	8.71	12.86	18.24	22.20
Payout ratio	0%	0%	6%	4%	3%	2%
Dividend	0.00	0.00	0.50	0.50	0.50	0.50
Book Value per share (BVPS)	17.62	20.74	39.20	69.15	82.26	
Free Cash Flow	259	106	(1,433)	1,316	1,465	2,137
Valuation Ratios						
P/E(x)	481.43	198.10	76.85	53.34	38.54	30.83
P/B(x)	35.02	29.76	15.74	8.92	7.50	
EV/EBIDTA(x)	210.36	95.52	52.43	34.73	25.24	20.61
Div. Yield(%)	-	-	0.08	0.08	0.08	0.08
FCFF Yield(%)	0.11	0.04	(0.56)	0.50	0.56	0.81
Return Ratios (%)						
ROE	7.27%	15.02%	20.48%	16.73%	19.46%	0.00%
ROCE	13.89%	23.10%	25.04%	22.33%	26.34%	11259.66%

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com