

Q4FY24 Result Update | Capital Goods

Equity Research Desk

Wagons Segment- A cash cow; new business verticals to start contributing from FY25 onwards..

9 May 2024

The company has posted their highest-ever quarterly revenue of ~11,154 Mn as well as their highest ever PAT of ~1046 Mn. The company expects to ramp up production from the current ~900 wagons p.m. to ~1000 wagons p.m. by Q2FY25. Also, the company is optimistic about its braking business now that they have a healthy orderbook for 12,000 brake discs & Stone India becomes operation from FY25 onwards. The company expects to do ~3000 Mn business in the JV entities for brake systems with DAKO & KOVIS both combined. Also, the recent acquisition of Bonatrans to start bearing fruits from FY25 itself with the company targeting to manufacture ~15000 wheelsets in FY25 which will bring a lot of cost savings for wagon production due to backward integration & in turn will be margin accretive.

Business Highlights

- The company has already scaled up its capacities to 900 wagons p.m & **targets to achieve 1000 wagons p.m production rate by Q2FY25**. Additionally, the company is also doing capex of ~200 crore to build foundry capacity of ~20,000 tonnes of steel casting. The foundry at Jabalpur shall allow JWL to increase production of brake discs, export wagons & other railway components; also create spare capacity in case there is further demand for wagons - this expansion shall take another 18 months. **For the full year FY24 JWL delivered ~8007 wagons vs 4347 wagons in FY23 (+84% YoY)**
- The company plans to raise funds ~1000 Cr via QIP route - primarily to ramp-up capacities in the recently acquired wheelsets manufacturer Bonatrans India Pvt Ltd. (BIPL). With the help of the fund raise it should be able to ramp up wheelsets capacity in BIPL from the current 10,000 wheelsets p.a to 1,00,000 wheelsets p.a. in the next 3-4 years.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net sales	11,784	20,682	36,437	51,840	59,278
EBIDTA	1,141	2,521	4,892	7,340	9,828
Margins (%)	9.7	12.2	13.4	14.2	16.6
Adjusted net profit	497	1,207	3,310	4,864	6,575
EPS (Rs)	1.3	3.1	8.0	11.12	15.0
P/E (x)	318	131	51	37	27
EV/EBITDA (x)	139	63	35	23	17
RoCE (%)	13.89%	23.10%	25.04%	21.45%	24.70%
RoE (%)	7.27%	15.02%	20.48%	15.86%	18.12%

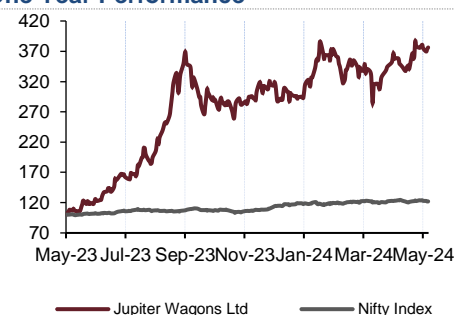
Source: Company

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	451	10.5

Market data

Current price	Rs	408
Market Cap (Rs.Bn)	(Rs Bn)	168
Market Cap (US\$ Mn)	(US\$ Mn)	2,015
Face Value	Rs	10
52 Weeks High/Low	Rs	442.4 / 107.3
Average Daily Volume	('000)	2,208
BSE Code		533272
Bloomberg		JWL.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-24
Promoters	70.12	70.12
Public	29.88	29.88
Total	100	100

Source: BSE

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Financial highlights for the quarter || Full Year:

- **Highest-ever quarterly revenue** of Rs 11,154 Mn vs Rs 7,117 Mn in Q4FY23 (+56.72% YoY) vs Rs 8,958 Mn (+25% QoQ) || Highest ever yearly Revenue for FY24: 36,437 Mn vs 20,682 Mn in FY23 (+76% YoY)
- EBITDA at Rs 1,474 Mn vs Rs 922 Mn (+60% YoY) vs Rs 1,244 Mn (+19% QoQ) || EBITDA for FY24 Rs 4,892 Mn vs Rs 2,521 Mn in FY23 (+94% YoY)
- EBITDA Margin at 13.2% vs 13% (YoY) vs % 13.9% (QoQ).|| Margins for FY24 at 13.4% vs 12.2% in FY23.
- **Highest ever** quarterly PAT at Rs 1046 Mn vs Rs 619 Mn (+69% YoY) vs Rs 815 Mn (+28% QoQ) || PAT for FY24 stands at 3,310 Mn vs Rs 1,433 Mn in FY23 (+131% YoY)
- EPS for FY24 – Rs 8.14 vs Rs 3.70 in FY23 – growth of ~120% (Company had raised 1250 Mn by issuing 12.7 Mn equity shares in Q1FY24 resulting into EPS dilution)
- Orderbook as on Mar'24 is 711Mn vs 58,180(+22% YoY) vs 70,763 (+0% QoQ).

Conference Call Highlights

Acquisition of BIPL & plans ahead...

- BIPL is a wheelset manufacturer whose wheelsets have been approved by RDSO & the Indian Railways for freight trains, passenger trains, Vande Bharat trains & Vande metro as well.
- It has already catered to customers such as JWL, Titagarh, Alstom, Siemens, BEML in the past.
- India currently is an importer of wheelsets; importing around 1 lac wheelsets annually from China. Currently BIPL has a capacity of 10,000 wheelsets. JWL plans to undertake a capex of ~1000 Cr in BIPL to ramp up wheelset capacities to 1 lac wheelsets p.a within next 18-24 months. At those peak level capacities BIPL can fetch revenues ~3000 Crore+ in the next 3-4 years.
- Once the capacities are built up , the company plans to first use those wheelsets for their captive wagon production & the balance will then be exported / delivered for Vande Bharat trains/metros,etc.
- **For FY25:** JWL plans to manufacture 15,000 – 18,000 wheelsets both for captive use & exports – estimates to clock a revenue of 400 Crore in BIPL

Freight Wagons Business

Key highlights of the quarter

- JWL has ramped up their production to more than doubled from 1532 wagons in Q4FY23 to 2520 wagons Q4FY24. For the full year FY24 JWL delivered ~8007 wagons vs 4347 wagons in FY23 (+84% YoY)
- **Total Order book for wagons being Rs 53,000 Mn+ (>75% of the total orderbook currently)**
- JWL remains a dominant player in the private sector market for wagon supply in India – having supplied ~100 rakes of wagons to private players in FY24 alone. Even at an orderbook level, currently ~40% of orderbook pertains to the private sector for wagons & balance from Indian Railways.
- **Recent order win** in March'24 of Rs 957 Cr for 2,237 BOSM Wagons.

FY25 Guidance & Outlook for the wagons business

- Capacity of wagon production to be increased to **1000 wagons p.m. by Q2FY25.**
- In FY25, JWL is expected to start supplying the 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 will inevitably be margin-accretive.

Brake Disc & Brake System Business

- **Total brake discs manufactured in FY24:** 3859 units ; brake systems manufacturing to start in the current year with Stone India facility also being fully revamped.
- **Guidance:** JWL expects to do atleast 300 Cr+ Business combined from Brake discs & Brake Systems in FY25 . Eventually in 3-4 years time, the company expects the brake business to grow to a 1000 Cr+ business.
- Currently JWL has ~12,000 brake discs in their orderbook
- Brake systems which shall be used for captive consumption shall lead to backward integration & thereby augment wagon production margins by 0.5- 1% in FY25.

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

CMS Crossings

- **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.
- **CV load Bodies**
- **Total Production Volume (In Nos):** For FY24 – 10,806 units vs 7616 units in FY23
- **Containers Business:**
- **Total production of containers in Fy24 – 633 vs 1246 units**
- **In FY24, JWL has started to focus more on specialized containers required for battery energy storage & data center usage purposes.** JWL has received traction from reputed clientele such as Schnieder, GE, Tata solar, Toshiba, etc.
- **Electric Mobility Business:**
- **The company awaits certification for their 1st e-LCV model & plans to launch the same by July 2025.**

Valuation & Outlook

In the recent interim budget, Government has given special thrust on 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).

At CMP of 408, JWL currently trades at 37x FY25E EPS of Rs 11.12 & . 27x Fy26E EPS of 15.04.-We have valued Jupiter wagons at 30x FY26E EPS of Rs 15.04 at Rs 451. (~11% upside). The wagons business has become a steady state revenue & one can expect ~40-45% growth in that business in FY25, however JWL now also looks to enter new business verticals 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 & hence recommend a “BUY on DIPS” rating on the stock.

Quarterly Financials

(Rs.Mn)	Q4FY23	Q3FY24	Q4FY24	YoY Growth (%)	QoQ Growth (%)	FY23	FY24	Variance%
Revenue from Operations	7,117	8,958	11,154	56.72%	24.51%	20,682	36,437	76%
Other Income	10	50	116	1047.49%	132.63%	51	245	382%
Total Mfg Cost	5,493	6,887	8,695	58.29%	26.25%	15,745	28,290	80%
Employee Benefits Expense	113	124	160	41.17%	28.99%	420	514	23%
Other Expenses	589	704	826	40.26%	17.35%	1,998	2,741	37%
Total Expenses	6,195	7,715	9,680	56.27%	25.48%	18,162	31,545	74%
EBITDA (Excluding Other Income)	922	1,244	1,474	59.81%	18.51%	2,521	4,892	94%
Depreciation and Amortisation Expenses	62	68	76	23.17%	11.38%	250	282	13%
EBIT / PBIT	870	1,225	1,513	73.85%	23.54%	2,322	4,856	109%
Finance Costs	87	115	108	23.35%	-6.10%	289	410	42%
Profit before share in profit of associate & tax	783	1,110	1,406	79.48%	26.60%	2,033	4,446	119%
Share in profit of associate (net of tax)	(8)	(15)	(16)	112.81%	7.44%	(28)	(27)	-3%
EBT/PBT before exceptional items	776	1,095	1,390	79.15%	26.86%	2,005	4,419	120%
Exceptional items	-	-	-	-	-	-	-	-
EBT/PBT before exceptional items	776	1,095	1,390	79.15%	26.86%	2,005	4,419	120%
Tax Expense	157	281	343	118.77%	22.27%	572	1,109	94%
Net Profit after Tax	619	815	1,046	69.11%	28.44%	1,433	3,310	131%
EPS	1.60	1.98	2.54	58.91%	28.44%	3.70	8.14	120%
Margins (%)				(In bps)	(In bps)			
Gross Margins	22.8%	23.1%	22.0%	-77	-107	23.9%	22.4%	-151
EBITDA Margins (Excl Other Income)	13.0%	13.9%	13.2%	25	-67	12.2%	13.4%	124
PAT Margins	8.7%	9.1%	9.4%	69	29	6.9%	9.1%	215
As a % to sales								
RM as a % to sales	77.2%	76.9%	78.0%	77	107	76.1%	77.6%	151
EE Cost as a % to sales	1.6%	1.4%	1.4%	-16	5	2.0%	1.4%	-62
Other exps as a % to sales	8.3%	7.9%	7.4%	-87	-45	9.7%	7.5%	-214

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	11,784	20,682	36,437	51,840	59,278
Total Operating Expenses	8,968	15,745	28,290	39,917	43,904
Employee Cost	338	420	514	566	950
Other Expenses	1,336	1,998	2,741	4,018	4,596
Operating Profit	1,141	2,521	4,892	7,340	9,828
Depreciation	234	250	282	555	955
PBIT	907	2,271	4,611	6,785	8,873
Other income	34	51	245	120	150
Interest	182	289	410	570	557
PBT (Before share of JV/associates)	760	2,033	4,446	6,335	8,467
Share of JV/Associates	(3)	(28)	(27)	150	225
PBT	756	2,005	4,419	6,485	8,692
Provision for tax	260	798	1,109	1,621	2,117
PAT (From continuing operations)	497	1,207	3,310	4,864	6,575
PAT (From Discontinuing operations)	-	-	-	-	-
MI	2	1	154	154	154
Reported PAT	497	1,207	3,310	4,864	6,575
Adjusted Profit	497	1,207	3,310	4,864	6,575

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	3,874	3,874	4,123	4,373	4,373
Reserves	2,952	4,159	12,039	26,293	31,910
Net worth	6,827	8,034	16,162	30,665	36,283
Minority Interest	2	1	154	-	154
Non Current Liabilities	309	537	538	554	549
Current Liabilities	3,586	7,769	12,546	15,195	17,415
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-
TOTAL LIABILITIES	10,728	16,340	29,246	46,414	54,246
Non Current Assets	5,038	5,508	9,768	12,573	17,182
Fixed Assets	4,294	4,715	7,905	10,363	14,482
Goodwill	204	146	146	146	146
Non Current Investments	80	113	395	550	765
Loans	6	36	41	50	50
Non-current assets tax (net)	21	21	15	15	15
Deferred Tax Asset	271	-	-	-	-
Other Financial Assets	104	340	168	234	325
Other Non Current Assets	58	109	337	469	653
Current Assets	5,690	10,832	19,631	34,662	38,051
Current investments	-	-	-	-	-
Inventories	3,194	4,912	9,835	13,123	13,724
Trade Receivables	710	2,133	533	5,397	5,339
Cash and Bank Balances	407	1,171	1,225	11,130	12,134
Other bank balances	282	503	904	1,258	1,750
Short Term Loans and Advances	6	36	41	50	50
Other Financial Assets	248	418	202	281	390
Other current assets tax (net)	4	3	8	8	8
Other current assets	840	1,656	1,975	2,748	3,822
Other Assets(associated with discontinued operations/ assets held for sale)	-	-	-	-	-
TOTAL ASSETS	10,728	16,340	29,400	47,234	55,234

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E
PBT (excluding JV/Associates)	760	2,033	4,446	6,335	7,957
Add: Dep. & Amort.	234	250	282	555	745
Add: Interest Expenses	182	289	410	570	557
Operating profit before working capital change	1,175	2,572	5,138	7,460	9,258
(Inc)/Dec in					
Working capital adjustment	(718)	(2,597)	(4,149)	(2,746)	(242)
Gross cash generated from operations	457	(25)	989	4,714	9,016
Direct taxes paid	(260)	(798)	(1,109)	(1,584)	(1,989)
Others	398	1,600	(72)	412	502
CF from Oper. activities	595	777	(191)	3,543	7,528
CF from Inv. activities	(491)	(1,224)	(4,646)	(2,992)	(5,571)
CF from Fin. activities	(168)	1,212	4,889	9,354	(953)
Cash generated/(utilised)	(63)	765	52	9,905	1,004
Cash at start of the year	470	407	1,171	1,225	11,130
Cash at end of the year	407	1,171	1,225	11,130	12,134
Balance sheet	407	1,171	1,223	11,129	12,134

Ratios	FY22	FY23	FY24	FY25E	FY26E
OPM	9.68%	12.19%	13.43%	14.16%	16.58%
NPM	4.20%	5.82%	9.02%	9.36%	11.06%
Tax Rate	34.36%	39.81%	25.09%	25.00%	24.35%
Growth Ratios (%)					
Net Sales	18.00%	75.52%	76.17%	42.27%	14.35%
Operating Profit	7.32%	120.90%	94.10%	50.03%	33.90%
PBT	15.32%	167.65%	118.72%	42.48%	33.65%
PAT	-7.01%	143.03%	174.30%	46.93%	35.18%
Per Share (Rs.)					
Net Earnings (EPS)	1.28	3.11	8.03	11.12	15.04
Cash Earnings (CPS)	1.88	3.76	8.71	12.39	17.22
Payout ratio	0%	0%	6%	4%	3%
Dividend	0.00	0.00	0.50	0.50	0.50
Book Value per share (BVPS)	17.62	20.74	39.20	70.13	82.97
Free Cash Flow	259	106	(1,433)	530	2,664
Valuation Ratios					
P/E(x)	318.35	130.99	50.82	36.68	27.14
P/B(x)	23.16	19.68	10.41	5.82	4.92
EV/EBIDTA(x)	139.40	63.39	34.82	23.27	17.28
Div. Yield(%)	-	-	0.12	0.12	0.12
FCFF Yield(%)	0.16	0.07	(0.85)	0.30	1.49
Return Ratios (%)					
ROE	7.27%	15.02%	20.48%	15.86%	18.12%
ROCE	13.89%	23.10%	25.04%	21.45%	24.70%

Source: Dalal & Broacha Research, Company

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