

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



11 November 2024

The company has posted their highest-ever Q2 revenue of ~1009 Mn as well as their best ever Q2 PAT of ~894 Mn. The company increased its production by 15% 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 16,000 brake discs & a 350 brake systems order from Indian Railways (IR). Bonatrans India (BIPL), their wheelsets subsidiary also had a stellar quarter wherein BIPL reported turnover of ~1600 Mn in H1FY25.

Financial highlights for the quarter

- **Revenue** of Rs1,009 Mn Q2FY25 vs Rs 8793 Mn in Q1FY24 (+15% YoY) vs Rs 8,799 Mn (+15% QoQ)
- **EBITDA** at Rs 1,394 Mn vs Rs 1207 Mn (+16% YoY) vs Rs 1,367 Mn (+2% QoQ)
- **EBITDA Margin** at 13.8% vs 12.9% (YoY) vs % 15.5% (QoQ).
- **PAT** at Rs 894 Mn vs Rs 821 Mn (+9% YoY) vs Rs 919 Mn (-3% QoQ)
- **EPS** - Rs 2.09 vs Rs 2.05 in Q2FY24 - growth of ~2%
- **Orderbook** as on Sep'24 is 66,437 Mn.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	11,784	20,682	36,437	46,020	56,686	63,529
EBIDTA	1,141	2,521	4,892	6,924	9,397	10,882
Margins (%)	9.7	12.2	13.4	15.0	16.6	17.1
Adjusted net profit	497	1,207	3,310	4,584	6,250	7,384
EPS (Rs)	1.3	3.1	8.0	10.80	14.7	17.4
P/E (x)	367	151	59	44	32	27
EV/EBITDA (x)	160	73	40	28	21	18
RoCE (%)	13.89%	23.10%	25.04%	21.00%	24.68%	25.03%
RoE (%)	7.27%	15.02%	20.48%	15.58%	18.07%	18.47%

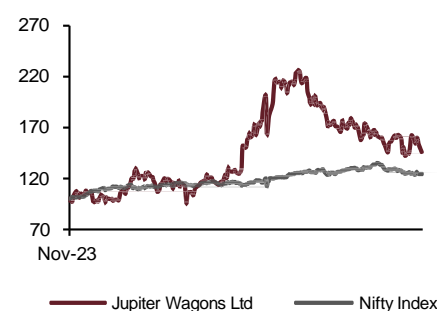
Source: Company

Rating	TP (Rs)	Up/Dn (%)
HOLD	522	11

Market data

Current price	Rs	470
Market Cap (Rs.Bn)	(Rs Bn)	200
Market Cap (US\$ Mn)	(US\$ Mn)	2,367
Face Value	Rs	10
52 Weeks High/Low	Rs	748.1 / 300.5
Average Daily Volume	('000)	1,012
BSE Code		533272
Bloomberg		JWL .IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

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

Source: BSE

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Conference Call Highlights

Freight Wagons Business

Key highlights of the quarter

- **Production:** 2130 wagons in Q2FY25 vs 1850 wagons in Q2FY24 (+15% YoY) vs 1954 wagons in Q1FY25 (+10% QoQ)
- **Guidance:** H1 saw almost a production of ~4100 ; H2 expected to be stronger than H1 as the company anticipates a combined annual production of ~10,000 wagons.
- 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.

Jupiter Tatravagonka Rail Wheel Factory[JT-RWF]- Wheelsets Manufacturing Division... {erstwhile Bonatrans India}

- **Jupiter Wagons Limited has strategically rebranded its subsidiary Bonatrans India Private Limited to Jupiter Tatravagonka Rail Wheel Factory Private Limited. The production capacity will be expanded from the current 20,000 forged wheels and axles per year to 1,00,000 forged wheelsets by setting up of a new facility in Odisha entailing an investment of approximately ₹ 2,500 Crore.**
- **Production:** 5252 wheelsets in H1FY25 vs 691 wheelsets in H1FY24 (>7x jump YoY).
- **Performance:** BIPL on a standalone basis recorded a revenue of ~1600 Mn;
- **FY25 Outlook:** JWL plans to manufacture ~12,000 to 15,000 wheelsets in FY25 both for 2nd party players & for captive use & anticipates to clock a revenue between 3000-4000 Mn by the end of FY25. It also expects to ramp up capacities to 25000 wheelsets by the end of FY25.
- **Future Outlook:** JWL plans to ramp up capacities at JT-RWF(erst-while Bonatrans) eventually to 40,000-50,000 wheelsets by the end of FY26 & production to 25000-30000 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.

Brake Disc & Brake System Business

- **Production:** Brake discs: 4225 nos vs 1429 nos in Q2FY24 ; 72 Disc Brake systems manufactured in H1FY25. Yet to start commercial production of brake systems in Stone India facility- awaiting RDSO license. Commercial operations anticipated to commence FY26 onwards.
- **FY25 Guidance:** JWL expects to do atleast 1000-2000 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 ~16,000+ brake discs & a 350 brake systems order for LHB coaches in their orderbook. The Indian Railways is expected to induct 6000+ new LHB coaches in the system- which could be a big opportunity for JWL in Brake Systems. JWL also expects an order of 500+ nos order for brake system in FY26.
- 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): Q2FY25-1590 units vs 2431 units in Q2FY24.
- 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 & commercial launch to commence by Q3FY25- company plans to manufacture ~1000 vehicles for CY25. 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)

- **Jupiter Electric Mobility has acquired Log9's railway and electric truck battery assets for a consideration of ~400 Mn, enhancing its position in electric truck and railway battery solutions.**
- 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**- 217 units in Q2FY25 vs 131 units in Q2FY24.
- 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:** 214 units in Q2FY25 vs 126 in Q2FY24 vs 291 units in Q1FY25 (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(JT-RWF) for wheelsets & acquisition of Stone India to venture into brake systems business. The acquisition of 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 470 of , JWL currently trades at 44x/ 32x/27x fully diluted estimated EPS of Rs 10.8/14.7/17.4 for FY25/Fy26/FY27 earnings currently.- 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 which can meaning fully add to the topline & incrementally augment the margins & increase the bottomline as well. JWL's execution has always been impressive & the recent move to set up an inhouse forging facility in Orissa to manufacture its own wheelsets could turn out to be a big gamechanger & provide Jupiter a more stable & sustainable long-term business opportunity – hence we have increased the multiple assigned to JWL from 25x to 30x & have valued Jupiter wagons at 30x FY27E EPS of Rs 17.4 at Rs 522. (+11% upside). Although lot of new segments also add to the business & execution risk for JWL, 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 maintain our rating from “HOLD” rating on the stock.

Quarterly Financials

(Rs.Mn)	Q2FY24	Q1FY25	Q2FY25	YoY Growth (%)	QoQ Growth (%)
Revenue from Operations	8,793	8,799	10,090	14.75%	14.68%
Other Income	58	79	97	67.89%	23.74%
Total Mfg Cost	6,873	6,549	7,687	11.84%	17.37%
Employee Benefits Expense	118	171	170	43.57%	-0.55%
Other Expenses	594	712	839	41.18%	17.91%
Total Expenses	7,586	7,432	8,696	14.63%	17.01%
EBITDA (Excluding Other Income)	1,207	1,367	1,394	15.54%	2.02%
Depreciation and Amortisation Expenses	71	125	128	79.09%	2.47%
EBIT / PBIT	1,193	1,321	1,364	14.28%	3.27%
Finance Costs	104	126	167	60.13%	32.08%
Profit before share in profit of associate & tax	1,089	1,194	1,197	9.90%	0.22%
Share in profit of associate (net of tax)	6	2	(5)		
EBT/PBT before exceptional items	1,095	1,196	1,192	8.83%	-0.39%
Exceptional items	-	-	-		
EBT/PBT before exceptional items	1,095	1,196	1,192	8.83%	-0.39%
Tax Expense	274	278	298	8.68%	7.40%
Net Profit after Tax	821	919	894	8.88%	-2.74%
EPS	2.05	2.15	2.09	1.77%	-2.74%
Margins (%)				(In bps)	(In bps)
Gross Margins	21.8%	25.6%	23.8%	303	352
EBITDA Margins (Excl Other Income)	13.7%	15.5%	13.8%	268	232
PAT Margins	9.3%	10.4%	8.9%	210	106
As a % to sales					
RM as a % to sales	78.2%	74.4%	76.2%	-303	-352
EE Cost as a % to sales	1.3%	1.9%	1.7%	45	51
Other exps as a % to sales	6.8%	8.1%	8.3%	-10	69

Source: Company, Dalal & Broacha Research

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	11,784	20,682	36,437	46,020	56,686	63,529
Total Operating Expenses	8,968	15,745	28,290	34,735	41,825	46,010
Employee Cost	338	420	514	716	950	1,048
Other Expenses	1,336	1,998	2,741	3,645	4,514	5,590
Operating Profit	1,141	2,521	4,892	6,924	9,397	10,882
Depreciation	234	250	282	542	972	1,017
PBIT	907	2,271	4,611	6,382	8,425	9,865
Other income	34	51	245	120	150	200
Interest	182	289	410	490	522	545
PBT (Before share of JV/associates)	760	2,033	4,446	6,013	8,053	9,520
Share of JV/Associates	(3)	(28)	(27)	100	210	244
PBT	756	2,005	4,419	6,113	8,263	9,764
Provision for tax	260	798	1,109	1,528	2,013	2,380
PAT (From continuing operations)	497	1,207	3,310	4,584	6,250	7,384
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI	2	1	154	154	154	154
Reported PAT	497	1,207	3,310	4,584	6,250	7,384
Adjusted Profit	497	1,207	3,310	4,584	6,250	7,384

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	3,874	3,874	4,123	4,245	4,245	4,245
Reserves	2,952	4,159	12,039	25,172	30,334	35,724
Net worth	6,827	8,034	16,162	29,417	34,579	39,969
Minority Interest	2	1	154	154	154	154
Non Current Liabilities	309	537	538	554	549	544
Current Liabilities	3,586	7,769	12,546	14,094	16,704	19,256
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	10,728	16,340	29,400	44,219	51,987	59,924
Non Current Assets	5,038	5,508	9,768	15,059	21,604	28,927
Fixed Assets	4,294	4,715	7,905	12,875	18,977	25,697
Goodwill	204	146	146	146	146	146
Non Current Investments	80	113	395	538	733	997
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	229	311	424
Other Non Current Assets	58	109	337	459	625	851
Current Assets	5,690	10,832	19,631	29,160	30,383	30,997
Current investments	-	-	-	-	-	-
Inventories	3,194	4,912	9,835	11,124	12,863	13,351
Trade Receivables	710	2,133	533	4,635	5,004	5,229
Cash and Bank Balances	407	1,171	1,225	8,481	5,913	3,542
Other bank balances	282	503	904	1,231	1,676	2,282
Short Term Loans and Advances	6	36	41	50	50	50
Other Financial Assets	248	418	202	275	374	509
Other current assets tax (net)	4	3	8	8	8	8
Other current assets	840	1,656	1,975	2,689	3,661	4,984
Other Assets(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL ASSETS	10,728	16,340	29,400	44,218	51,987	59,924

Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT (excluding JV/Associates)	760	2,033	4,446	5,713	7,363	7,720
Add: Dep. & Amort.	234	250	282	542	762	1,017
Add: Interest Expenses	182	289	410	490	522	545
Operating profit before working capital change	1,175	2,572	5,138	6,744	8,647	9,282
(Inc)/Dec in						
Working capital adjustment	(718)	(2,597)	(4,149)	(984)	(1,239)	(469)
Gross cash generated from operations	457	(25)	989	5,760	7,408	8,813
Direct taxes paid	(260)	(798)	(1,109)	(1,428)	(1,841)	(1,930)
Others	398	1,600	(72)	390	463	494
CF from Oper. activities	595	777	(191)	4,722	6,031	7,378
CF from Inv. activities	(491)	(1,224)	(4,646)	(6,120)	(7,670)	(8,816)
CF from Fin. activities	(168)	1,212	4,889	8,682	(929)	(933)
Cash generated/(utilised)	(63)	765	52	7,285	(2,568)	(2,371)
Cash at start of the year	470	407	1,171	1,225	8,481	5,913
Cash at end of the year	407	1,171	1,225	8,481	5,913	3,542
Balance sheet	407	1,171	1,223	8,509	5,913	3,542

Rat ios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	9.68%	12.19%	13.43%	15.05%	16.58%	17.13%
NPM	4.20%	5.82%	9.02%	9.94%	11.00%	11.59%
Tax Rate	34.36%	39.81%	25.09%	25.00%	24.36%	24.38%
Growt h Rat ios (%)						
Net Sales	18.00%	75.52%	76.17%	26.30%	23.18%	12.07%
Operating Profit	7.32%	120.90%	94.10%	41.53%	35.71%	15.80%
PBT	15.32%	167.65%	118.72%	35.23%	33.94%	18.21%
PAT	-7.01%	143.03%	174.30%	38.50%	36.33%	18.14%
Per Share (Rs.)						
Net Earnings (EPS)	1.28	3.11	8.03	10.80	14.72	17.39
Cash Earnings (CPS)	1.88	3.76	8.71	12.08	17.01	19.79
Payout ratio	0%	0%	6%	5%	3%	3%
Dividend	0.00	0.00	0.50	0.50	0.50	0.50
Book Value per share (BVPS)	17.62	20.74	39.20	69.30	81.46	94.16
Free Cash Flow	259	106	(1,433)	(790)	(833)	(359)
Valuat ion Rat ios						
P/E(x)	366.73	150.90	58.54	43.52	31.92	27.02
P/B(x)	26.67	22.67	11.99	6.78	5.77	4.99
EV/EBIDTA(x)	160.45	72.92	40.05	28.10	20.98	18.33
Div. Yield(%)	-	-	0.11	0.11	0.11	0.11
FCFF Yield(%)	0.14	0.06	(0.74)	(0.40)	(0.42)	(0.18)
Ret urn Rat ios (%)						
ROE	7.27%	15.02%	20.48%	15.58%	18.07%	18.47%
ROCE	13.89%	23.10%	25.04%	21.00%	24.68%	25.03%

Source: Dalal & Broacha Research, Company

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