Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↓	

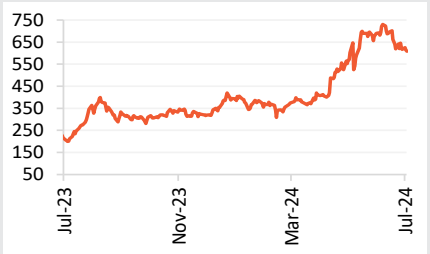
Company details

Market cap:	Rs. 25,852 cr
52-week high/low:	Rs. 748/195
NSE volume: (No of shares)	26.3 lakh
BSE code:	533272
NSE code:	JWL
Free float: (No of shares)	13.5 cr

Shareholding (%)

Promoters	68.1
FII	5.3
DII	2.3
Others	24.3

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-11.9	49.1	58.2	196.6
Relative to Sensex	-14.8	39.4	43.3	173.8

Sharekhan Research, Bloomberg

Viewpoint

Result Update

Jupiter Wagons Ltd

Book profit; Valuations pricing in all the upside

Industrials	Sharekhan code: JWL
Reco/View: Book Profit	CMP: **Rs. 609**

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- We recommend to book profit in this company as the stock has run up almost 5x in the past 1 year since we initiated coverage and now valuations of 38x FY26 EPS seem heady. Though we like the structural growth story of the company and it is expected to report a PAT CAGR of 44% from FY24-26, but the valuations give us less comfort.
- Q1FY2025 results were strong, with a rise of 17%/41%/46% y-o-y in consolidated revenues/ operating profit/PAT to Rs. 880/ 137/ 92 crore due to strong execution.
- JWL has a healthy order book of ~Rs. 7,028 crore which is to be executed over the next 1-2 years. Indian railways is looking to procure 2,50,000 wagons in the next 5 years which provides good growth visibility.
- Company is increasing its manufacturing capacity to meet growing wagon demand from Indian Railways. Focus on the braking and wheels business would drive growth, increase backward integration and boost margins.

Jupiter Wagons Limited (JWL) reported 17% y-o-y growth in revenue to Rs. 880 crore driven by strong execution of the existing order book. EBIDTA margins rose 268bps to 15.5% as gross margins improved by 303bps y-o-y. Consequently, EBIDTA grew by 41% y-o-y to Rs. 137 crore. PAT increased by 46% y-o-y to Rs. 92 crore. During the quarter, production momentum of wagons slowed down a little due to elections but is expected to pick up. Bonatrans had a good quarter with a revenue of Rs. 74crore and it turned profitable from losses last year. JWL's current order book stands at Rs 7,028 crore.

Key positives

- Operating margins of 15.5% increased 268bps y-o-y.
- Bonatrans reported a five fold increase in revenue to Rs. 74 crore.

Key negatives

- Railway wagon production decreased 22% q-o-q due to the impact of elections.

Management Commentary

- JWL will increase the wagon producing capacity to 1000/month from Q3FY25. It is 900/month currently. Management has guided for sale of 10,000 wagons in the year.
- Bonatrans, the wheelsets manufacturing company will do a revenue of Rs 400 crore in FY25. They will use the wheels for both in-house consumption and outside sales.
- Company has received the final certification for its commercial EV with production to start in Q3FY25.
- The current orderbook is of Rs. 7,028 crore. Indian railways has to procure 2,50,000 wagons in the next five years. So, there is a long runway of growth for the company.

Revision in estimates – We have increased our FY25/26 estimates to account for the rise in the margins.

Our Call

Valuation – Book profit with almost 5x gain in 1 year: The company's leading position in domestic wagon manufacturing along with its focus on growing its wheels, railway brakes and light commercial electric vehicles business will give decent medium to long-term growth prospects (expect a 44% PAT CAGR over FY2024-FY2026E) to JWL. But the 5x run up in the price in last 1 year and valuations of 38x its FY26 EPS, make risk-reward unattractive. Hence, we recommend investors to Book profit in the stock.

Key Risks

1) Lower spending by railways on wagon procurement, 2) Lack of orders for new business segments.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25E	FY26E
Revenue	2,068	3,644	4,769	6,119
OPM (%)	12.2%	13.4%	15.4%	16.2%
Adjusted PAT	121	331	507	689
% y-o-y growth	143%	166%	49%	36%
Adjusted EPS (Rs.)	3.0	8.0	12.0	16.2
P/E (x)	201.6	75.9	51.0	37.5
EV/EBITDA (x)	97.7	50.4	33.6	24.8
P/BV (x)	30.3	15.4	12.2	9.3
RoCE (%)	20.8%	23.4%	28.4%	30.1%
RoE (%)	15.0%	20.3%	24.0%	24.8%

Source: Company; Sharekhan estimates

Q1FY2025 Concall Highlights:

Railway wagons: The company plans to increase wagon manufacturing capacity to 1000/month from 900/month currently. It will happen by Q3FY25 as expansion of Kolkata foundry gets completed. Company has guided for a sale of 10,000 wagons this year (it sold 1,954 wagons in this quarter).

Wheelsets: Bonatrans reported a five fold increase in revenue to Rs. 74.4 crore, EBITDA rose to Rs. 9.3 crore with 12.5% margin and PAT touched Rs. 7 crore. Company aims of doing Rs. 400 crore revenue for the year. In the short to medium term, company intends to expand capacity to machine 28,000 wheelsets in FY25, up to 40,000 to 50,000 wheelsets by FY26 and 1 lakh wheelsets by FY27 (current capacity is 15-20k wheelsets). It will be used for JWL's own freight car orders and also exported to Tatravagonka and other International players. Company also sells wheelsets to Indian Railways for LHB and Vande Bharat coaches and various Metro players like Siemens, Alstom and BEML. Bonatrans will cater to 20-25% of JWL's internal demand. Average selling price for freight wheelset is Rs. 2.7 -3 lakh and for Vande Bharat it is Rs. 6-8 lakhs.

The current rolling stock population in the country is 5,00,000 and will increase to 8,00,000 by FY30. Wheels have a replacement demand of 7 years, so approx., 5 lakh wheels will come for replacement every year. Also, there will be further demand of 1 lakh wheels from OEMS – so total demand is 6 lakh wheels. Currently, the manufacturing capacity in the country is only 1.5 lakh wheels, so there's a huge scope for growth.

Brakes: The company has guided for a revenue of Rs. 200-250 crore from brake systems and brake discs in FY25.

Jupiter electric mobility: The subsidiary has achieved a major milestone by completing six-month trial of 11.2 kW lithium-ion LFP battery pack for rail coaches. It is the first to receive a certification from RDSO. Company has received approvals from Automotive Research Association (ARAI) for commercial production of 1-tonne four-wheel electric light commercial vehicle, JEM TEZ. Production is set to begin in October Q3 FY25, with an initial plan to manufacture 500 vehicles this year. Only Tata Motors has launched a vehicle in this segment and it is priced at Rs. 14-16 lakhs and Switch Mobility is going to launch a vehicle soon.

Order book: The current orderbook of the company stands at Rs. 7,028 crore (+15% y-o-y). Order inflow was affected this quarter due to elections but will pick up going forward.

Outlook: The demand environment is good as the Indian railways is looking to procure 4,00,000 rolling stock in next 5 years of which they have only procured 1,50,000 till now.

Others – 1) The company has raised Rs. 800 crore via QIP and the money will be used to establish a forged wheel and axle manufacturing plant. 2) Gross debt is Rs. 450 lakh and net debt is Rs. 300 lakh.

Results (Consolidated) **Rs cr**

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Revenue	879.9	753.2	17%	1115.4	-21%
Total expenditure	743.2	656.4	13%	968.0	-23%
Operating profit	136.7	96.8	41%	147.4	-7%
Other Income	7.9	2.2	254%	11.6	-32%
Depreciation	12.5	6.6	90%	7.6	63%
Interest	12.6	8.4	51%	10.8	17%
Share in loss of Joint ventures	0.2	-0.2	-196%	-1.6	-112%
PBT	119.6	83.9	43%	139.0	-14%
Tax	27.8	21.0	32%	34.3	-19%
Reported PAT	91.9	62.9	46%	104.6	-12%
Reported EPS (Rs)	2.2	1.6	42%	2.5	-12%
Margin (%)			**BPS**		**BPS**
OPM	15.5%	12.9%	268	13.2%	232
NPM	10.4%	8.3%	210	9.4%	106
Tax Rate	23.2%	25.1%	-188	24.7%	-150

Source: Company, Sharekhan Research

Operating Highlights **Numbers**

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Railway Wagons	1,954	1,713	14%	2,520	-22%
CMS Crossing	291	157	85.4%	226	29%
Commercial Vehicle Bodies & Components	2,129	2,191	-3%	2,911	-27%
Containers	199	112	77.7%	200	-1%

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Healthy growth expected in the Indian wagon manufacturing industry

The Indian Railways has more than 3.2 lakh wagons running on its network and is currently facing a massive shortage of wagons due to rising demand from the fast-growing Indian industrial sector. The Railways also wants to increase market share in freight traffic from 27% now to over 45% over the next few years. With laying of new tracks, decongestion of existing tracks and opening of Eastern and Western Dedicated Freight Corridors will further increase the demand for wagons.

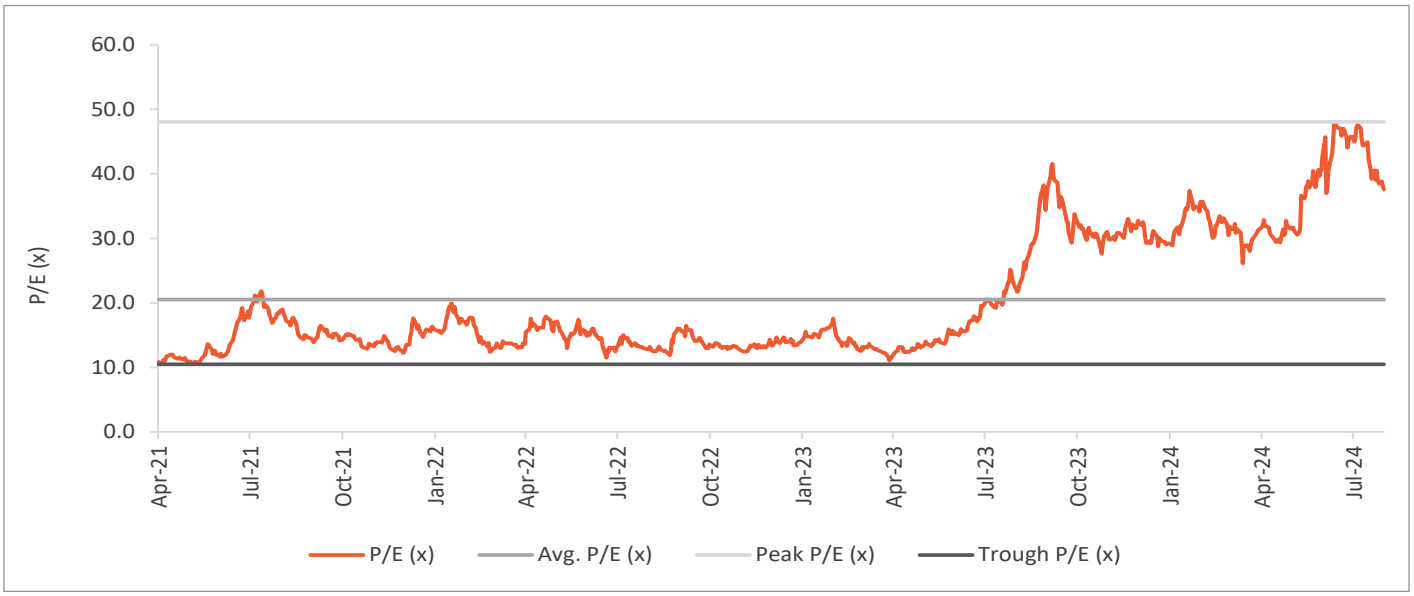
■ Company outlook - Market leader; growth prospects robust

Revenues are expected to report a robust 30% CAGR over FY2024-FY2026E, driven by strong growth in the order book and fast growth in braking division. EBITDA margin is set to improve to 16.2% in FY2026E from 13.4% in FY2024, driven by backward integration, operating leverage benefits, and introduction of new products. Thus, we expect JWL to report a strong EBITDA/ PAT CAGR of 42%/44% over FY2024-FY2026E along with high return ratios (RoCE/RoE of 30%/25% in FY2026E).

■ Valuation - Book profit with almost 5x gain in 1 year

The company's leading position in domestic wagon manufacturing along with its focus on growing its wheels, railway brakes and light commercial electric vehicles business will give decent medium to long-term growth prospects (expect a 44% PAT CAGR over FY2024-FY2026E) to JWL. But the 5x run up in the price in last 1 year and valuations of 38x its FY26 EPS, make risk-reward unattractive. Hence, we recommend investors to Book profit in the stock.

One-year forward P/E (x) band



Source: Sharekhan Research

About company

JWL is the integrated railway engineering company that primarily manufactures freight wagons for Indian Railways. Over time, the company has diversified into manufacturing application-based load bodies on commercial vehicles, braking systems, and marine containers for domestic and international use. JWL's product portfolio includes wagons, wagon accessories, passenger coach, passenger coach accessories, and complete track solutions. JWL has also launched new products like light commercial electric vehicles and freight braking systems to expand into new markets. It forayed into wheelsets as well with acquisition of Bonatrans India Pvt. Ltd.

Investment theme

JWL will be the beneficiary of the much-needed capital expenditure by railways in wagon procurement. The company is also increasing its wagon manufacturing capacity to cater to increased demand by railways as well as private players. The company is focused on growing its leadership position with the introduction of new products through R&D. The company has a decent order book, which will lead to good financial performance over the next few years.

Key Risks

- Lower spending by railways on wagon procurement.
- Lack of order for new business segments.

Additional Data

Key management personnel

Vivek Lohia	Managing Director
Ritu Lohia	President
Sanjiv Keshri	Chief Financial Officer
Swapan Kumar Choudhury	Senior Vice President – Wagons
Sibnath Ganguli	Vice President – Foundry
Bana Behari Chaudhuri	Vice President – Quality Management
Ritesh Kumar Singh	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Atyant Capital Management Ltd	3.49
2	Gothic Corp	3.12
3	Vanderbilt University/The	2.15
4	Duke Endowment/The	1.22
5	Gothic HSP Corp	1.21
6	Vanguard Group Inc/The	1.14
7	BlackRock Inc	0.49
8	Tata Asset Management	0.37
9	Dimensional Fund Advisors LP	0.17
10	RIDDLES MARKETING PVT LTD	0.13

Source: Bloomberg

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Sharekhan

by BNP PARIBAS

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