

**Titagarh Wagons Ltd.**

₹ 114

**Railed Up !!!****Buy**

Gateway to Prosperity

Jun 02, 2017

**Company Background**

Titagarh Wagons Ltd. (Titagarh) was incorporated in Incorporated in 1997-98 and is one of the leading private sector wagon manufacturers in India. It is primarily engaged in the business of manufacturing Railway Wagons & EMUs (Coaches), Bailey Bridges, Heavy Earth Moving and Mining Equipment, Steel and SG iron castings of moderate to complex configuration etc. It is an "Industry Partner" to the DRDO-Ministry of Defence and manufactures certain products for the Indian defence establishment, such as special wagons, shelters, other engineering equipments, Bailey bridges and other related accessories. Titagarh has Class A Specific Foundry and is a registered manufacturer of Casnub Boggies & Components, HT Centre Buffer Coupler and its components recognised by RDSO, Ministry of Railways, Government of India. Besides being the leading manufacturer of Wagons in India it has recently marked its presence in International markets by setting up Titagarh Wagons AFR, a subsidiary in France having acquired assets and business of manufacture of Rolling Stock.

**Key Highlights**

- ➔ Titagarh is a certified and approved manufacturer by the Ministry of Defence for following Defence Items :- Bailey Suspension Bridge, MAT Ground Surfacing, Mechanical Mine Layer, Shelter Barrel, Type Of CGI Sheets, Roof Through Type Splinter Proof For Shelters, Pre-Fabricated Shelters, EWBB Chesses Steel, Cribs Bridging and Integrated Field Shelter for Nuclear, Biological and Chemical Warfare Protection.
- ➔ Cimmco Ltd. has the largest Wagon manufacturing in the Private Sector with an installed capacity of 5600 Four Wheel Units per annum. It manufactures and supplies Wagons to various sectors in India. Titagarh Wagons and JP Morgan together had acquired a portion of the total outstanding secured debt of Cimmco & have stepped up their efforts to prepare the revival scheme, which will involve restructuring of borrowings & other liabilities of Cimmco. The acquired company is a very asset rich and it is difficult to create this kind of a Cimmco like infrastructure today. It has around 200 acres of plant area in the National Capital Region.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	3,056.2	4,118.6	3,505.1
Rev. growth (%)	(44.37)	34.76	(14.90)
EBITDA (INR mn)	589.9	189.1	304.5
Net profit (INR mn)	37.6	98.6	63.1
Shares outstanding (mn)	20.1	100.3	115.4
EPS (INR)	1.2	4.1	0.4
EPS growth (%)	(89.42)	244.54	(91.22)
P/E (x)	19.04	28.09	263.75
RONW (%)	0.60	3.02	0.91
ROCE (%)	1.72	5.78	2.30

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**Info Codes**

Reuters	: TITW.NS
Bloomberg	: TWL:IN
NSE	: TWL
BSE	: 532996

**Market Data**

52 Wk Range (₹)	: 86 / 136
Shares in Issue (mn)	: 115.4
Market. Cap (₹ bn)	: 13.18
BSE 2 Wk Avg Vol	: 241000

**Share Holding Pattern (%)**

Promoters Holding	: 45.79
Corporate Holding	: 04.76
Domestic Institution	: 20.02
Foreign Institution	: 05.32
Public & Others	: 24.10

**Investment Theme**

Titagarh has diversified into various segments ranging from manufacture of just wagons and rail coaches to special items for the nuclear power segment and for the DRDO-Ministry of defence. After years of gloom in the Rail space the Indian Railways is all set to expand and modernise, with new projects, new tracks and newer technologies, safety and speed all to be aligned with the largest Rail network in the world. The option of FDI is also been taken up to solve the cash crunch which the sector had been facing since quite a while. The country is also on the verge of expecting radical changes in the Urban transport with Metro & Mono Rails upcoming. Titagarh is all set to align itself to the growth expected in the sector. It caters not only to wagons for various purposes but also specialise equipments, heavy earth moving equipments & rail coaches.

**Ascending !!!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	2,612.4	3,761.3	44.0	3,097.4	(17.7)
Other Income	251.8	180.3	(28.4)	269.6	49.5
Change in Stocks	212.8	(578.8)	(372.0)	48.9	(108.4)
Raw Material Con.	1,636.7	1,650.5	0.8	1,977.1	19.8
Employee Exp.	179.9	178.3	(0.9)	180.8	1.4
Indirect Taxes	192.0	177.0	(7.8)	138.1	(22.0)
Other Exp.	879.4	1,052.6	19.7	856.2	(18.7)
Operating Exp.	2,888.0	3,058.4	5.9	3,152.2	3.1
Operating Profit	189.0	304.4	61.1	263.7	(13.4)
Total Interest	59.8	63.1	5.5	53.5	(15.2)
Gross Profit	129.2	241.3	86.8	210.2	(12.9)
Net Dep.	69.5	90.9	30.8	100.0	10.0
Total Taxation	22.1	51.8	134.4	47.1	(9.1)
Net Profit/Loss	37.6	98.6	162.2	63.1	(36.0)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>6,990.4</b>	<b>7,011.3</b>	<b>6,482.9</b>	<b>7,863.7</b>
Equity Share capital	200.6	200.6	200.6	230.8
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	6,194.3	6,127.9	6,099.8	7,466.6
Secured Loans	559.8	640.8	145.9	133.0
Unsecured Loans	35.7	42.0	36.6	33.3
<b>USES OF FUNDS</b>	<b>6,990.4</b>	<b>7,011.3</b>	<b>6,482.9</b>	<b>7,863.7</b>
Gross Block	1,686.9	1,933.1	1,978.8	2,036.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	688.0	766.3	847.8	942.2
Net Block	998.9	1,166.8	1,131.0	1,094.0
Capital Work in Progress	184.9	37.9	25.0	18.8
Investments	1,446.5	1,773.0	2,156.7	2,764.2
Current Assets	5,342.2	4,700.4	3,939.3	4,449.0
Less : Current Liabilities	1,283.0	907.3	1,125.6	779.6
Total Net Current Assets	4,059.2	3,793.1	2,813.7	3,669.4
Misc. Expenses not writtenoff	300.9	240.5	356.5	317.3
<b>NOTE</b>				
Book Value of Unquoted Investments	1,445.0	1,771.5	2,155.2	2,762.7
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	4,155.7	3,568.8	4,075.4	6,013.8
Dividend (%)	40.0	40.0	8.0	8.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Net Sales	675.0	958.9	816.6	983.5
Cost Of Sales	659.4	931.4	781.4	940.1
Operating Profit	15.6	27.5	35.2	43.4
Other Income	77.1	79.9	47.3	96.6
Adjusted PBDIT	92.7	107.4	82.5	140.0
Financial Expenses	6.7	7.3	14.4	15.4
Depreciation	24.0	24.0	23.5	44.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	62.0	76.1	44.6	80.4
Tax Charges	24.6	23.6	11.8	10.3
Reported Profit	37.4	52.5	32.8	70.1
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	37.4	52.5	32.8	70.1

**52 Week Index Relative Percentage Appreciation**

**Titagarh vs SENSEX**
**Scope of Growth**

- The Indian Railways has launched many ambitious programs to enhance their capacity to handle more traffic with higher speed and enhanced safety. Large numbers of mega signaling, telecom, track and bridge projects have been taken up under a separate Authority "Rail Vikas Nigam Ltd".
- Urban Transport Projects have been taken up at Delhi, Mumbai, Hyderabad, Bangalore metro cities. Many more such projects are due to be taken up at other metro cities in addition to large scale extension of existing metro rail system at Delhi. A new high speed & high capacity freight corridor has been taken up between Delhi, Kolkata, Chennai & Mumbai.

**Risks Associated**

- The current focus of the Railways suddenly has turned to modernise technology and thereby improve service though there are many products in the pipeline a lack of timely delivery of the same would hamper the functions.
- Since the major business of the company comes through the Railways and other government departments the lacklustre in Budget spending of the Government directly hampers the growth and development of the company.
- There has been severe undercutting of prices of various products supplied by the company and to withstand competition a pressure on margins was evident just to maintain marketshare.

## Titagarh

### In a Nutshell

Titagarh has 5 divisions, Wagon Division manufactures Hopper Wagons - Used for transporting Coal, Covered Wagons - Used in Transport ation of grains & cement, Open Top Wagons - Used for trasporting Iron Ore, Container Flat Wagons - Used to transport Containers, Tank Wagons - Used to transport liquid products, Flat Wagons - Used to transport coils, Special purpose Wagons - manufactures Wheels on Wheels (WoW) Wagon. This wagon is designed to carry various types of trucks plying on the Indian roads, catering to the needs of the logistics industry by providing a Roll-on – Roll-off services. The Special products divison manufactures Bailey Bridges - which are portable prefabricated truss-bridges, initially designed for use by military engineering units to bridge gaps up to 200 feet in a single span. Titagarh is the only company in the private sector with necessary license for manufacturing Bailey Bridges in India. Modular Steel Bridges - which are two lane modular brides with steel composite decking. Titagarh has signed the Memorandum of Understanding for the same. Kawada Industries Inc., is one of the largest bridge manufacturers in Japan the division also manufactures special equipment for nuclear reactors and defence sector. The Heavy Earth moving Division Hydraulic Excavators, Crawler Cranes, The Foundry division manufactures Bogies & Couplers. The rail coach division manufactures coaches for Suburban and Metro rails. Thus Titagrah is all set to benefit from the Growth expected in most sectors in India.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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