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VALUATION MULTIPLE SERIES INDUSTRY FOCUS - RAILWAYS 1ST EDITION

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Methodology for Estimating Valuation Multiples

This Report's goal is to explain how the business valuation, financial performance, and corresponding valuation multiples for companies operating in the Railways Industry have changed over time.

The market bases its future growth projections & prospects, business valuation, and associated valuation multiples for enterprises on past financial performance.

India has the fourth-largest railway system in the world, following the US, Russia and China. Indian Railway (IR) is a departmental undertaking of the Government of India, which owns and operates most of India's rail transport. As of FY22, IR had a total route network of 68,103 kms. It runs 13,523 passenger trains and 9,146 freight trains daily. As on January 2023, 41 indigenously designed, semi-high speed Vande Bharat Express trains are in operation. By 2024-2025, the goal is to upgrade 40,000 conventional rail bogies to meet the 'Vande Bharat' standards. Under the Interim Budget 2024-25, capital outlay of Rs. 2.52 lakh crore (US\$ 30.3 billion) has been allocated to the Ministry of Railways, which is the highest ever outlay and about ten times the outlay made in 2013-14. The Government also announced the One Station One Product scheme which is aimed to provide opportunities for enhanced livelihood through skill development to local artisans, potters, weavers/handloom weavers, craftsmen etc., through the provision of sale outlets at Railway Stations across India. The government has also announced 5,000 km of Metro rail network by 2047 in 100 cities. Indian railways has two major segments passengers and freight.

Source: Indian Brand Equity Foundation

We have identified Railway as the key sector, with value creation flowing to and from related sectors, that has a significant influence on the overall economy. Further, we have identified 09 companies ("Representative Companies") that fairly represents the technical dynamics of the Railways Industry.

As a part of this research, we have derived cash operating margin (EBITDA Margin) and net profit margin (PAT Margin) for Representative Companies in Railway Industry. Along with various other multiples:- Enterprise Value to Sales, Enterprise Value to EBITDA, P/E Ratio, P/B Ratio, etc.

This Report is providing the information of the Representative Companies, namely:



Indian railway finance corporation was incorporated in 1986. It is headquartered in New Delhi, India. It has over 41 employees. It plays a strategic role in supporting the Indian Railways Infrastructure Development Plan as it is the dedicated market borrowing arm of the Indian Railways. The Company's main business is to provide leasing and financing to railway sector. Its business involves leasing of rolling stock assets, railway infrastructure assets and lending to other entities under the Ministry of Railways (MoR). The normal rolling stock asset lease term is 30 years, with a primary component of 15 years and a secondary component of 15 years. During the primary lease period, the principal component and interest are recovered as part of the lease. During the secondary lease period of 15 years, it receives a nominal rent.



Rail vikas nigam limited was incorporated in 2003, however it commenced its operations in 2005. It is headquartered in New Delhi, India. It has over 185 permanent employees and 240 employees on deputation. It has been granted the "Navratan" status in April 23. It is in the business of implementing various types of rail infrastructure projects, gauge conversion, new lines, railway electrification, bridges, workshops, and production units. It undertakes and executes the project development, financing and implementation of projects related to rail infrastructure. It works on a turnkey basis and undertakes the full cycle of project development from conceptualization to commissioning including stages of design, preparation of estimates, calling contracts, project, and contract management. Its clients include various central and state government ministries, departments, and public sector undertakings.



Indian railway catering & tourism corporation limited was incorporated in 1999, is a Mini Ratna category 1 Central Public Sector Enterprise. It is headquartered in New Delhi, India and has over 1562 employees. It is engaged in providing online railway tickets, catering services to railways and packaged drinking water at railway stations and trains in India. The Company's segments include Catering, Rail Neer, Internet Ticketing, Tourism and State Teertha. Its catering services include mobile catering services, e-catering services and static catering services. It offers static catering through food plaza, fast food units, refreshment rooms, jan aahar, base kitchens and other facilities at station premises, executive lounge, and retiring rooms and dormitories. Its rail tour packages offer confirmed berths to passengers and all-inclusive services, such as road transportation, accommodation, sightseeing and accidental insurance, among others.



Jupiter Wagons Limited was incorporated in 2006, headquartered in Kolkata, West Bengal, India. It got listed in 2022 via a reverse merger with CEBBCO through the acquisition of the company. It has over 594 employees. The Company is engaged in the business of manufacturing castings, metal fabrication comprising load bodies for commercial vehicles, rail freight wagons and components, passenger coach and its accessories. It offers wagon accessories and wagon products, such as open wagons, covered wagons, flat wagons, hopper wagons, container wagons, and special purpose wagons. The Company also manufactures couplers, draft gears and railway turnouts for the Indian Railways and the North American railroads. It has manufacturing facilities at Hooghly (WB), Jabalpur (MP), Indore (MP) and Jamshedpur (Jharkhand).



Ircon international commenced its business in 1976, it is headquartered in New Delhi, India. It has over 1341 employees. It is the only Indian PSU & one among five Indian companies to make it to the list of top 250 international contractors. It is an India-based integrated engineering and construction company. It operates in infrastructure sectors, including railways, highways, bridges, flyovers, tunnels, metro, railway electrification, extra high voltage sub-stations, electrical and mechanical works, commercial and residential buildings, and railway production units, amongst others. The Company executes coal connectivity products in joint ventures with other central public sector enterprises (CPSEs) under the Ministry of Coal. It has more than 50 projects in its portfolio, including five international projects in Bangladesh, Algeria, Sri Lanka, Nepal, and Myanmar. It has completed approximately 300 domestic projects and 100 international projects.



Titagarh Rail Systems Ltd (Formerly Titagarh Wagons Limited) was incorporated in 1997. It is headquartered in Kolkata, West Bengal, India. It has over 744 employees. It's segments include Freight Rail Systems and Passenger Rail Systems. The Freight Rail Systems segment consists of manufacturing of wagons, loco shells, bogies, couplers, their components, designing and construction of warships, passenger vessels, tug and specialized equipment's for defence, bridge girders and others. The Passenger Rail Systems segment consists of designing and manufacturing of metro, passenger coaches, electric multiple units, train sets, monorail, propulsion equipment, traction motors and their components. The Company produces integral components for both Indian Railways and the global market, particularly in rail crossings.



Rites Limited incorporated in 1974, is headquartered in Gurugram, Haryana, India. It has over 2671 employees. It is an India-based multidisciplinary engineering and consultancy company providing diversified and comprehensive range of services from concept to commissioning in all facets of transport infrastructure and related technologies. The Company's segments include Consultancy – Domestic & Abroad, Export Sale, Leasing - Domestic, Turnkey Construction Projects - Domestic and Power Generation. Its business engagement as consultant, engineer and project manager are in railways, highways, airports, ports, ropeways, urban transport and inland waterways in India and abroad. It also provides services of third-party inspection, quality assurance, construction, supervision & project management, leasing, export of rolling stock and modernization of railways workshop projects, doubling and electrification on turnkey basis.



Texmaco Rail & Engineering Ltd was incorporated on June 25, 1998 as a private limited company with the name Texmaco Machines Pvt Ltd. In April 23, 2010, the name of the company was changed from Texmaco Machines Ltd to Texmaco Rail & Engineering Ltd. It is headquartered in Kolkata, West Bengal, India and has over 2022 employees. It is an India-based multi-unit Engineering and Infrastructure Company. The Company operates through four segments: Freight Cars, Steel Foundry, Component system and solutions, and Rail Infra. The Company is engaged in the manufacturing of rolling stock, such as wagons, coaches, emus, loco shells and parts, hydro mechanical equipment, steel castings, rail engineering, procurement, construction (EPC), bridges and other steel structures. The Company has six manufacturing units.



BCPL Railway Infrastructure Limited incorporated in 1995, it is headquartered in Kolkata, West Bengal, India. BCPL Railway infra is the one of the niche player catering in the area of Railway electrification with an established track record of about 3 decades. It has over 90 employees. The Company executes railway electrification projects, turnkey OHE projects and other projects for railway as well as non-government parties. Its segments include Railway Overhead Electrification, Merchant Exports, and Edible Oils. It is involved in the engineering, procurement, and construction business relating to railway overhead electrification projects and systems and related activities for power transmission and distribution.

Financial Performance of Representative Companies

Revenue

Revenue is the money generated from normal business operations, calculated as the average sales price times the number of units sold.

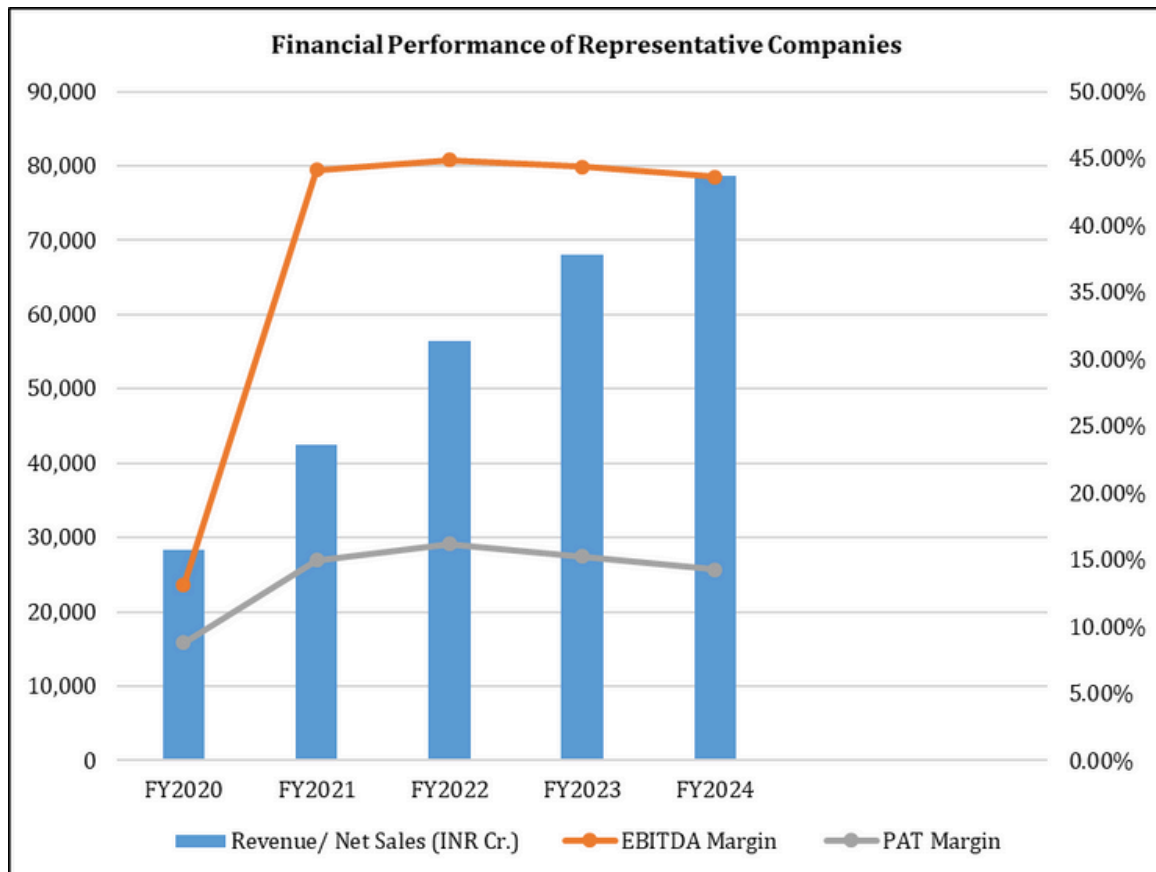
EBITDA Margin

EBITDA margin is a profitability ratio that measures how much earnings a company is generating before interest, taxes, depreciation and amortization, as a percentage of revenue. EBITDA Margin = EBITDA/Revenue. It is also referred to as 'Cash Operating margin'.

PAT Margin

Profit After Tax refers to the amount that remains after a company has paid off all of its operating and non operating expenses, interest and taxes.

EPAT Margin = PAT/Revenue.



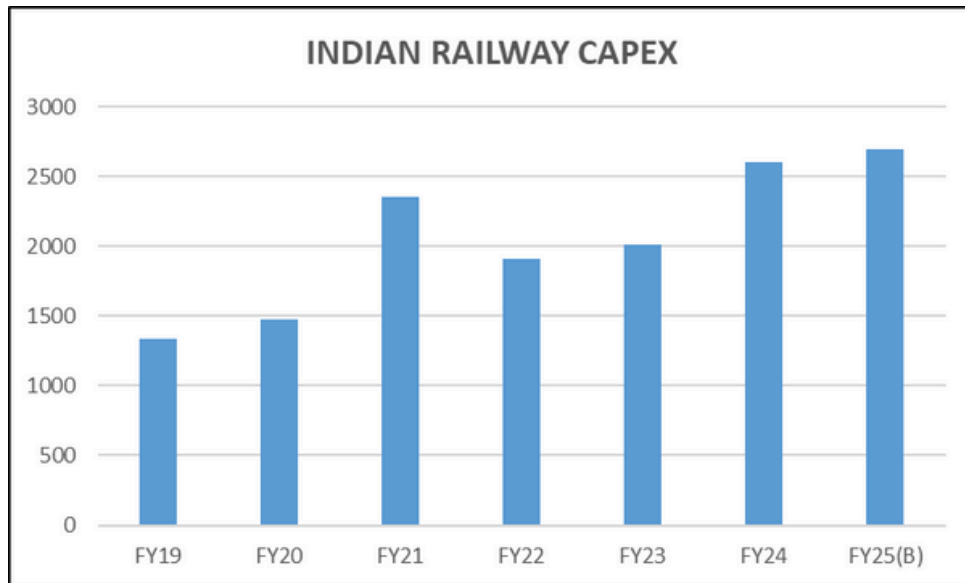
The Railway Industry has grown at a steady rate over the last 5 years with revenue growth at a CAGR of 29% from FY20 to FY24.

- The revenue numbers have been growing steadily from INR 28,397 crores to INR 56,441 crores in FY20 and FY22 respectively. Further it increases to INR 78,676 crores in FY24.
- The EBITDA margin increases from 13.10% to 44.86% in FY20 and FY22 respectively. After which it falls marginally to 43.63% in FY24.
- The PAT margins increased from 8.78% to 14.99% in FY20 and FY21 respectively. Further it increases to 16.19% in FY22, then it shows a negative trend and falls to 15.25% and 14.29% in FY23 and FY24 respectively.

The Indian government is prioritizing the development of railways and actively supports this sector, hence we can see rising margins and growth in this industry.



CAPEX for Railway Industry over the years



Amount in INR BN

Source: Jupiter wagons investor presentation

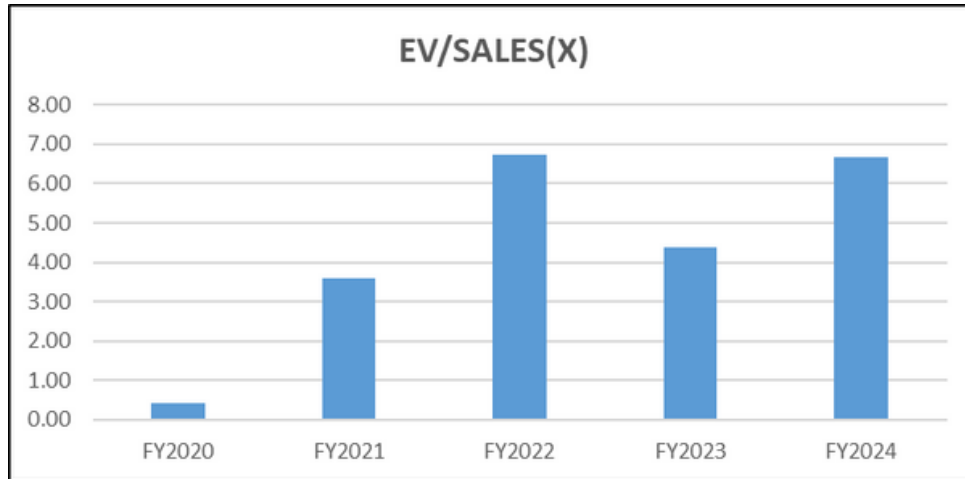
Capex plays a pivotal role in transforming Indian Railways into a safer, more efficient, and sustainable mode of transportation, essential for the nation's economic growth and connectivity.



Multiples: RAILWAY

EV/SALES

Enterprise value-to-sales (EV/sales) is financial valuation measure that compares the enterprise value (EV) of a company to its annual sales. The EV/sales multiple gives a quantifiable metric of how to value a company based on its sales while taking account of both the company's equity and debt.

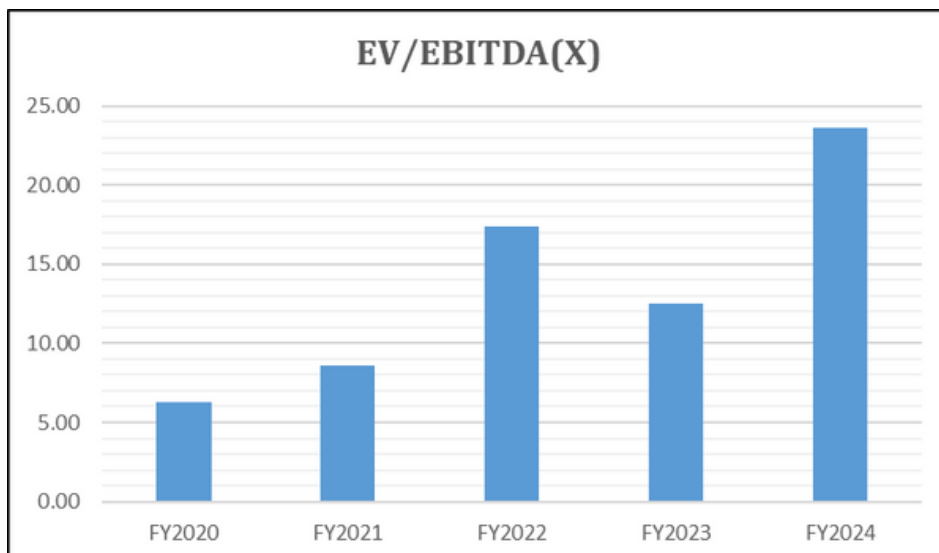


Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
EV/Sales	0.44	3.61	6.74	4.36	6.67

EV/Sales increases from 0.44x to 3.61x from FY20 to FY21, which then starts to increase to 6.74x in FY22, further it falls to 4.36x in FY23 and shoots up again to 6.67x in FY24.

EV/EBITDA

EV/EBITDA multiple is used to project the Enterprise Value (EV) of a company in terms of the EBITDA.

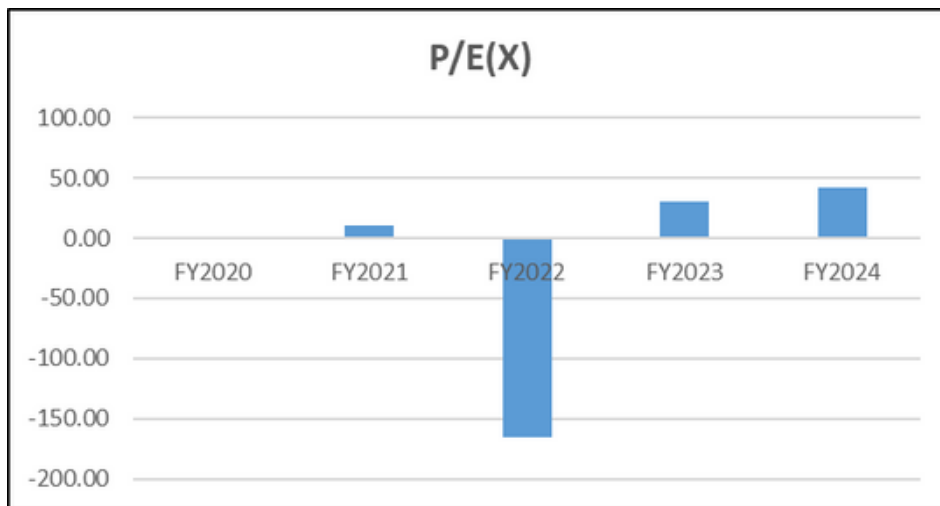


Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
EV/EBITDA	6.29	8.61	17.35	12.53	23.65

EV/EBITDA has a rising trend. It rises from 6.29x in FY20 to 8.61x in FY21, further it rises to 17.35x in FY22, suddenly it falls to 12.53x in FY23 but it again shoots up to 23.65x in FY24.

P/E

Price to earnings ratio measures the company's current share price relative to its earnings per share. P/E ratios are used to determine the relative value of a company's shares.

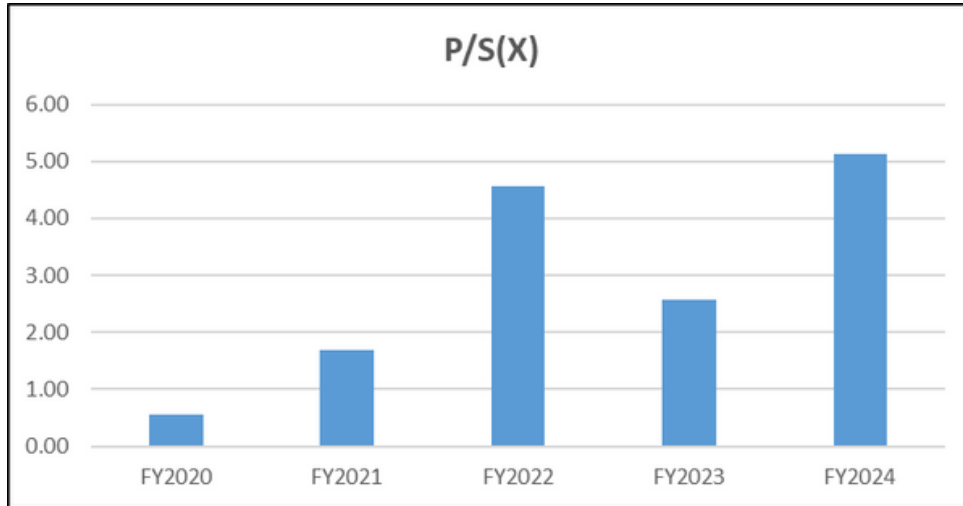


Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
P/E	1.60	10.95	-165.88	30.07	41.31

P/E begins to rise from 1.60x to 10.95x in FY20 to FY21 respectively. It falls to negative 165.88 in FY22. Then it starts to recover in FY23 to 30.07x and further to 41.31x in FY24

P/S

P/S ratio shows a company's market capitalization divided by the company's sales for the previous 12 months. It is a measure of the value investors are receiving from a company's stock by indicating how much equity is required to generate \$1 of revenue.

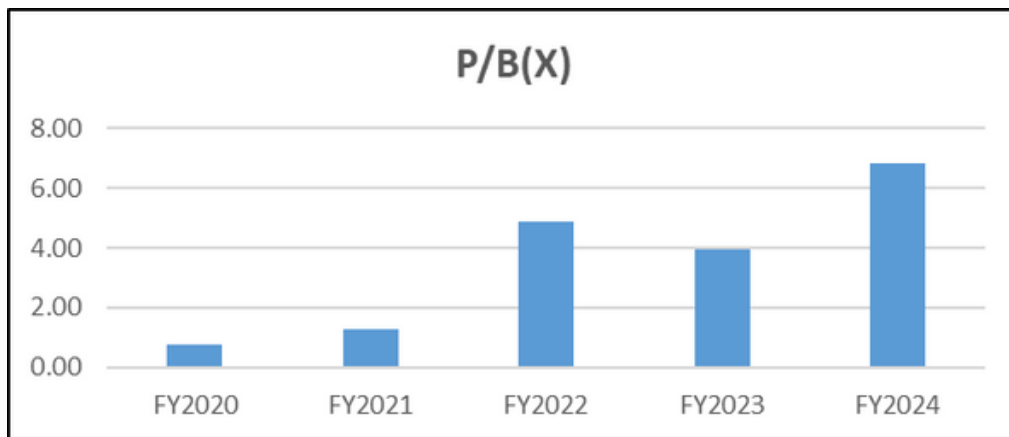


Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
P/S	0.56	1.68	4.57	2.58	5.12

P/S rises from 0.56x to 1.68x in FY20 and FY21 respectively, it further rises to 4.57x in FY22. Then it shows a negative trend and falls to at 2.58x in FY23 respectively, after which it increases to 5.12x in FY24.

P/B

Price to book ratio compares a firm's market capitalization to its book value and is usually used to locate undervalued companies. This multiple is calculated by dividing the company's current stock price per share by its book value per share.



Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
P/B	0.78	1.27	4.85	3.97	6.83

P/B rises from 0.78x to 1.27x in FY20 and FY21, respectively. Then its rises to 4.85x in FY22, suddenly it shows a negative momentum and falls to 3.97x in FY23, post which is registers a multiple of 6.83x inFY24.



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RNM Capital Advisors (“RNM”), erstwhile known as RNM & Associates, is an associate firm of RN Marwah & Co. LLP, Chartered Accountants.

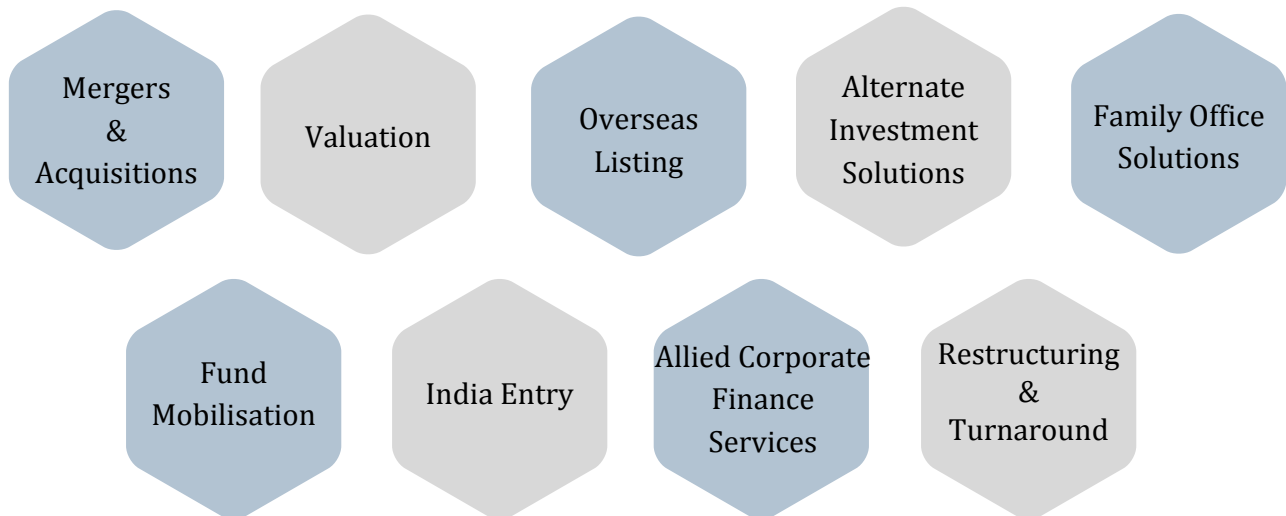
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RNM's has strong relationship with most of the active PE/VC Funds, Banks, NBFCs and Financial Institutions and experience of closing multiple fund raise assignments under most challenging situations.

Our Services



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