

# Construction and Infrastructure: Railways

Highest ever wagon orders from  
Indian Railways to boost the credit  
profile of wagon manufacturers

SEPTEMBER 2022





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*Indian Railways' orders of 90,000 wagons to be procured during FY2023-FY2026 will boost the capacity utilisation of wagon manufactures with an assured order book for the next three years.*

*ICRA expects the financial profile of the wagon manufacturers to improve, though timely execution and volatility in input price would be key risk factors.*



- The manufacturing capacity of the wagons in India is estimated at ~35,000-40,000 wagons per annum, however, utilisation had remained modest at ~40% in the last few years. Indian Railways' plans for adding 90,000 wagons will thus provide ample orders for the industry and the overall capacity utilisation of the industry is expected to improve to ~70-80% in the medium term.



- Indian Railways has recently awarded orders of 72,358 wagons (out of planned 90,000 wagons) to seven Indian companies; of which Titagarh Wagons Ltd. secured the highest orders (~33% of total wagons) followed by Texmaco Rail & Engg. Ltd (~28%).



- Increased focus towards freight transport through the Railways, coupled with commissioning of dedicated corridors, will increase wagon requirement. Further, bulk procurement is expected to provide cost advantage to the Government and better revenue visibility to the wagon manufacturers.



- Against the total order value of over Rs. 35,000 crore (inclusive of GST), the Railways is planning to expend Rs. 7,978 crore on wagon procurement in FY2023. ICRA expects the competitive intensity to moderate, given the robust order pipeline. Expected ramp-up in capacity utilisation and consequent operating leverage benefits should aid the operating margin expansion by over 200 bps, going forward.



- The receivable cycle of industry participants is also expected to remain under control. In the absence of any major capex/investment plans, the credit profile of most wagon manufacturers is expected to improve over the medium term.



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