Pune E-Stock Broking Limited

Initiating Coverage

Frontier Springs Ltd.

Reco: Buy	CMP: 1418	TP: 1860



High growth railway components manufacturer with multiple re-rating levers

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Frontier Springs Ltd

About the Company:

Frontier Springs Limited, established in 1981, is one of India's largest railway component manufacturers specializing in suspension systems. The company produces coil springs, air springs, and forging products used across passenger coaches, wagons, and locomotives. Frontier Springs has been a registered RDSO vendor for over 30 years and has greatly benefitted from India's ongoing railway modernization and infrastructure expansion.

Outlook and Valuation:

The air spring segment has successfully scaled up over the last two years and continues to gain market share, while the newly commissioned 6-ton forging hammer enables the company to address larger and more complex components, including approved parts for Vande Bharat trains. With ₹20-25 crore of planned FY27E capex focused on automation and capacity enhancement across all three divisions, Frontier is well positioned to benefit from operating leverage, product diversification and growing content per railway vehicle, supporting sustained revenue growth, margin expansion and earnings compounding over the coming years.

Frontier Springs enters FY27 with an order book of ~₹300 crore and management has guided for revenues exceeding ₹500 crore, implying 30%+ growth over FY26. The company remains a direct beneficiary of Indian Railways' ₹2.65 lakh crore capital outlay, with rising demand across wagons, LHB coaches and Vande Bharat trains supporting long-term volume growth. Backed by strong RDSO-approved product capabilities and decades of operating experience, Frontier continues to strengthen its position in niche railway components with high entry barriers. EBITDA margins of ~28% are expected to be sustained through an increasing mix of high-margin, technically demanding products across springs, air springs and forgings.

At CMP, Frontier Springs trades at 27.6x P/E. As per our estimates, the company is trading at 20.1x/14.3x its FY27E/FY28E EPS (₹71/₹101). We think the company is undervalued relative to its growth prospects and execution capability. Any further re-rating will depend on successfully maintaining its industry leading margins while scaling up all of the 3 business verticals.

We project Revenue/EBITDA/PAT CAGR of 34%/35%/36% over FY26-FY29E. Using DCF methodology, we arrive to a TP of ₹1,860 per share implying an upside of 31%

CMP: ₹1,418
Rating: BUY
Target Price: ₹1,860

Stock Info	
BSE	522195
NSE	FRONTSP
Sector	Railways
Face Value (₹)	₹10
Equity Capital (₹ Cr)	₹11.8
Mkt Cap (₹ Cr)	₹1,673
Avg volume (1 year)	12,609
Dividend yield (%)	0.04%
52w H/L (₹)	1,870/1,175

Source: Company filings, PESB research

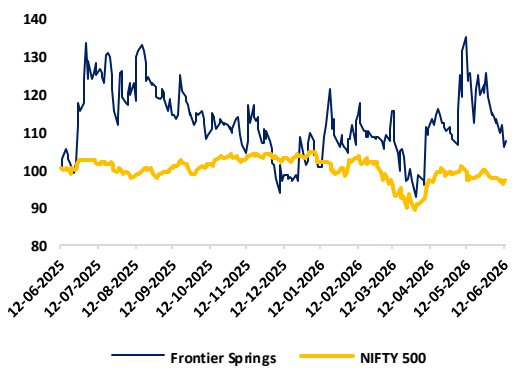
Shareholding Pattern (March 2026)	
Promoters	51.8%
DII	0.5%
Public	47.7%

Source: Company filings, PESB research

Returns (%)	Frontier Springs	NIFTY 500
1M	+0.31%	+3.14%
3M	+7.26%	+5.70%
1 year	+9.50%	+1.05%

Source: Company filings, PESB research

Frontier vs NIFTY 500



Source: bse, PESB research

Anupama Bhootra
Analyst
Aman Bansal
Associate

Investment Thesis

Beneficiary of the Indian Railways CAPEX Cycle
Frontier Springs is a direct beneficiary of India's multi-year railway modernization and rolling stock expansion cycle. The Union Budget FY27 has allocated ₹2.65 lakh crore towards Indian Railways, sustaining one of the world's largest railway infrastructure investment programs. Management has highlighted a healthy order pipeline from wagon manufacturers, providing strong revenue visibility. As railway freight capacity expands, LHB coach penetration increases and Vande Bharat production scales up, Frontier is positioned to benefit from both volume growth and higher realization per vehicle, making its growth structurally linked to long-term railway capex rather than short-term economic cycles.

RDSO approvals moat:
Frontier's competitive advantage stems from the stringent qualification requirements governing railway component suppliers. The company possesses multiple RDSO approvals across springs, air springs and forgings, creating significant barriers to entry for new participants. Management indicated that obtaining approvals for railway products can take 2.5-3 years, limiting the pace at which competitors can enter the market. Its products are deployed in critical applications including Vande Bharat trains and major locomotive platforms, reflecting long-standing customer acceptance and product reliability. Through its partnership with Germany's ContiTech for air spring technology, Frontier has also established a technological edge in a segment where the supplier ecosystem remains limited. These factors create a sticky customer base, reduce competitive intensity and support sustained market share gains over time.

Air Spring growth via ContiTech partnership
The partnership with ContiTech Germany, one of the global leaders in air suspension technology, has significantly strengthened Frontier's position in the rapidly growing railway air spring market. Commercial production commenced in FY22 and the business has scaled steadily, with the facility currently capable of producing approximately 300 coach sets per month while operating at roughly 180-200 coach sets. This provides meaningful headroom for growth without requiring major incremental capex. Air springs represent a structurally attractive segment due to higher value addition, rising adoption in LHB coaches and favorable replacement demand. Management continues to expand capacity in line with increasing railway requirements, and the segment is expected to become a larger contributor to revenue and profitability over the medium term as utilization levels improve.

Forging Division to be the next growth driver
The forging division is increasingly becoming Frontier's second major growth pillar beyond springs. The commissioning of a new 6-ton forging hammer during FY26 has substantially enhanced the company's ability to manufacture larger and more complex components, while expanding its addressable market beyond traditional railway applications. Management has already secured orders for products manufactured on the new line, with several forging components receiving approvals for Vande Bharat trains. In addition to railway opportunities, Frontier is actively pursuing higher-margin industrial applications across material handling, construction equipment and defense-related segments. With management planning ₹20-25 crore of capex in FY27 focused on automation and capacity enhancement, the forging division is expected to benefit from operating leverage, a richer product mix and improved capacity utilization, positioning it as a key driver of future revenue and margin expansion.

Business Model

Frontier Springs Limited operates as a highly specialized railway component manufacturer with a focused value proposition: delivering suspension system components - coil springs, air springs, and forged parts to Indian Railways and its ecosystem of coach, wagon, and locomotive manufacturers.

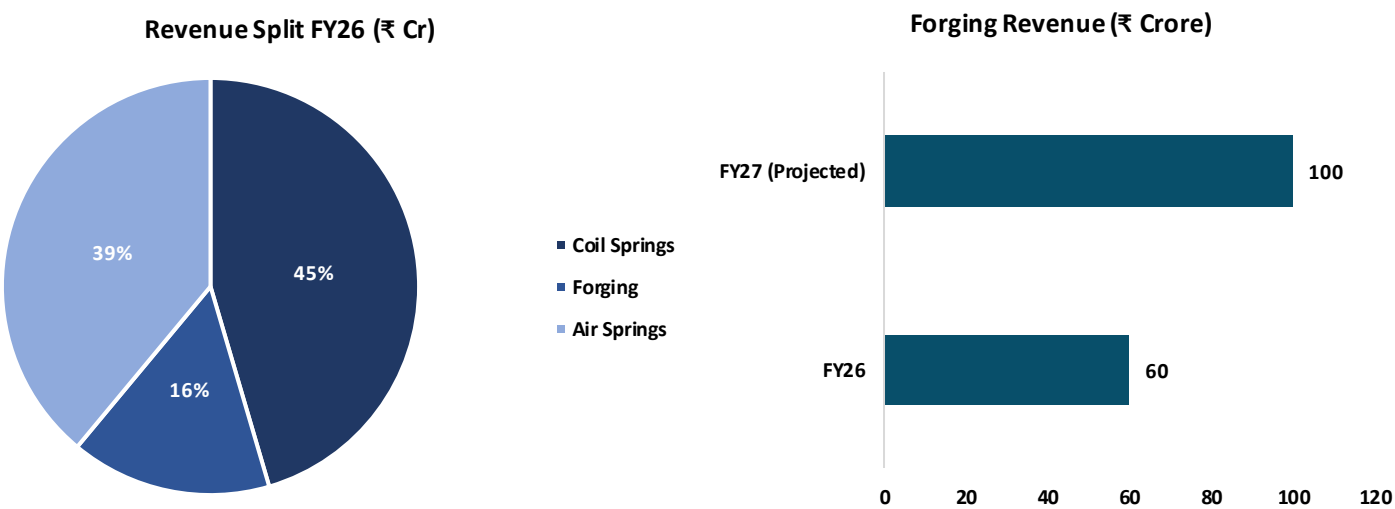
The company's business model is built around three structural pillars: (1) near-monopoly status in coil springs for Indian Railways, (2) expanding share in the high-margin air springs segment, and (3) a growing forging division. The company's long RDSO registration history (30+ years) and near-zero rejection record make it deeply embedded in Indian Railways' supply chain, with qualification and switching costs acting as a natural moat.

Business Segments

- **Coil Springs (Railway):** The legacy and dominant segment. Frontier supplies ~40% of Indian Railways' coil spring requirements across LHB coaches, wagons, and passenger stock. The company is a near-sole commercial supplier of hot coil springs to Indian Railways, benefiting from repeat orders and established qualification cycles. Coil springs and air springs together contribute 80-85% of total revenue.

- **FIBA System (New Product):** Frontier is developing the Failure Indication and Brake Application (FIBA) system, a safety-critical product used alongside air springs in LHB coaches. Basic RDSO approval is already received along with the patent of their product design, with trial supplies in FY27. With 6,000 LHB coaches produced annually (and a target of 10,000), each requiring two FIBA units, this product represents a significant new and currently import-dominated revenue stream where Frontier would be the first domestic supplier.

- **Air Springs Division:** Frontier Springs entered the Air Spring segment in 2022, one of the most technologically advanced areas of railway suspension systems. Air springs are used primarily in LHB coaches and modern trainsets, including high-speed passenger applications, where they provide superior ride comfort, vibration isolation, load balancing and stability compared with conventional steel spring systems. To accelerate commercialization and reduce technology risk, the company signed an MoU with ContiTech Germany, a global leader in air spring technology, enabling access to technical know-how and product development capabilities. Frontier commissioned its air spring manufacturing facility in 2022, successfully ramped up production during FY25 and is undertaking further capacity expansion to meet rising demand. Given the higher technical barriers, qualification requirements and value addition associated with air spring systems, this division has the potential to become one of the company's most important long-term growth drivers.

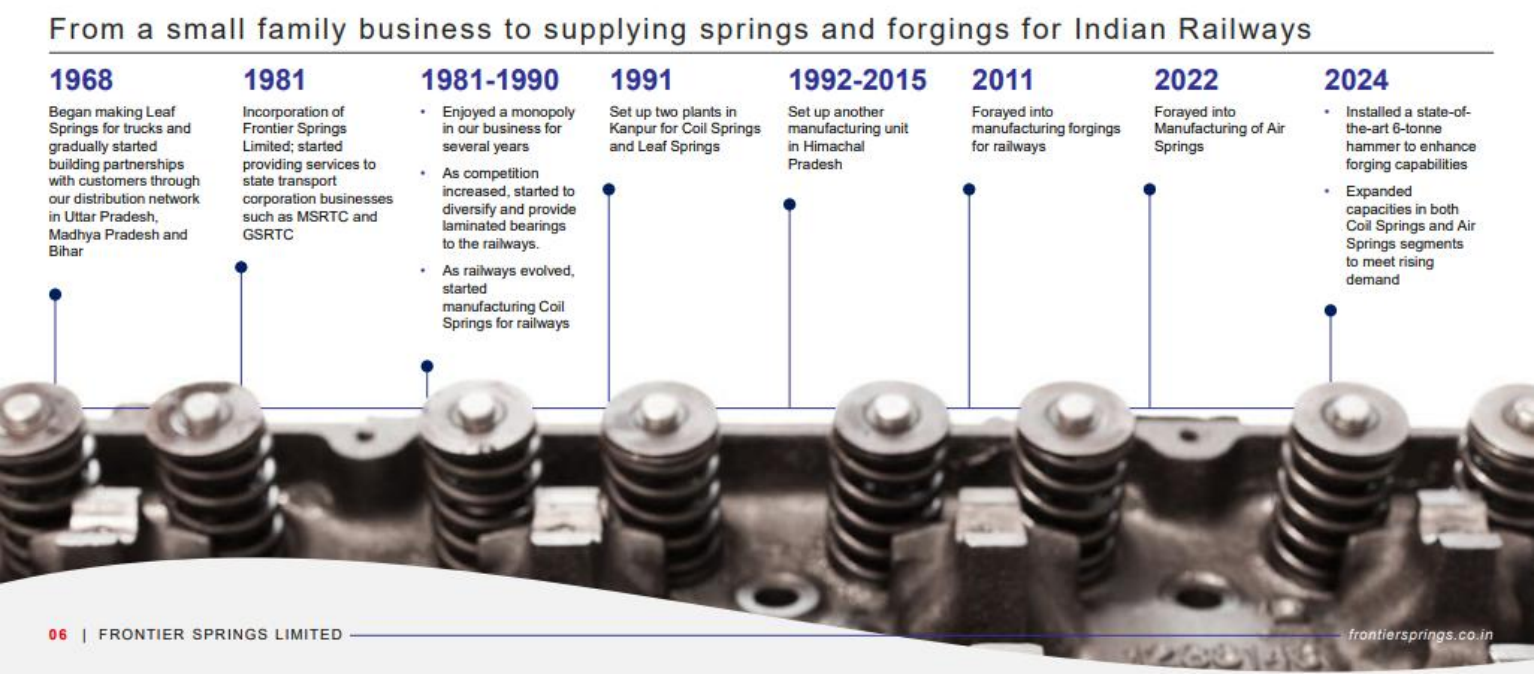


Source: Company filings, PESB research

Business Model

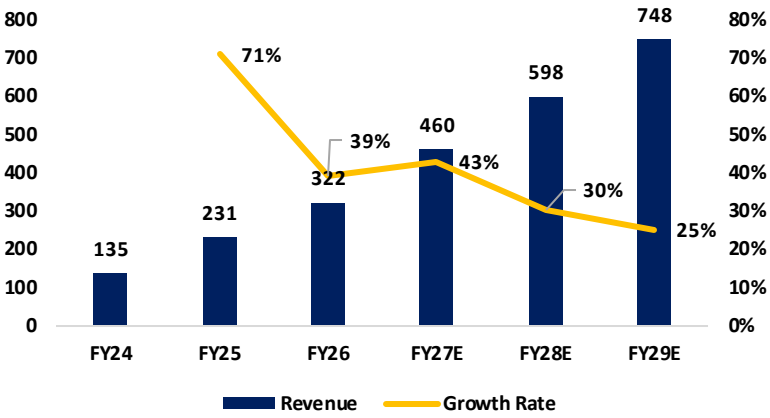
- **Forgings Division:** Frontier Springs entered the railway forgings business in 2011 by establishing a dedicated manufacturing facility in Kanpur, allowing it to move beyond suspension systems into higher value-added railway safety and coupling components. The division manufactures critical forged products such as Anti-Roll Bar Assemblies, Screw Couplings, Draft Gear Assemblies, Brake Block Hangers, Knuckle Throwers, Top Followers and Wedges used across wagons, coaches and locomotives. The facility is equipped with 1-tonne, 3-tonne and 6-tonne forging hammers and can manufacture components ranging from 100 grams to 80 kilograms, supported by in-house heat treatment, machining and finishing capabilities. The forging business is strategically important because it leverages the company's metallurgical expertise developed through decades of spring manufacturing while expanding its content per railway vehicle. Unlike springs, which are concentrated in suspension systems, forged components are used across multiple railway subsystems, increasing Frontier's addressable market within Indian Railways.

Journey of the Company



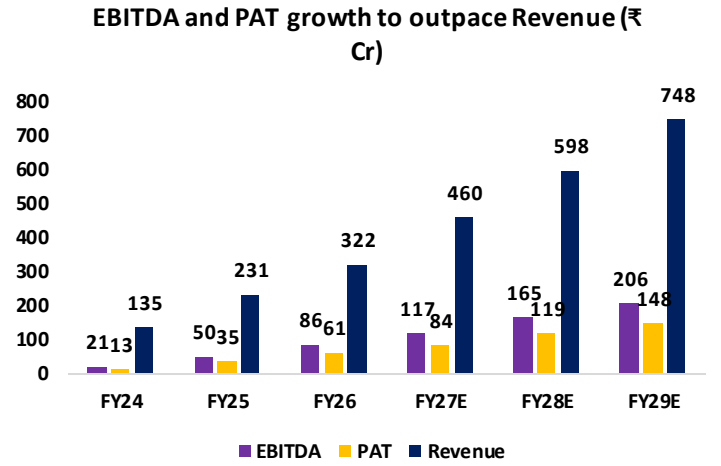
Charts

Robust revenue growth driven by ramping up of older segments like coil and air springs and forging and new segment launches like FIBA



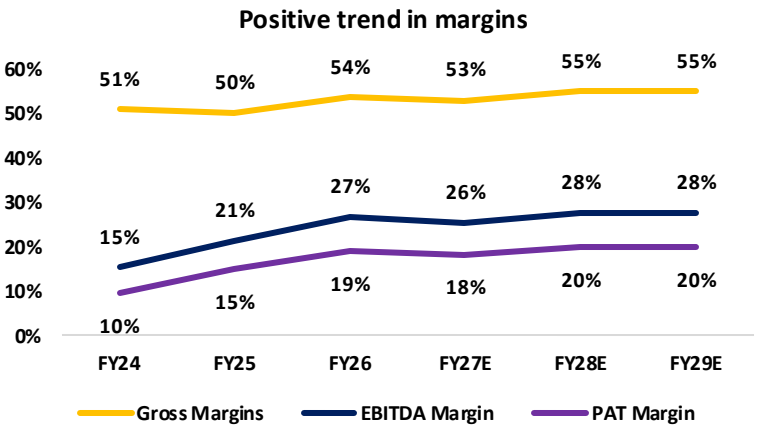
Source: Company filings, PESB research

Operational Efficiency to kick in once scale increases and revenue share of higher margin businesses increases.



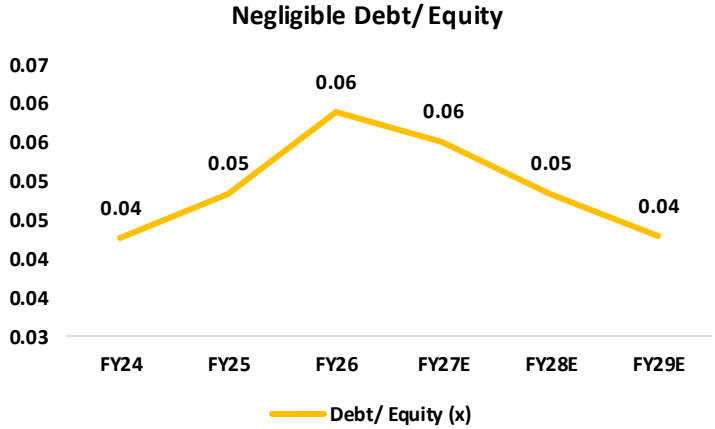
Source: Company filings, PESB research

Near term volatility in raw material prices to compress margins in FY27 but post supply chain stabilization, margins expected to expand again.

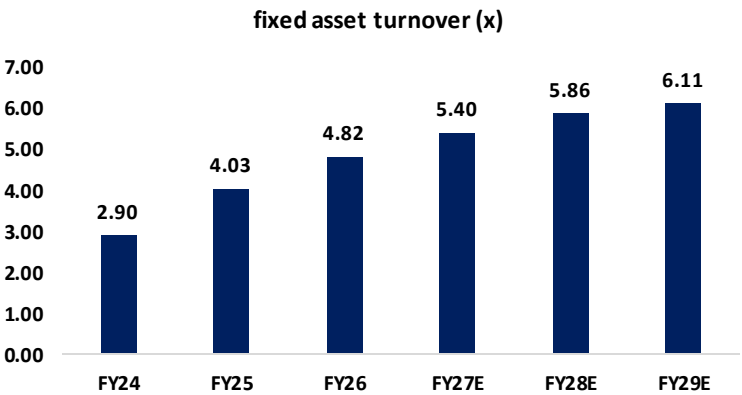


Source: Company filings, PESB research

All expansion undertaken using internal accruals



Source: Company filings, PESB research



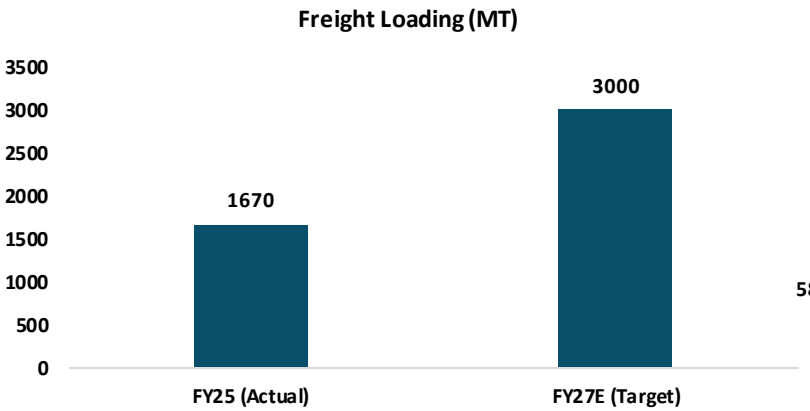
Impressive turnover which is expected to increase further as the company still does not operate at maximum capacity utilization, and new capacities that are expected to be added FY28 onwards are expected to boost this further.

Source: Company filings, PESB research

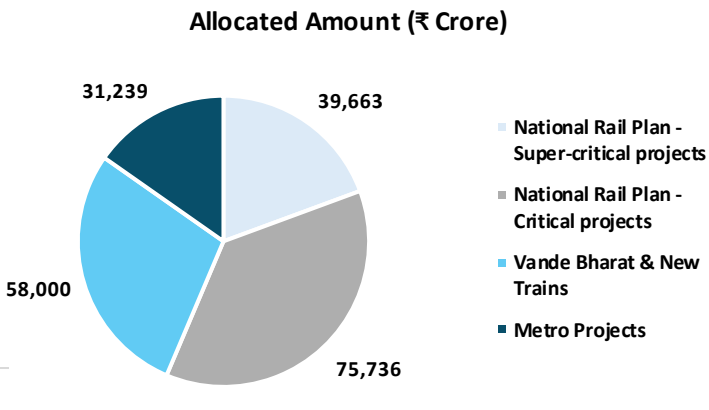
Industry Analysis

Frontier Springs caters primarily to the Indian Railway segment, supplying springs and suspension products used across locomotives, coaches, wagons and high speed passenger segments.

Indian Railways is the fourth-largest railway network globally and the backbone of the country's transportation infrastructure. During FY25, freight loading reached 1,591 million tons (YoY growth of 5.22%), contributing to ₹2.56 lakh crore in revenue from operations. The government's target is 3,000 million tons of freight loading by 2027. Large-scale investments continue across Vande Bharat, Amrit Bharat, general coach manufacturing and Dedicated Freight Corridors (DFCs), station modernizations, and railway safety initiatives, with ₹2.92 lakh crore allocated to Indian Railways in the Union Budget FY27. Dedicated Freight Corridors (DFCs) are expected to significantly improve logistics efficiency and increase the freight carrying capacity across some of the key industrial routes. The target is to reduce the country's logistics cost from 15% to 8% of the total GDP by 2030, with rail freight share expected to increase to 45% by 2030. Passenger demand is forecast to grow 2.5x by 2051. Indian Railways achieved over 95% route electrification by FY25, reducing fuel costs and supporting sustainability goals. The government is also targeting 400+ Vande Bharat trains and continuing the modernization trend station infrastructure under the Amrit Bharat scheme. The planned procurement of 240 Vande Bharat sleeper trainsets for long distances by Indian Railways is expected to create a significant demand opportunity for Frontier Springs' suspension and spring products.



Source: Company filings, PESB research



Source: Company filings, PESB research

Key Government Initiatives:

- **National Rail Plan (NRP):** 58 super-critical projects with a total length of 3,750 km costing ₹39,663 crore and 68 critical projects spanning 6,913 km costing ₹75,736 crore have been identified for completion.
- **Mission Raftaar:** Focused on doubling the average speed of freight trains and increasing the average speed of superfast /mail/express trains by 25 kmph
- **Vande Bharat & Metro Expansion:** 136 new trains incorporated with an opportunity size of ₹58,000 crore, alongside ₹31,239 crore allocated towards metro projects.
- **Wagon Demand:** Record placement of approximately 72,000 wagons, with an additional 40,000 wagons anticipated.
- **Foreign Direct Investment**: 100% FDI permitted in the railway sector (excluding operations) through the automatic route, with the Government targeting US$120 billion of investment over the next five years.
- **Indian Railway Innovation Policy:** Encourages collaboration with entrepreneurs and technology developers to deliver affordable, user-friendly, and reliable solutions for the railway network.

Marquee Clientele:
Chittranjan Locomotive Works, Banaras Locomotive Works, Frontier Alloy Steels Limited, Patiala Locomotive Works

Key Growth Drivers:

- **FIBA System - New High-Margin Revenue Stream:** The FIBA (Failure Indication and Brake Application) system is Frontier's most significant near-term product launch. Basic RDSO approval has been received already, with trial supplies in FY27 to the Indian Railways- a trial process will take 6 months. The product occupies an import-dominated, high-margin niche, and Frontier's approval as the first domestic vendor represents a major addressable market. With Indian Railways targeting 10,000 LHB coaches per year (up from 6,000), each requiring two FIBA units, the revenue potential is substantial. FIBA manufactured by Frontier Springs will get preference over the imported FIBA products by the Indian Railways and Frontier is aiming to add ₹20-25 to their revenue through the FIBA components by FY28

- **Forging Division Ramp-Up:** A new 6-tonne hammer is ramping production in the forging segment and is expected to deliver ₹100 Cr in revenue by FY27. Defense, metro rail, and heavy engineering orders - including from companies like Siemens - offer additional margin upside. Management targets forging to contribute 45% of total revenue as the division scales, diversifying beyond the railways.

- **Railway Safety Capex , A Structural Tailwind:** Railway safety capital expenditure is rising sharply to ₹1.3 lakh crore in FY27, opening a parallel, high-priority demand cycle. This directly benefits Frontier's FIBA product line, as safety-critical components become mandatory across the modernizing fleet.

- **Air Springs Scale-Up** : Indian Railways are currently producing ~6,000 LHB coaches annually, each requiring 4 air springs, and targeting 10,000 coaches per year, the air spring addressable market is expanding rapidly. A recent ₹52.2 Cr order for 894 sets demonstrates tangible order momentum. The planned rollout of Vande Bharat Sleeper trains also provides a significant growth opportunity for the air spring segment, as these premium trainsets require advanced suspension systems and are expected to see increasing adoption across long-distance routes in the coming years. Indian Railways plans to come out with 240 sleeper trains in the upcoming few years.

- **Capacity-Led Growth with Debt-Free Funding:** All growth so far has been funded internally. The company is near debt-free with interest costs of ₹0.08 Cr/quarter. 70% capacity utilization was achieved by FY26 end and further capacity utilization improvements are expected as forgings and air springs production ramps up. As capacity ramps, operating leverage is expected to further improve EBITDA margins toward the 28% band that management intends to sustain.

Key Risks

Frontier Springs operates in a structurally attractive niche, but investors should consider the following risk factors carefully before forming a view. The company's high concentration, exposure to government procurement cycles, and unproven long-term revenue targets introduce meaningful uncertainty.

Main Risks:

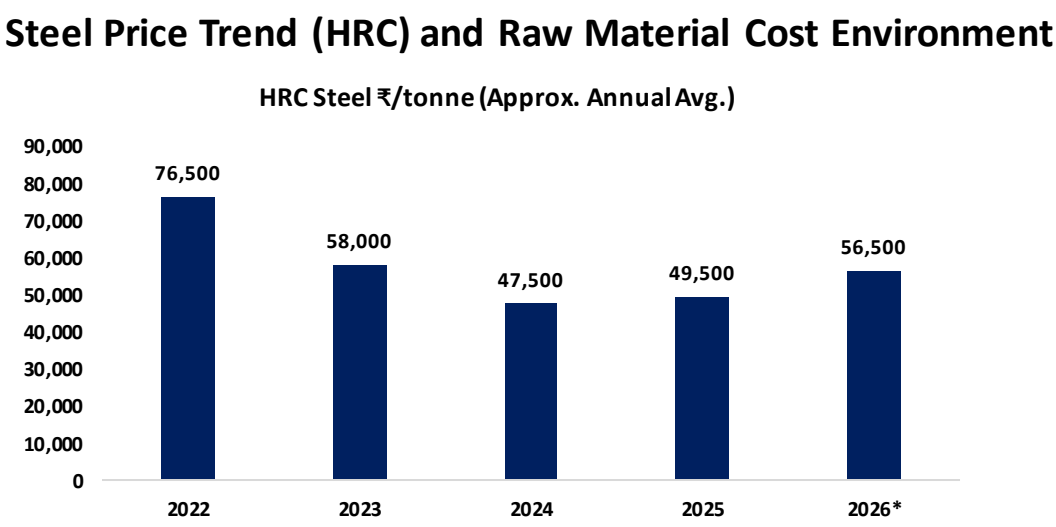
- **Revenue Guidance Risk:** The ₹500 Cr to ₹1,000 Cr guidance pathway by management is largely unproven. The current product range is insufficient to achieve ₹1,000 Cr and requires successful execution of unproven new products (FIBA) and market entries into defense and engineering segments. These introduce significant execution risk.

- **Railway Capex Execution Risk:** Frontier Springs is vulnerable to the Indian Railways procurement cycle. Long term freight demand remains robust, delays in tenders, order finalizations or executions can create periods of weak order inflows from freight wagons. These order gaps will reduce demand for suspension components and springs, impacting revenue growth despite the government's commitment to railway infrastructure and freight expansion.

- **Customer Concentration Risk:** Over 90% of Frontier's revenue is derived directly from Indian Railways. This single-customer dependency creates structural vulnerability to procurement cycles, policy shifts, or budgetary reallocations. Management is actively diversifying into defense, mining, and heavy engineering via the forging division, but progress is nascent.

- **New Entrant and Competitive Threat:** While RDSO approval cycles create barriers, they are not insurmountable. A well-capitalized entrant with 2.5 - 3 years horizon and foreign technology partnerships could qualify as a competing supplier. Additionally, Indian Railways may seek to develop additional approved vendors to reduce dependence on any single supplier, which could compress Frontier's market share over time.

- **Steel Price Volatility:** Steel is Frontier's primary raw material input, making profitability sensitive to steel price cycles. Indian HRC steel prices have ranged from ₹42,000 to ₹76,000/tonne historically. Management directly attributed Q3 FY26 EBITDA margin compression from 26.67% to 24.89% to rising steel prices. Margins could compress further toward 24–25% in a sustained steel upcycle.



Source: Company filings, PESB research

Business Updates & Outlook

Frontier Springs is undergoing a significant transition from a single-product railway spring manufacturer to a diversified railway engineering player. Three critical themes define the current phase: the ramp-up of air springs and FIBA systems, the scaling of the forging division, and the sustained delivery of operating leverage on a near-debt-free balance sheet.

Outlook & Valuation

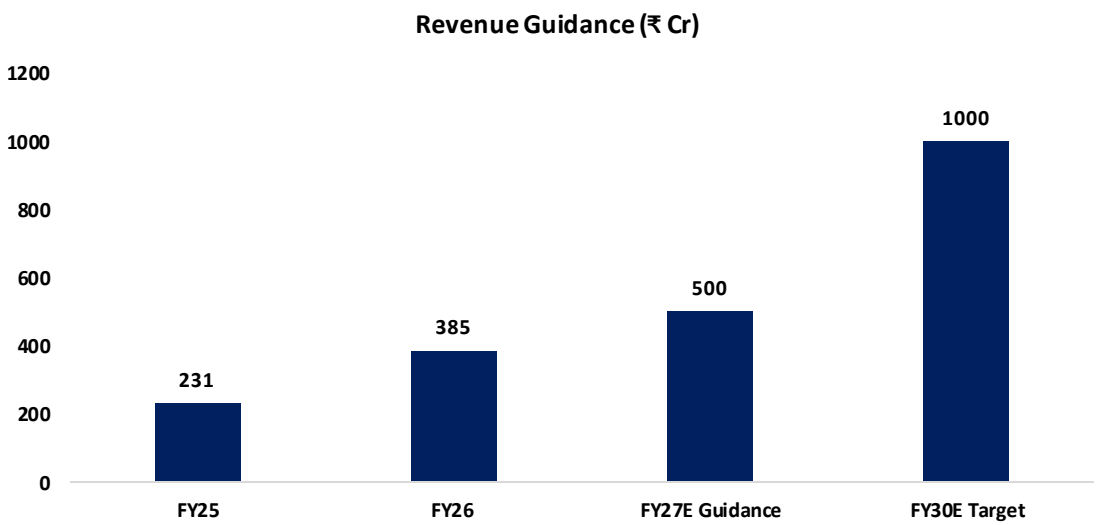
- **Revenue Guidance:** Management has guided for ₹500 Cr gross revenue in FY27 (from ₹375 Cr in FY26) - implying ~30% YoY growth. The ₹1,000 Cr target by FY30 implies a near -4x step-up over 5 years, driven by scaling existing product lines and adding FIBA. Coil and air springs are expected to remain the primary drivers at 80–85% of revenue.

- **Forging Division:** The new 6-tonne hammer enables commencement of railway product deliveries. Forging revenue is guided at ₹100 Cr in FY27. Management targets the forging segment to grow to 45% of revenue over time, supported by defense, metro rail, and heavy engineering opportunities beyond Indian Railways. Management is actively pursuing opportunities with companies such as L&T, JCB, Caterpillar, crane manufacturers and defence customers, focusing on segments where margins are superior to automotive components.

- **FIBA Product Launch:** FIBA (Failure Indication and Brake Application) system - a safety component used alongside air springs in LHB coaches – has received basic RDSO approval. Trial supplies are targeted for FY27. As one of the first domestic supplier in this import-dominated segment, FIBA represents a new high-margin revenue stream that could materially enhance revenue mix and profitability.

- **Margin Sustainability:** Management targets EBITDA margins in the 25-28% range sustainably, anchored by high-margin specialized products requiring deep technical know-how. EBITDA margins improved from 23.9% in Q4 FY25 to 28.5% in Q4 FY26, validating the operating leverage thesis. Margin compression to 24-25% is possible during sustained steel and oil price upcycles, as was evidenced during Q3 FY26.

- **Valuation:** At ₹1,495 per share, Frontier Springs trades at ~29x FY26 EPS of ₹51.89 (consolidated). This is justified by 48%+ revenue growth, ~74% PAT compounding (FY26vs.FY25), improving margins, and a multi-year visibility on Indian Railways-linked growth. From a long-term perspective, the multiple will be sustained and might also lead to a positive re-rating if the company successfully positions itself as a diversified railway engineering company benefiting from India's large-scale railway modernization cycle.



Source: Company filings, PESB research

Client Profile & Peer Comparison

Key Clients / End Markets

Client / Market	Description
Indian Railways (RDSO)	Primary institutional client — >90% of revenue
Rail Coach Factory (RCF)	LHB coach coil & air springs
Modern Coach Factory (MCF)	Coach suspension components
Wagon Manufacturers	Coil springs and forged parts for freight wagons
Vande Bharat Ecosystem	Air springs and FIBA system supplier
Defence / Mining (Emerging)	Forging products — nascent diversification

Client concentration note:
Over 90% of Frontier Springs' revenue is derived from Indian Railways. Management is actively diversifying the forging division into defense, mining, and heavy engineering. The company expects a better product mix and higher capacity utilization in forgings to support margin diversity over time.

Peer Comparison

Company	Mkt Cap (₹ Cr)	Revenue (₹ Cr)	Segment	Indian Railways Position	Listed
Frontier Springs	1,676	231 (FY25)	Coil + Air Springs + Forging	Near-monopoly in coil springs	BSE/NSE
TVS Air Springs (SI)	N/A	100–150 (range)	Air Springs	OE supplier	Private
Gibraltar Airsprings	N/A	44 (FY24)	Air Springs	EMU/DMU supplier	Private
Asha Spring & Engg	N/A	Undisclosed	Coil/Bogie Springs	RDSO registered	Private

Source: Company filings, Tracxn, BSE/NSE, PESB research estimates

Railway Revenue Concentration & Diversification Strategy

Metric	Observation
Primary Customer Base	Indian Railways ecosystem
Current Concentration	High dependence on railway sector
Diversification Strategy	Expanding into defence, mining, and heavy engineering forgings
Expected Benefit	Better capacity utilization and improved forging margins

Q4 FY26 Update

Particulars (in ₹ Cr)	Q4 FY26	Q3 FY26	Q4 FY25	YoY (%)	QoQ (%)
Revenue from Operations	83	81	70	18%	1%
COGS	37	38	34	9%	-2.28%
Employee Exp	1	2	2	-10%	-14%
Other Exp	21	22	18	15%	-5%
EBITDA	**24**	**20**	**17**	41%	16%
EBITDA Margin	*28.5%*	*24.9%*	*23.9%*	*462bps*	*362bps*
Depreciation & Amortization	2	1	1	63%	50%
EBIT	**22**	**19**	**16**	39%	14%
EBIT Margin	*26.5%*	*23.5%*	*22.4%*	*406bps*	*296bps*
Finance Cost	0	0	0	-11%	-24%
Other Income	0	0	0	119%	287%
EBT	**22**	**19**	**16**	40%	15%
Tax Expense	6	5	4	34%	13%
PAT	**17**	**14**	**12**	42%	16%
PAT Margin	*20.1%*	*17.5%*	*16.6%*	*345bps*	*256bps*

Source: Company filings, PESB research

Concall Highlights:

Segment Revenue Breakdown - FY26 (Gross Sales)
Coil springs contributed ~₹175 crore, air springs ~₹150 crore, and forging ~₹60+ crore to gross revenues. Actual growth in FY27 is expected to be led by forging and air springs, with coil springs growing steadily. The big wagon tender, when awarded, will be incremental across all three verticals - forging as well as springs.

FY27 Guidance - Revenue & Margins
Management guided for ₹500+ crore in gross revenues for FY27, implying 30%+ growth. EBITDA margin guidance for FY27 is 23-24% (conservatively guided), management suggested the actual could be 25-26% if steel cost pressures are managed effectively. Beyond FY27, 25%+ annual growth is guided for as the medium-term trajectory.

Order Book & Revenue Visibility
The ₹370 crore order book covers roughly the first two-and-a-half quarters of FY27 revenue, after which fresh tender wins need to replenish the pipeline - which management is confident of given daily tender activity from Indian Railways. Railway's published FY27 production schedule includes ~6,000 passenger coaches and ~1,200-1,400 locomotives (in line with FY26), and a large wagon tender is expected from the Wagon manufacturers (referenced: Jupiter, Titagarh). H2 of FY27, specifically Q3 and Q4, is expected to be the stronger period once these tenders are finalized.

Production Capacity & Utilization
Overall plant capacity utilization is ~70% across all three divisions, providing headroom for the guided 30% growth without requiring proportionate CapEx. Air spring capacity is 300 coil-sets per month (bottleneck at final testing stage), with current production at 180-200 coil-sets per month; some lines already run at 400 coil-sets, and adding 2 more testing machines (readily available domestically) would take capacity to 400 coil-sets per month. The new 6-ton forging hammer is currently running on a single 8-hour shift, leaving 16 hours of spare daily capacity for non-railway customer acquisition.

Concall Highlights

FIBA - New Product, Market Size & Timeline
The Failure Indication and Brake Application (FIBA) system has received basic RDSO approval, with in-service trials (20,000 km / 5-6 months) expected to complete in 6-8 months, after which production orders will follow. Each LHB coach requires 2 FIBA units, and the addressable market is estimated at ₹40-50 crore annually. Frontier Springs is expected to be the second indigenous manufacturer of FIBA after trials conclude - currently, Indian Railways imports FIBA, giving indigenous manufacturers pricing and supply priority. FIBA margins are expected to be in line with air spring margins, and revenue contribution is targeted from Q4 FY27, scaling meaningfully in FY28. FIBA requires proprietary design, a patent (already secured), and a dedicated R&D team, creating meaningful barriers to new entrants.

Forging - Capability Expansion & New Customer Strategy
A new state-of-the-art 6-ton hammer was installed in FY26, adding capability for heavier and broader-range forgings previously unaddressable. Frontier now has 1-ton, 3-ton, and 6-ton hammers, along with a CNC finishing and machining line. RDSO has approved certain forging components for Vande Bharat trains, generating early orders.

Steel Cost & Margin Management
Steel is the primary raw material, and prices remained elevated through H2 FY26. Railway tenders operate on fixed pricing - rates cannot be revised mid-contract - so the existing ₹370 crore of order book carries some margin pressure from input inflation. For future tenders, Frontier is increasing quoted prices to reflect current steel and energy costs, effectively passing through inflation to the railway on new contracts. Energy cost is managed by flexibly using furnace oil, LPG, and PNG - whichever is cheaper each month. No new spring manufacturers have entered the market, maintaining Frontier's pricing power with no competitive erosion.

CapEx - Self-Funded, No Term Debt
FY26 CapEx was ~₹20 crore; FY27 CapEx is planned at ~₹20-25 crore across all three divisions for capacity additions and automation. The company has taken no term loans in recent years and funds all CapEx from internal profits. An additional automated coil spring manufacturing line is being sourced (negotiations with a Chinese manufacturer are ongoing) to reduce manpower dependency and improve cost efficiency.

Export Strategy
Coil springs and air springs will not be exported - management's deliberate strategy is to defend and grow the Indian market and prevent foreign manufacturers from gaining a foothold domestically. Forging exports are actively being pursued across Europe and the US, where European forging companies are closing due to high labor costs, creating significant outsourcing demand. Margin-selective approach: only pursuing export forging orders where margins are comparable to or better than the railway business. Results from export forging are expected from Q3 FY27 onwards as the 6-ton hammer capacity is commercialized.

Long-Term Outlook - Revenue Path to ₹1,000 Crore
Management previously guided for 5 years to double revenue from ₹500 crore to ₹1,000 crore (i.e., by ~FY32), implying a roughly 15% CAGR post FY27. Near-term guidance is more aggressive at 25-30% per year, with the pace expected to moderate as the base grows. The structural demand case rests on: Indian Railways' ₹2.65 lakh crore FY26 Budget CapEx allocation, persistent coach and wagon shortages, dedicated freight corridor build-out.

Financials

INCOME STATEMENT

Particulars (₹ Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue from Operations	135	231	322	460	598	777
Revenue growth rate		71%	39%	43%	30%	30%
Expenses						
COGS	67	115	149	216	269	350
Employee Expense	5	6	6	7	9	11
Other Expense	44	61	81	120	155	202
EBITDA	**21**	**50**	**86**	**117**	**165**	**215**
EBITDA Margin	***15.4%***	***21.4%***	***27%***	***26%***	***28%***	***28%***
EBITDA Growth rate		***138%***	***74%***	***36%***	***40%***	***30%***
Depreciation and Amortization	4	4	5	6	7	9
EBIT	**17**	**46**	**82**	**111**	**157**	**206**
EBIT Margin	***13%***	***20%***	***25%***	***24%***	***26%***	***26%***
EBIT Growth rate		***167%***	***79%***	***37%***	***41%***	***31%***
Finance Cost	0	0	0	1	1	1
Other Income	1	1	1	2	2	3
Exceptional items	0	0	0	0	0	0
EBT	**18**	**46**	**82**	**113**	**159**	**208**
EBT Margin	***13%***	***20%***	***26%***	***25%***	***27%***	***27%***
EBT Growth rate		***165%***	***77%***	***37%***	***41%***	***31%***
Tax expense	4	12	21	29	41	53
PAT	**13**	**35**	**61**	**84**	**119**	**155**
PAT Margin	***10%***	***15%***	***19%***	***18%***	***20%***	***20%***
PAT Growth rate		***166%***	***77%***	***37%***	***41%***	***31%***
EPS (₹)	***11***	***29***	***52***	***71***	***101***	***131***

	FY24-26	FY26-29E
Revenue CAGR	**54%**	**34%**
EBITDA CAGR	**104%**	**35%**
PAT CAGR	**117%**	**36%**

Source: Company filings, PESB research

RATIOS

	FY24	FY25	FY26	FY27E	FY28E	FY29E
Margin Analysis						
Gross Margins	51%	50%	54%	53%	55%	55%
EBITDA Margin	15%	21%	27%	26%	28%	28%
PAT Margin	10%	15%	19%	18%	20%	20%
	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Profitability						
ROA	11%	20%	28%	27%	27%	26%
ROCE	18%	35%	42%	39%	39%	36%
ROE	15%	28%	33%	31%	31%	29%
	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Liquidity and Solvency						
Current ratio (x)	1.9	2.1	3.5	4.6	6.1	7.3
Quick ratio (x)	0.9	1.2	2.3	3.0	4.1	4.9
fixed asset turnover (x)	2.9	4.0	4.8	5.4	5.9	6.4
Total Debt/ Equity (x)	0.0	0.0	0.1	0.1	0.0	0.0
Interest Coverage Ratio (x)	85.5	228.0	291.1	202.8	261.8	271.8
	FY24	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Valuation Ratios						
EV/EBITDA (x)			19.2	14.0	9.7	7.1
P/E (x)			26.9	19.6	13.9	10.7
P/B (x)			9.0	6.2	4.3	3.1
EV/Sales (x)			5.2	3.6	2.7	2.0

Financials

BALANCE SHEET

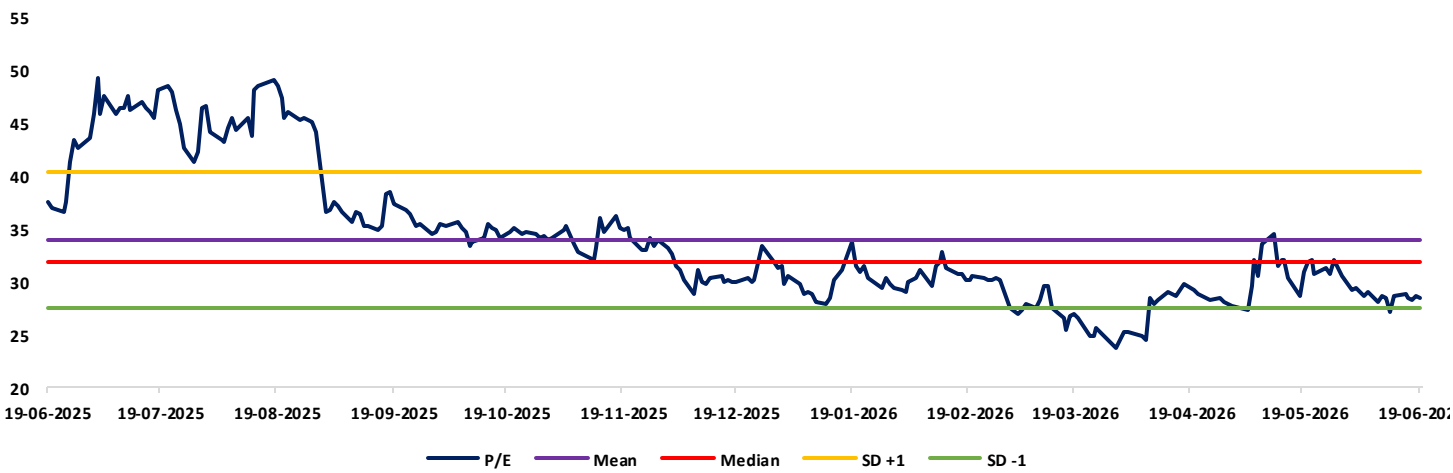
Particulars (₹ Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Assets						
Net Block	45	56	65	84	101	121
Capital WIP	2	1	1	1	1	1
Other Non Current Assets	19	26	49	49	49	49
Inventories	31	40	34	62	93	141
Loans	2	3	3	3	3	3
Trade Receivables	22	38	61	87	113	147
Cash and Equivalents	2	5	4	25	79	144
Other Current Assets	0	0	0	0	0	0
Total Assets	**123**	**169**	**218**	**312**	**440**	**607**
Equity						
Equity Share Capital	4	4	12	12	12	12
Other Equity	85	120	172	256	374	529
Total Equity	**89**	**124**	**183**	**268**	**386**	**541**
Liabilities						
Long term borrowings	1	2	2	2	2	2
Long term provisions	1	0	0	0	0	0
Other Non Current Liabilities	3	3	4	4	4	4
Current borrowings	3	4	9	13	17	22
Current provisions	3	3	4	4	4	4
Trade Payables	22	30	14	20	24	32
Other Current Liabilities	2	3	2	2	2	2
Total Equity and Liabilities	**123**	**169**	**218**	**312**	**440**	**607**

CASH FLOW

Particulars (₹ Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net cash from operations	12	22	31	43	74	90
Net cash from Investing	-10	-20	-37	-24	-24	-29
Net cash from Financing	-2	1	4	3	3	4

Source: Company filings, PESB research

Frontier P/E (x) Band



Source: bse, PESB research

Disclosures and Disclaimers:

Rating Guide:

Stock Rating	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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