



22<sup>nd</sup> November, 2022

National Stock Exchange of India Limited  
Exchange Plaza Bandra-Kurla Complex  
Bandra (E), Mumbai-400051  
Scrip Code: TWL (EQ)

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai-400001  
Scrip Code: 532966

Dear Sirs,

**Sub: Transcript of the Investor Update Call**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investor Update Call of Titagarh Wagons Limited ('the Company') held on Thursday, 17<sup>th</sup> November, 2022 at 4:00 P.M. The same can also be accessed on the Company's website at [www.titagarh.in](http://www.titagarh.in)

Please take the above on record.

Thanking you,

Yours faithfully,  
For TITAGARH WAGONS LIMITED

Ravi Prakash Mundhra  
Company Secretary

Encl.: As above.

**TITAGARH WAGONS LIMITED**

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“Titagarh Wagons Limited  
Q2 FY 23 Earnings Conference Call”  
November 17, 2022

**MANAGEMENT: MR. UMESH CHOWDHARY – VICE CHAIRMAN & MD–  
TITAGARH WAGONS LIMITED  
MR. ANIL AGARWAL – DIRECTOR FINANCE –  
TITAGARH WAGONS LIMITED  
MR. SAURAV SINGHANIA – GROUP FINANCIAL  
CONTROLLER – TITAGARH WAGONS LIMITED**

**MODERATOR: MR. ASHWANI SHARMA – ICICI SECURITIES**



**Moderator:** Ladies and gentlemen good day, and welcome to Q2 FY23 Earnings Conference Call of Titagarh Wagons Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwani Sharma from ICICI Securities. Thank you, and over to you.

**Ashwani Sharma:** Thanks Yashashri. Good day everyone. On behalf of ICICI Securities, I would like to welcome you all for the Q2 FY23 post-earnings conference call of Titagarh Wagons Limited. From the management, we have Mr. Umesh Chowdhary, Vice Chairman and Managing Director, Mr. Anil Agarwal, Director Finance; and Mr. Saurav Singhania, Group Financial Controller. We will start the call with opening remarks on the results and outlook by Mr. Chowdhary. Post that, we can have the Q&A session.

I would now like to hand over the call to Mr. Chowdhary for his opening remarks. Thank you, and over to you, sir.

**Umesh Chowdhary:** Thank you, Mr. Sharma. Very good afternoon to everybody, and thank you very much for joining this Q2 or H1 quarterly earnings -- half yearly earnings conference call of Titagarh Wagons. I will start by presenting a few highlights that has happened in the quarter. We had announced in the past about the possibility of getting the government of Italy as an equity partner in our Italian subsidiary. And that transaction has gotten materialized and concluded in the month of September.

On the 8<sup>th</sup> of September, the government of Italy entered into, as a shareholder, into Titagarh. And the government of Italy along with the private equity investor today own 44% of the equity capital of Titagarh Firema. This, apart from giving the company some capital, also brings in a lot of strategic soft advantages by having the government on the same side of the table. It brings in immense value in terms of opening doors and in terms of guidance. The Italian government is also represented by two nominees from their side on the Board.

The other important milestone that has been achieved during this quarter is the merger of Titagarh Bridges, which was a 100% subsidiary of Titagarh Wagons, which was filed with the honorable NCLT quite some time ago. The scheme has been sanctioned and been made effective. As a result of that, today, Titagarh Wagons has only one subsidiary, which is a residual, which is Titagarh Singapore. Apart from that, there are no other subsidiaries that remain for Titagarh Wagons. This helps us in cleaning up the overall corporate structure, having it much more simplified and that would help both governance, management and in terms of reporting, it will be much clearer and better.

And the last but definitely not the least, but the most significant. Titagarh Wagons has reported its highest ever quarterly revenue and earnings for this quarter. I'm happy to share that we've

been able to increase our quarterly revenue to Rs. 622 crores for the September quarter which is, by far, the highest ever. And if we kind of compare it to the revenues that Titagarh was making on annual basis, just about three, four years ago, which was about Rs. 300 crores to Rs. 350 crores in a year, we have, in the last 3 and 3.5 years, come a long way in being able to achieve this milestone.

Having said that, this brings us to a run rate of up to a maximum of around 600 wagons in a month till now, slightly less but we have to achieve within the next couple of months, we are targeting to achieve a run rate of 700 wagons a month, which is based on what order has been received from the Indian Railways.

We are expecting that we should be able to further better our quarterly revenues with the help of this increase in production. The EBITDA in September stood at Rs. 71 crores. And this also is a 56% jump compared to the same quarter last year.

In terms of overall development, the three business segments that we have, freight wagons, passenger trains and shipbuilding, so our focus in the quarter was primarily on improvising the production and streamlining the production processes that emphasis continues in terms of improving both the productivity, the cost and the production on an overall basis.

Now we would, again, put a lot of focus in building up further order books, particularly in the other segments. So going forward, I would say, even in Q3, our focus will be to ramp up production and Q4 onwards, the focus will be to continue with the production levels that we have achieved and to start focusing on the ramp-up of the order book.

You would observe that the margins this quarter – our EBITDA margins are more than what we had guided. This is on account of several factors. One, of course, is the increase in production in itself, but also because there were some tailwinds available externally in terms of the correction of steel prices. As I have mentioned that the order book, the kind of orders we received from the most of the clients have a price variation clause and the price variation clause normally has a lag of a couple of months. So this, in effect, when in the case of increasing steel prices can reduce the EBITDA margins in a quarter and in case of the falling steel prices, can increase the EBITDA margins in a quarter but we continue to give the same guidance as we had given in the past of keeping between 8% to 10% of EBITDA margins on a blended basis over several quarters. There can be quarterly variations, too. This is, in a nutshell, the highlights of the quarter. The total order book in September ends at Rs. 10,040 crores, which is majority in the freight rolling stock, about Rs. 8,500 crores on the freight rolling stock, about Rs. 1,000 crores in the transit and Rs. 360 crores in the Ship Building, Bridges and Defence.

In terms of overall performance, if we look at the consolidated performance, this time, the standalone and consolidated are pretty similar. This is primarily on account of the deconsolidation of the overseas subsidiary that has taken place. There is no longer after the investment of the Italian government, the necessity to consolidate the line-by-line P&L and balance sheet of Titagarh Firema into the Titagarh Wagons results, figures to exist and this has helped us in improving the balance sheet quality of Titagarh Wagons. The consolidated debt levels has come down from the level of about Rs. 700 crores to Rs. 200 crores. Our net debt



level was Rs. 870 crores in March '22 and the net debt level, September '22 is Rs. 114 crores in short-term debt.

In terms of the consolidated and the presentation on Page 6, we have demonstrated that the standalone and consolidated results are all similar both for the half year and the quarter because of the necessity for not consolidating the Firema results into the consolidated results of Titagarh Wagons.

In terms of the investments that we have in Titagarh Firema, the Italian associate company of ours, no longer a subsidiary. In terms of the company's concern, we were able to affect management and the Board restructuring post investment from the government of Italy. There is a new Board that has taken over. There have been management changes that have been affected and as a result of that, we are expecting significant improvement in both productivity, efficiency and cost reduction.

We are continuing to focus, on one side, streamlining the production and on the other side, building up the orders, whereas we have been able to initially reduce a lot of the fixed cost by consolidation of the site and by reducing almost 150 to 200 people who were hired across the verticals in the Italian company without enough workload.

So with these steps that have been taken, we believe that we continue with our target to try and get to EBITDA breakeven or EBITDA positive, if not on the full year basis, but definitely on the second half of the current year basis and next year, we are expecting to be on a PAT positive for Titagarh Firema.

So that concludes the initial presentation on the overview of the company, and I'm happy to take any questions that might come up. Thank you.

**Moderator:** We have our first question from the line of Hemant, an individual investor.

**Hemant:** Congratulations on very good set of numbers, and thanks for providing the opportunity. I listened to the opening remarks. We have around Rs. 10,000 crores of order book as on 30th of September. So given this strong order book, sir, what kind of revenue we are targeting for FY'24? You have already guided for the EBITDA margin in the range of 8% to 10%. So, any color on the revenue figure?

**Umesh Chowdhary:** We would not be able to give any guidance on the overall revenue. But what we can say is that we are already at Rs. 620 crores of quarterly run rate and I did mention to you that we are at a little less than 600 wagons per month and we have to increase this by another about 25% to 30% in terms of production. So obviously, we expect a further enhancement of the revenues that we are likely to generate in the quarters next year.

**Hemant:** So sir, this Rs. 10,000 crores of order book, what is the timeframe in which we have to execute this?

**Umesh Chowdhary:** Different orders have different time frames, but the bulk of the contract, which is from the Indian Railway has to be executed in three years starting June this year, sorry. So that is June 2025. So

the orders have to be primarily -- I mean, the last of these orders will be executed by June 2025 and then the different orders would be executed at different points of time.

**Hemant:** Sir, I had attended one of the previous calls, in which we also had around Rs. 10,000 crores worth of orders. So is it fair to assume that we have not gained much of the order in this 3 - 4 months?

**Umesh Chowdhary:** We have executed orders also, sir. So if you see that in the last six months, we have executed almost Rs. 1,100 crores of orders, and we continue our same order book. So the book-to-bill ratio is almost 1:1 and the orders are normally placed on an annual cycle basis in our business. So the smaller orders keep on trickling in during the year, but the large orders come on an annual basis. Like we got this large order in the month of May - June 2022. The next tender would come out after the next budget is announced.

**Hemant:** So sir, are we expecting a significant order inflow also at that time?

**Umesh Chowdhary:** We are the largest freight wagon manufacturer in the country, so definitely, we have a leadership position and we are also establishing ourselves in a very significant way in the passenger train or metro segment. So of course, we would expect to build up an order book which is commensurate to our growth plans.

**Moderator:** We have our next question from the line of Aazeb Parbatani from Omkara Capital.

**Aazeb Parbatani:** Just a couple of questions on the metro side. Can you provide any update on the CRRC tie-up with the company for the Bangalore Metro? Any execution time line, if you can provide on that side?

**Umesh Chowdhary:** Sure. We've already signed a contract with them, and the work has already started. The execution is scheduled in FY'24 and partly in FY'25, and we are on track as far as that is concerned.

**Aazeb Parbatani:** Okay. Next thing is I have read some news regarding there is a problem with the wheel sets supply. So anything on that part?

**Umesh Chowdhary:** We have not faced any such constraints, and we have been able to so far manage our wheel set supplies based on our requirement. The railways have also increased their capacity of supplying wheel sets. So the answer is challenges in supply chain are, in general, existing because of the various geopolitical scenario around the world. But it is not something which is kind of blocking us from achieving our targets.

**Moderator:** We have our next question from the line of Sarvesh Gupta from Maximal Capital.

**Sarvesh Gupta:** Sir, one question that I wanted to ask in the 600 wagons. So you have done around 1,800 wagons in quarter 2. Is that right?

**Umesh Chowdhary:** No. I'm saying that we have been able to achieve close to 600 on a monthly basis of one month, but it's not an average production for the quarter. It is continuously being ramped up . So the

maximum that we have been able to touch is around that till now. We have to touch, or cross, 700, which we should be able to do over the next few months, three or four months.

**Sarvesh Gupta:** So what was the sales or production in quarter 2 as a whole?

**Umesh Chowdhary:** We don't disclose the exact number, but what we have, if you figure it out from the extrapolation of the results, each wagon costs about Rs. 35 lakhs - 36 lakhs. So you'll be able to get the numbers from there.

**Sarvesh Gupta:** And you have also said that non-wagons are expected to contribute more than 50% of the order book. So right now, almost 80% - 90% of the order book will be wagon and in the phase way order related. So by when do you expect the non-wagon to contribute more than 50% of the order book?

**Umesh Chowdhary:** I have said over the next years, over the next three - four years, we are targeting to have more than 50% from other than the freight wagons. So we just started the journey and we wanted to also create the base, so the wagon base is already created. Now the other businesses base would get created in a larger way. So that is how we would be able to grow the overall size of the cake.

**Sarvesh Gupta:** Understood. And since we are going into a much higher sort of utilization level because of larger orders and we are still ramping up the production. And we are at 11.5% EBITDA margin, then why do you expect the EBITDA margin to go down to a normalized level of 9% when we are ramping up the production? What will lead to your EBITDA margin going down, if you can explain that?

**Umesh Chowdhary:** It's the market forces. It's not about our efficiency is only improving, but the market forces is not something which is in our control, which is, i.e., the steel prices, the commodity prices, etc. And as I mentioned to you that if you look at the historical numbers over the last couple of quarters, our EBITDA margin is about 9% - 10% and in terms of giving guidance in the future, I would rather be conservative and not be overly optimistic because the commodity prices and the input prices movement is something which is not completely controllable by us.

So in our industry, if we are able to get around 10% of EBITDA, that should be normalized EBITDA levels. If we are able to, of course, get -- last year, we were able to report a higher EBITDA of almost 12% - 13% and obviously, our endeavor will be always to get to higher EBITDA levels. But the guidance that I'm giving is, based on realistic achievable numbers that based on the industry general practices and standards, is the EBITDA margin that we can expect.

**Sarvesh Gupta:** And then these margin levels, what kind of normalized return on capital employed are you targeting?

**Umesh Chowdhary:** In terms of the return on capital employed, it will also depend upon the growth that we are able to make in the different segments because a lot of capital has been invested in the two new segments, which is the transit and the metro and also in the shipbuilding, which is in defense. Those divisions are now starting to contribute and they will contribute over the next couple of years. And definitely, we'll be able to get to more than double-digit kind of ROCE, but it's not something that we say that we'll be able to get tomorrow. We will over the next two, three years'

time, when all the businesses are delivering to their potential, we should be able to achieve that target.

**Sarvesh Gupta:** Now only on your core business, what kind of return on capital in spite of the wagon manufacturing core business, which is contributing 90% to our stand-alone profits and revenues, what kind of return on capital implied are we targeting at these order book levels?

**Umesh Chowdhary:** It would be similar to what we are achieving now. So you can check the capital employed in the segmental reporting. We have also broken up this year, the segmental reporting in the three business verticals based on three operating lines. So we are achieving, I believe, double-digit ROCE in the freight wagon business, and we should be able to continue to achieve the kind of ROCE. So I don't think that there is going to be a significant -- we are already at a sense -- we touched close to 600 wagons, we are targeting to get to about 700 wagons. So there would be about a 15% to 20% improvement in ROCE.

**Sarvesh Gupta:** Okay. That's good. And in your Italian operations, you said that you are targeting EBITDA breakeven this year and PBT breakeven next year. But in your Q2 FY '23, your profit from discontinued operation is already being shown as a positive Rs. 12 crores for this quarter. So can you explain the math, like what happened to the subsidiary financials, why it is positive?

**Umesh Chowdhary:** Yes. If you see the notes to account, there are other onetime exceptional items that have been booked this time. We were able to receive some claims with respect to the former branch investments that we had and also certain of the liabilities that were provided in our books have been written back. So it has been elaborated in the notes for accounts, which we'll explain to you why the profit and loss from the discontinued operation is on a positive side. The note number four of our CFS would give you the clear idea.

**Moderator:** We have our next question from the line of Rajesh Bhandari from Nakoda Engineers.

**Rajesh Bhandari:** I heard that the now the wagon production would be approximately 700 numbers per month. On that basis, we can expect that for the next two quarters, the growth in revenue would be approximately 40% from the 2Q?

**Umesh Chowdhary:** So as I mentioned that we have been able to get to around 600 for the month in the previous quarter. 700 number, we should be able to achieve by either the Q4 or Q1 of next financial year. We are continuously ramping up the production. Our target is that between Q4 of this financial year and Q1 of next financial year, we'll be able to reach that number.

**Rajesh Bhandari:** Okay. And we have an order book of Rs. 10,000 crores. But if you go by the turnover, it is four years' time, it is going to take approximately?

**Umesh Chowdhary:** It is on an increasing basis, sir. If you look at the March quarter, we were at Rs. 300 crores and for September quarter, it's Rs. 600 crores. So obviously, when we have to our contractual requirement is to complete it by June 2025. We are very confident we will be able to meet up with our actual requirements.

**Rajesh Bhandari:** Yes. And what are the expected order book, sir, for the next two years?





- Umesh Chowdhary:** We believe that the economic activity is very strong in the country. There is a lot of focus on infrastructure. The railways have, in public domain, stated that they are -- the mission 3,000 million tons from the current levels of 1,400 million tons. So that is almost more than doubling their throughput by 2030, which is in the next seven, eight years. So we believe that the demand traction barring unfortunate circumstances should be very strong, and the workload should be healthy.
- Rajesh Bhandari:** And are we expecting any big orders, sir, in the near future?
- Umesh Chowdhary:** We are always participating and trying for different big and small orders. But as a matter of prudence, we would not disclose or talk about any opportunities that we are working on, unless and until that has (Unaudible 27:06)
- Rajesh Bhandari:** I understand. Sir, there is a problem of recession in Italy and now our control is also over. How is it is going to affect our working and balance sheet?
- Umesh Chowdhary:** So as far as it has been disclosed in the notes to accounts, the total investments in the books of Titagarh Wagons into Titagarh Firema is only Rs. 12 crores and some lakhs. So the total in terms of the downside as far as investment is concerned to Titagarh Wagons balance sheet is limited to this amount, whereas the upside remains very strong, the potential upside. So we, of course, we believe that the company has great infrastructure in the European market for railways, particularly in the decarbonization in terms of the environment, consciousness and so on and so forth, is going to be strong.
- Rajesh Bhandari:** But it is out of control like now it is 49.7% So will it be counted in our turnover, also?
- Umesh Chowdhary:** No, it will not.
- Rajesh Bhandari:** It will not. How it is going to be helpful to the shareholders?
- Umesh Chowdhary:** A couple of things. Number one is the pro data share of profit that will come in the P&L of the Titagarh Wagons; and the second is the value of investments.
- Rajesh Bhandari:** Sir, one NCLT case we have on us. How serious is it?
- Umesh Chowdhary:** Well, it's a matter of subdued, so I would not like to comment how serious it is. We have already disclosed about it. It's a claim of Rs. 91 lakhs, which was filed in response to our claim of Rs. 8 crores. So our case against the same company was filed much before. Tagged as a reaction or a reciprocation to that, they have filed this Rs. 91 lakhs of claim. We personally believe that the order issued by the honourable NCLT is not correct, and therefore, we went for an appeal and the affiliate authority has on the face of it, seen merits in our argument and that is why they have stayed it.
- Moderator:** We have our next question from the line of Varinder Bansal from Omkara Capital.
- Varinder Bansal:** So can we assume that in quarter 3, we should do between Rs. 1,900 crores to Rs. 2,000 crores of wagons -- 19,000 to 2,000 units?

- Umesh Chowdhary:** 1,900 to 2,000, you are saying?
- Varinder Bansal:** Yes, sir.
- Umesh Chowdhary:** Well, again, I would not like to give any forward-looking numbers. But I mean, the math gets close to that, I would say.
- Varinder Bansal:** I'm asking because you said the ramp-up will really happen from quarter four, like the 700 units per month, right?
- Umesh Chowdhary:** That's right.
- Varinder Bansal:** Sir, just out of curiosity, are we facing any ramp-up or manufacturing issues at all to ramp up the capacity?
- Umesh Chowdhary:** Definitely, sir, there are always challenges that are there in ramping up, and that is why it takes time. In a manufacturing facility like ours, in an industry like ours, there are many challenges that are there, which is supply chain challenges, machinery challenges, manpower challenges, mental challenges and so on and so forth but that is exactly the job of the management, to ensure that we are able to overcome these challenges. And we are extremely confident that by Q4 this year or latest, by Q1 next year, we will be able to achieve our targeted production.
- Varinder Bansal:** If I have to understand that what is the kind of delta we get if steel prices come down, is there any calculation we have done in terms of the impact of falling steel prices on the margins of the company? Like now we seem to be in a good position because the order book is there, execution is picking up and the cost of raw materials is going down?
- Umesh Chowdhary:** So most of our contracts, Mr. Bansal, are with price variation clause, which are upward and downward variation clause. So when the steel prices go up, the railways or the customers reimburse us for that increase and when the prices go down, they deduct or they reduce from the prices. So effectively, our margins remain constant. The only difference that happens is that this is linked to the wholesale price index, which is back to two months before the date of supply. So as a result of this, there can be, from a quarter-to-quarter, a lag of implying or the enforcing of the price increase or decrease from the actual movement of the commodity prices. That's exactly why I said that on a blended basis over quarters, the margin levels are not speculative either upwards or downwards. They are in the wholesale price.
- Varinder Bansal:** Okay. No, I was just curious because one of the peers, Jupiter, they do better margins. I wanted to just understand why is that?
- Umesh Chowdhary:** We will not be able to comment on that. But I can only say that our company is definitely one of the most efficient manufacturers of wagons and we have always been sourced.
- Moderator:** We have our next question from the line of Ankur Jain from Jain Investments.
- Ankur Jain:** Sir, my question is regarding the propulsion system, what is the time frame for profit from that coming into the company? So that is my first question. And the second thing is, Hindalco has

come into this manufacturing aluminum wagon. So what is the kind of threat which you are facing? and with respect to our bid pipeline, which is the current one, what is the current bid pipeline that we have, sir?

**Umesh Chowdhary:**

The first question is on the propulsion, and I should have mentioned this in my opening comments, thank you for pointing it out. I'm happy to mention that our first traction motor has been approved by the Indian Railways and we have been the first prototypes of six traction motors produced in our factory are now getting fitted as we speak they have been supplied and fitted into the Indian Railways system. The actual profit and loss, by the time it is actually resulting in the P&L of our company, we should be able to do that in FY'24 to some extent, but FY'25 is the real extent. So it is a very important and very strategic part of our business plan.

In terms of Hindalco coming into wagon manufacturing, Hindalco has not come into wagon manufacturing. Hindalco is only the aluminium, for the wagons was produced by Hindalco. The orders were placed by the Indian Railways for this aluminium wagon, where Hindalco was associated in the designing primarily on account of the defining the aluminum exclusions or the aluminium base for making this wagon. This was an order which was placed quite some time ago, almost 5 - 7 years ago and of course, the Indian Railways is going for a continuous jump in terms of technology, in terms of modernization and the railway Board at various levels, have had several meetings to identify how modern, more efficient wagons can be inducted and we will definitely be a front runner in this whole activity.

In terms of the order bid pipeline, at any point of time, there are several opportunities that we continue to work on. We are always very agile on this front, and that is how we've been able to achieve the kind of growth that we have. However, I would not be able to share more details about this, as I mentioned to the previous caller or previous gentleman who asked the question, that we would not like to be speculative in terms of speaking about opportunities unless and until they are fully materialized.

**Ankur Jain:**

And sir, one follow-up question. Regarding this propulsion system, what kind of profits are we expecting? Like how many crores and stuff like that? I mean once it starts putting in, how much of profits can it generate?

**Umesh Chowdhary:**

I cannot discuss numbers on the future, but I can only share with you that the propulsion business is going to be significant, both in terms of making our transit business more competitive and also generating profits on its own. It is not going to be a kind of a very thrill business. It is going to be an important part of the P&L in the future. Maybe it will take three years to achieve that, but it is definitely going to be an important part.

**Moderator:**

We have our next question from the line of Anurag Patil from Roha Asset Managers.

**Anurag Patil:**

Sir, in Italy are you facing any production disruption?

**Umesh Chowdhary:**

Sure. I mean there are different kind of problems in Italy that we have faced in the past. There were supply chain issues, there were production issues, there were labour issues. But slowly and steadily, those are getting resolved. One of the big challenges was to right size the company and

in the process of rightsizing the company that added to some of the difficulties, both in terms of the unions, in terms of everything. But we have been able to achieve that in the last 3 – 4 months. It was important to create the base, to create the foundation. We believe that the foundation and the base has gotten created and we will be able to build things up from here.

- Anurag Patil:** And sir, can you provide Q2 numbers of revenue, EBITDA and net debt for Italy business?
- Umesh Chowdhary:** We have already disclosed whatever we could have disclosed in the current scenario where Titagarh Firema ceases to be a subsidiary of Titagarh Wagons. We would not be able to disclose any other financial details of the associate company beyond what we have declared or announced in the results.
- Moderator:** We have our next question from the line of Alisha Mahawla from Envision Capital.
- Alisha Mahawla:** What is the status of the Pune Metro project order?
- Umesh Chowdhary:** The Pune Metro execution is going on well. We have supplied more than 10 trains till now, and we are on track to be able to complete this order by Q4 this year or Q1 next year.
- Alisha Mahawla:** Are we facing any delay in execution?
- Umesh Chowdhary:** No. We did face some delays in the past because of the COVID and the supply chain disruptions on account of the Ukraine war. But now we have been able to overcome those to a very large extent.
- Alisha Mahawla:** And earlier in the call, you mentioned that for the Bangalore Metro order, execution will start in FY' 24. Is that correct?
- Umesh Chowdhary:** FY '24. Yes.
- Alisha Mahawla:** And is it possible to quantify the value of this order, the Bangalore Metro?
- Umesh Chowdhary:** We do not normally give contract-by-contract value unless it's a very significant contract. All I can say, it is for 204 cars, but bulk of the material required for this will be supplied by CRRC, and the designs will be given by them. So this is enabling us to upgrade our manufacturing facility to be able to produce stainless steel coaches. This is another stainless steel coach tender or contract. So this will enable us to be the only company in the country to have both stainless steel and aluminium production capability and capacity.
- Alisha Mahawla:** And just one last question. In our freight rolling stock order book of about Rs. 8,500 crores, is it possible to share? What is the share of private contracts?
- Umesh Chowdhary:** I apologize, ma'am, we have not disclosed that number separately. What we do disclose is the overall order book that we have.
- Moderator:** We have our next question from the line of Sanjay Kumar from ithought PMS.

- Sanjay Kumar:** First on the wagons. So the order is purely based on the basis of lowest cost or are there any technical requirements in terms of quality, if you could explain a bit about the technical aspects in terms of foundry or the fabrication that will be helpful?
- Umesh Chowdhary:** Sorry, sir, I didn't understand your question. I mean definitely, there are technical aspects. It's a highly complex engineering product, so quality standards, technology and all of that is in-built into the product itself. But if you could elaborate exactly what is your question was and I'll be able to answer that.
- Sanjay Kumar:** Is it because of the certain make of our foundry machinery or the consumables we use, because another listed player, not talk about saying [inaudible 0:43:09] for consumers. So can you name your vendor or do we buy from local players or does the foundry machinery or the consumer -- does it even matter in terms of the bids?
- Umesh Chowdhary:** Sir, we have more than 2,000 registered vendors that supply to us. So, of course, we have a lot of vendors who are there all over the country and internationally. And we have wagon manufacturing, and then we have our backward foundry. So I'm sorry, but I'm not able to understand exactly what I'm supposed to answer there, but we are buying from the best of vendors across the globe.
- Sanjay Kumar:** So who is the supplier for your moulding machines on the foundry line?
- Umesh Chowdhary:** Moulding machines?
- Sanjay Kumar:** Yes, on the foundry.
- Umesh Chowdhary:** There are many, many suppliers. I don't think we'll be able to get into that detail.
- Sanjay Kumar:** And for the stainless steel coaches, can we use the existing foundry setup? or in future, if we participate in aluminium purchase, so we'll have to set up a dye casting only right or do we already have all of these?
- Umesh Chowdhary:** Sorry, sir, to the best of my knowledge, coaches are not cast, they are fabricated. So there is no foundry required for coaches.
- Moderator:** We have our next question from the line of Parvez Qazi from Edelweiss Securities.
- Parvez Qazi:** Sir, two questions from my side. First, it would be great to get your views on ordering opportunities on the private sector on the wagon side and second, your views on the Vande Bharat train tenders and what can we do, maybe now, maybe in the future to be a part of that opportunity?
- Umesh Chowdhary:** Thank you, Parvez. As far as the private wagon traction is concerned, it is very strong at this point of time. There is an overall economic boom that is happening and as a result of that, many people, many important players are wanting to develop their own logistic capacity, and we see good traction. As a company, we are focusing on the private cabin orders, and we are trying to maintain the correct balance between the railway and the private wagon orders.

As far as Vande Bharat is concerned, I think it's a game-changing project. Right now, the railways have announced 400 trains for Vande Bharat, but I personally believe and based on the announcement that we have seen in the papers and in the press, the railways is not going to stop at 400 trains. It is going to be the train of the future and someone like us who is already in the train business, timing apart, we would enter into it. I mentioned this in an earlier call also, we are not going to rush into anything. We are going to move into a new business opportunity very carefully, in a very-very planned and calculated manner.

So for us, Vande Bharat is a very strategic opportunity. We are definitely pursuing it, we are watching it, and we shall enter into it at the right time. Whether it is now or it is slightly later, that is something that we will disclose when we have kind of performed our task.

**Moderator:** We have our next question from the line of Subhankar Ojha from SKS Capital & Research.

**Subhankar Ojha:** So basically, from 600 wagons to 700 wagons per month on execution is going to happen in the next couple of months. Do you have to incur any capex for the same, or your existing facility is enough to do so?

**Umesh Chowdhary:** No, we've already done a lot of capex. We are continuing to do some capex. So some marginal capex is going to be continuing, balancing. When you move forward, the bottlenecks keep on shifting. So as and when we are incurring or encountering the bottlenecks, we are incurring the capex in order to remove those bottlenecks. So that is something that is a continuing process. And by the time we are able to achieve this targeted production of 700 wagons, which would be, as I said, Q4 of this year or Q1 of next year, we should be able to complete the capex requirement. And thereafter, there will be the maintenance capex, that will be a normal capex.

**Subhankar Ojha:** Do you have a five year capex guidance, next four years, five years?

**Umesh Chowdhary:** Yes. We do have, we had announced that including the last couple of years where we have set up the Metro plant and propulsion plant and also enhanced the wagon capacity qualitatively and quantitatively, we would be spending close to Rs. 1,000 crores in all across all our verticals. So beyond that, we've not really come out in public domain to announce the details of the capex. But on an overall basis, including the last couple of years that we have spent for the metros primarily, we would be spending close to Rs. 1,000 crores of capex.

**Subhankar Ojha:** And sir, finally, so with respect to the shipbuilding business, you have Rs. 300 crores of ordering at hand. What's the time frame of execution? And if you can share some thoughts on the outlook for this business in terms of order booking and execution time frame?

**Umesh Chowdhary:** Sure, sir. So on the shipbuilding, as I had shared with you that we have acquired a shipyard on the south side of Howrah Bridge in Falta and we have not yet started the work on that, but we are likely to start the work next year in saving up the shipyard there. We believe there is a large traction that we can get from both the Indian defense and otherwise also for specialized shipbuilding projects and between our existing shipyard in Titagarh and the new one in Falta, we will be able to cater to different requirements, in fact, all the kind of targeted vessels that we have in our targeted production portfolio. The existing order that we have should be over in the

next maybe 2 - 2.5 years then and there are many opportunities that we are pursuing and will continue to pursue.

**Moderator:** We have our next question from the line of Raunak Khaitan from Ishanika Securities.

**Raunak Khaitan:** I wanted to understand what is the difference in the margins between the private wagon orders and the railway wagons orders and also the kind of market share, which we have in the private wagon space. That is the first question. Second question is, is there any difference in the receivable days? like a major difference in receivable days between the private wagon orders which we have and the railway orders.

**Umesh Chowdhary:** So first is as far as the margin and the receivable days for the private versus the railways, each contract, there is no one contract of private wagons. Each customer, there are several customers of private wagons and several types of private wagons. So each wagon and each customer has its own margin and its own receivable days.

So it would be difficult or unfair for us to generalize the comparison of margins between the railway orders and the private orders. Having said that, private wagon orders sometimes do end up giving a slightly better margin, I would say. But there are again, private orders, like sometimes there are defense orders, etc. which end up giving very difficult margins because most of these private orders are on a fixed price basis and then an order for a long term from a private sector or a non-Indian Railways book with the price variation risk, our opportunity stays with the wagon manufacturer.

In terms of our market share, we keep on, based on our capacity utilization, we have historically been the market leader in the private wagon market space also. And we had slowed down our private wagon order intake in order to stabilize our capacity in the beginning of the year for being able to wrap up the Indian Railway wagon order supplies. Having achieved that, we have again started booking orders from private sector and we would be, I would say, at par with the market share of our sales in the private sector wagon space also as of now.

**Raunak Khaitan:** And about the receivable days, sir?

**Umesh Chowdhary:** Again, it's on a customer-to-customer basis. So we cannot generalize. But normally, it's a capital good, there are not very large credits. So in private sector also, we normally, depending on the customer, we normally take pro-forma payment, but also sometimes we give a small credit.

**Moderator:** We have our next question from the line of Tushar Raghatate from Kamayakya Wealth Management.

**Tushar Raghatate:** Congratulations for your good set of numbers. Sir, my question is on the freight wagon business. So basically, what type of wagons will have the high margin, whether it's flat or covered wagons or open wagons?

**Umesh Chowdhary:** It's not possible again to generalize because, again, each contract has a different margin. So on a blended basis, I would say normally, the wagons the way they are calculated is that there are certain wagons which have a certain higher throughput time, which means that if I have a 10

wagon capacity, if I make a complicated wagon, I'll effectively be able to make 5 wagons out of that capacity and there are certain simpler wagons, which have a lower throughput time. So on the 10 wagon capacity, I can do 15 wagons. So it's kind of a misnomer to calculate a wagon-by-wagon margin. I would say that if we take the throughput time vis-à-vis the margin of a wagon, I would say they stand equated on a levelled basis.

**Tushar Raghatate:** And sir, what would be the industry wagon manufacturing capacity? I mean the optimum utilization level for that capacity?

**Umesh Chowdhary:** So the assessed capacity of wagons by the Indian Railway is close to 30,000 wagons per year and I believe that the industry has the capacity to produce that much.

**Tushar Raghatate:** Sir, my last question. Sir, on this wheel set are you profiting 100% from Indian Railways factory, or you are getting it from China?

**Umesh Chowdhary:** We have different sources, sir. So we are getting from Indian Railway factory also, we are getting some different sources also, including from China in some cases.

**Moderator:** We have our next question from the line of Ankur Agrawal from R C Wealth Solutions.

**Ankur Agrawal:** You have shown low margin in passenger stock, 3.4%, is this margin temporarily less?

**Umesh Chowdhary:** Margin are linked with the volume, as volumes are not picked up at optimum level, so margin will interchange. When we streamline our volume then margin will normalize. There might be extra cost for first time, at certain place due to volume overhead is not recovered fully so margin distorted.

**Ankur Agrawal:** Going forward it will cover 10% margin?

**Umesh Chowdhary:** As said, across our product segments, between 8% to 10% EBITDA margins are achievable and that is applicable to every segment.

**Ankur Agrawal:** When will this margin reflect in FY24 - 25?

**Umesh Chowdhary:** We think FY23-24, FY24-25 we will reach a reasonable capacity utilization.

**Moderator:** We have a last question from the line of Sarvesh Gupta from Maximal Capital.

**Sarvesh Gupta:** Sir, I just wanted to understand what kind of loss can we get from the Italian associate company for this year?

**Umesh Chowdhary:** Sir, as I mentioned a little while ago, the total value of investment in our, in the books of Titagarh Wagons as on the 30th of September, in its Italian associates, stands at Rs. 12 crores, some lakhs. As it has been stated in the notes to our accounts in Note No. 3 of our accounts. So technically, the maximum downside in the P&L for the, on account of the Italian subsidiary is the amount of investments in the associated accounting method basis. But maybe, I can request my colleague, Mr. Saurav Singhania to mention more about this.





**Saurav Singhania:** So as you find the subsidiary on Note No. 3, regarding the change in the accounting method because Titagarh Firema ceases to be a subsidiary with effect from 8th of September. So from 9th of September, in terms of the accounting principles, we have to follow the equity method of accounting, which is proportionate losses and in the same accounting principles, the maximum amount of losses that can be booked is to the extent of the investment. So as Mr. Chowdhary said, that the total value of investments of Titagarh Firema, which we are carrying in our consolidated balance sheet is Rs. 11.5 crores. So that's, to give you an answer that, that's the maximum that can impact our results in the going two quarters.

**Sarvesh Gupta:** And sir, I believe we were also given a lien of a land in India for the same, is that still there? Or has that been taken out?

**Umesh Chowdhary:** The lien on the Bharatpur land is still there on the lenders of Titagarh Firema.

**Sarvesh Gupta:** And what would be the value for that?

**Umesh Chowdhary:** The land has other loans also associated in India to that. So the total value of that land would be about Rs. 140 crores against which the lien is provided to the lenders of Titagarh Firema.

**Moderator:** Thank you. I now hand the conference over to management for closing comments. Over to you, sir.

**Umesh Chowdhary:** Well, thank you very much for the very insightful questions. They've been very valuable for us to get the perspective of the investment community and thank you for the support all through. I believe that if we kind of compare the targets that we set out in the last, 8 - 10 conference calls, quarterly conference calls that we've had, we've been able to, first our target was to build up the order book and then ramp-up the execution. We've been able to a great extent, achieve that. And now we would again like to stabilize the execution and go into the second phase of building up our order book on all the three business verticals that we have.

We believe that all the three business verticals that we have today have a great potential, have a large kind of a tailwind and we are placed in a good spot to be able to take advantage of that tailwind and advantage of the environment.

So thank you once again, and we would continue to look forward to interacting with you at the end of the next quarter.