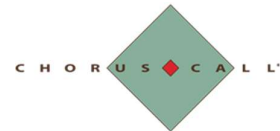




“Titagarh Rail Systems Limited
4Q FY '24 Earnings Conference Call”

May 16, 2024



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MODERATOR: **MR. AMIT SHAH - ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to the Titagarh Rail Systems Limited 4Q FY '24 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Shah from Antique Stock Broking. Thank you, and over to you, sir.

Amit Shah: Yes. Thank you, Zico. Good evening everyone. On behalf of Antique Stock Broking, I welcome you all to Q4 FY '24 Post Results Earnings Call. To discuss the results we have with us from the management, Mr. Umesh Chowdhary, Vice Chairman and Managing Director; Mr. Prithish Chowdhary, Deputy Managing Director of the company; Mr. Anil Agarwal, Deputy Managing Director and CEO of Freight Rail Systems.

I'd like to hand over the call to Mr. Umesh Chowdhary for his opening remarks, post which we can open the floor for Q&A. Over to you, sir.

Umesh Chowdhary: Thank you very much, Mr. Shah. Very good afternoon to everybody. I am Umesh Chowdhary, the CEO of the company. And thank you everybody, for joining the investor call for FY '24 and Q4 of FY '24 earnings call. There have been some important -- but of course, the numbers have already been shared in the investor presentation has already been uploaded on the website of the company.

There have been a few important highlights of this quarter and of the year gone by. Of course, the year has been the highest ever turnover that we have achieved in the company and also the quarter 4 has been the first time that the company has touched a 4 figure revenue number, which has crossed the INR1,000 crores per quarter mark.

We ended the year with approximately 8,400 margins produced, which is a run rate of about 700, which is our rated capacity. But we did cash 1,000 wagon mark on a couple of occasions, including in March of 2024, which effectively resulted in breaking the glass ceiling or the mental barrier of doing 1,000 wagons. expect that we should be able to do a run rate of between 950 to 1,000 margins in the coming year, and we'll be able to gradually ramp it up to 1,000 consistently.

In terms of the passenger rail systems, Q4 has been a little muted, primarily because the Pune Metro contract was coming to an end and the production is already over. And the Bangalore Metro production was delayed by a couple of months on account of delaying installation of the machinery, which was imported also from China. So there are some problems, delays in getting visas for installing those machines by the engineers. Also the technology transfer in this is a sub-contract that we have got from CRRC. So there were some delays, but now those problems are over and the production is starting in the next few days.

So we believe that the passenger railway systems will start picking up from Q1 and Q2 of this financial year, primarily from Q2 because that's the time when Surat and Ahmedabad production is also likely to begin. As regard the Ahmedabad contract is concerned, that is going on also

pretty well, and we are on schedule to be able to meet with the delivery contractual conditions of the contract.

So in a nutshell, it's been a year as per expectations. And we believe that currently, although the bulk of the revenue, which has come from this rate would continue to grow. We also expect that the Passenger Rail Systems division would start, of course, contributing from the current financial that is FY '25, but the real point of inflection for the PRS will happen from FY'26 and further in FY'27. So with those opening comments, I'm happy to take any questions.

Moderator: The first question is from the line of Balasubramanian from Arihant Capital Markets Ltd. Please go ahead.

Balasubramanian: Congratulations for good set of numbers. My first question, so I'm looking at Railway Wagons data on Railway website. I have seen strong like increase in the volume side, not only Titagarh, Our competitors also, I just want to understand what the transition happening in the industry -- and like whether the division will improve from here onwards? And is there any supply chain or any execution disruptions we can foresee next 1 or 2 quarters because of this election? These are my first questions.

Umesh Chowdhary: Okay. Thank you very much. So -- as far as, yes, you are right that the overall industry performance and the overall demand for wagons to that extent has been quite robust. It has been growing. And as I mentioned, that we were at a run rate of 700 wagons last year. We are looking at increasing that run rate to around 950-odd wagons this year.

So definitely, there is the ramp-up, which is planned. But as far as Titagarh is concerned, and as far as the supply chain constraints, they are a normal part of the business. They keep on happening from time to time, no significant supply chain disruptions are expected, which are likely to hamper our targets.

Balasubramanian: Okay, sir. On the Passenger Rail Systems side, like what kind of volume numbers per month we are doing right now? And you have mentioned about from Q2 onwards, we can expect Surat and Ahmedabad Metro execution side. So what kind of ramp-up is expected -- right now, margin side is around 2% to 3% kind of range only. So earlier guidance we have mentioned around 4% to 5% margin expansion, roughly it's around 7% to 8% kind of range. Like whether we can expect from like Q3, Q4 or it will take FY'26 in that time?

Umesh Chowdhary: Yes. So interesting question. So if you would see the numbers we had done about 14 -- dispatched 14 trains or so last financial year, which is an average of about 4 cars per month. 14 cars -- trains are each train is about 3 cars per train. So the run rate that we have achieved on a blended basis for the entire FY'24 is about let's say, on a ballpark of 4 cars per month.

We expect that the total capacity that we are creating for the Metro business is 36 cars per month that will be the total capacity. And Vande Bharat line that is being set up will be an additional 36 cars per month. So the total estimated capacity that we are likely to achieve, which will take maybe about 2 years or 2.5 years, is about 72 cars per month.

However, we are confident of being able to achieve in the metro line, which is being set up now, we are confident to achieve around 15 -- between 15 and 20 cars per month by the end of this financial year. So at a breakeven level or at a sustainable level of about 15 cars, we expect that the margins for the PRS should be on low double digits, about 10%.

And when the propulsion that we have announced is also combined with the rolling stone -- with the passenger rolling stock, which will take maybe another couple of years. We will see a margin expansion of another about 4% to 4.5%, 5%. I hope that answers your question.

Balasubramanian: Sir, one of Capital Goods player is setting up a metro project in India to cater into international market as per the recent con call. Any thoughts on the export side, what kind of opportunities do we have?

Umesh Chowdhary: Definitely, a metro coach is easily exportable. The reason is, if I give a kind of a comparison wagon, which has the same -- approximately the same volumetric capacity cost, INR35 lakh to INR40 lakhs. There is a metro coach with the same volumetric capacity is priced at INR10 crores to INR12 crores.

So the transportation costs as a percentage of the equipment cost is much lesser in the metro. And the cost arbitrage available in Favor of India is high. So once we have been able to establish ourselves very well in the Indian market, we will definitely look at export. Having said that, we have already got some export orders for components and we are now doing in traction converters and other electrical components for coaches for Europe, which will be produced in Calcutta and exported to Europe.

Moderator: The next question is from the line of Akash from Dalal & Broacha. Please go ahead.

Akash: My first question would be on the freight side, sir. I would like to know how many total [wagging 11:48] we did this -- we did for this whole year, for this quarter as well and the broad split between private and public?

Management: May I request the CEO of the freight rail system business, Mr. Chaudhary, to answer this question.

Management: So this year as you already mentioned in totality we did around 8400 wagons and in the quarter last quarter Q4 we did around 2,700 wagons and the split is roughly around 55% to 60% of the Indian railway and what 40% to 45% of the private.

Akash: Okay, sir. And any margin improvement do you see when you ramp up your capacity from the 700 monthly run rate to 950,000 wagons per month run rate in the coming fiscal?

Umesh Chowdhary: Just to add. Yes so as we have always maintained an indication of around closer to 12% EBITDA for the freight business. We are also doing a lot of in-house component development. So that's also going to improve the EBITDA margin a bit. And of course, with the overall increase in the volumes. So we expect a margin improvement maybe by 50 basis points to 1% in the coming quarters from the existing level.

So I would not -- I would like to be very static about the quarter-to-quarter, but we are definitely, if we take the whole year on an average, I think that we should definitely see some margin improvement.

Moderator: So the line for Mr. Akash has dropped. May I request that we move to the next participant. The next question is from the line of Rahul Jain from JM Financial PMS.

Rahul Jain: Congratulations on the good set of results. My first question is, sir, now with you already been doing raling production of 1,000 per month and the demand in the industry, whether it's Indian railways or from the private side, it's robust for the coming years. would you look to expand the current capacity in FY '25 or '26 to take it to maybe 20%, 30% or 40% higher compared to the current production levels?

Umesh Chowdhary: So as far as the current demand of the Indian railway is concerned, which is at about 30,000, 35,000 freight wagons a year, we believe that the market share of 12,000 is a decent one considering the overall market scenario. But we also believe that the government has announced in the -- even in the interim budget that there would be additional freight corridors, which would be planned.

And we do believe that if the these freight corridors come up or even if there is a larger shift from road to rail in order to make Indian economy more cost competitive which will be an essential for enabling the Indian economy to become the third largest economy in the world. And if there is a shift in the demand to a higher number. And definitely, we would look at the capacity expansion. But for the current capacity, we believe that this is a reasonable capacity already, it would mean a growth from last year of almost 35% or even more.

Rahul Jain: Right, sir. Sir, on the same line, if we do a debottlenecking exercise, how much capacity can be expanded with no cost or minimal cost **for the [inaudible 0:15:44].**

Umesh Chowdhary: That would be a very theoretical exercise to be discussed over a conference call because manufacturing is a complex process. And it will be very difficult to give an answer, which is real or accurate in a call like this.

Rahul Jain: Okay, sir. Not a problem. Sir, my next question will be, what will be the capex for FY '25 and '26, if you can highlight the number?

Umesh Chowdhary: We had already mentioned in public domain that the total capex that we have earmarked as a company was about INR1,000 crores, out of which some amount has already been spent, which is going towards the capacity building for the passenger coach, the enhancement upgradation of the country, plus the backward integration efforts and also some special purpose projects like the wheel project, etcetera. So that is -- that remains unchanged.

Rahul Jain: Okay. So can we take around INR500 crores, INR700 crores per annum or maybe slightly more in the next 2 years per annum basis?

Umesh Chowdhary: We've given the information I can share with you is what we have shared already in public domain, which is a INR1,000 crores over the next couple of years.

- Rahul Jain:** Okay. Sir, my next question will be what is the breakup of the order book between private and public on the IFRS freight rail system side? And also, if you can give the revenue breakup for the year? On the sale?
- Umesh Chowdhary:** We've already given the numbers in the presentation that has been uploaded, and if I may request you to refer to the presentation, we would only be able to disclose the numbers, which have been disclosed or shared in the presentation for propriety as well as competitive reasons.
- Rahul Jain:** Sure, sure, sir. Sir, any new products are you looking at on the backward integration side or any other vertical?
- Umesh Chowdhary:** We are continuously looking at expanding the value chain like we have always communicated, there are 2 epicentres to our strategy. One is the freight wagon, the second is the passenger coach. And around that, whatever value can be captured around that -- those are 2 centres. So radar is trying to capture that. Whether it is by way of the backward integration for components, which is meaningful, which either helps us to debottleneck or any supply chain constraint or substantively increases their efficiency or cost gives us cost advantage or whether it is by way of forward integration in terms of entering into services.
- Moderator:** The next question is from the line of Parvez Qazi from Nuvama Group.
- Parvez Qazi:** Congratulations for a great set of numbers. So my question is regarding the ports division, and we do expect to work for the Bangalore Metro order to start. So what would be the execution time frame for this order?
- Umesh Chowdhary:** Yes. Thank you, Parvez. So as far as the execution of this order is concerned, we are expecting the first train be delivered by the beginning of July in the Q2 of this financial year. And our stainless steel production line would also start within the next few days, and we will announce as it is -- as and when once it is done. So the production will ramp up. So by and large we are expecting to reach a run rate of two trains which is in this case it's six cars per train. So two trains per month within this financial year.
- Parvez Qazi:** Great. Which would mean that largely we should be able to complete it within 2 years if I'm not wrong?
- Umesh Chowdhary:** Yes, absolutely.
- Parvez Qazi:** Absolutely. And with regards to the other two metro rail orders that we have when do we expect the production for them to start Surat and Ahmadabad?
- Umesh Chowdhary:** The production of that as we have mentioned in our results, in the notes to the results, we'll start this month. The designing and the progress is very much on track and we will start the production this financial year.
- Parvez Qazi:** Great sir. Thanks and all the best.
- Umesh Chowdhary:** Thank you very much.

- Moderator:** Thank you. The next question is from the line of Amit Anwani from PL Capital. Please go ahead.
- Amit Anwani:** So my first question is on the metro side. You did highlight there's an expansion which we're moving to almost 36 per month for metro and 36 per month for Vande Bharat. Just wanted to understand the current capacity utilization. And second thing the order prospect in metro in the next 12 months, 18 months which we are bidding or expecting to come out in market?
- Umesh Chowdhary:** Sure. So as far as the current capacity is concerned the aluminium metro that we produced was of aluminium and we have switched over to manufacturing stainless steel of course having the capability to produce aluminium simply because it's more cost efficient and we have to compete and make margins in the business compared to our competitors.
- So this line that we are setting up will be in production as I said, in a few days, few weeks, and this will give us a capacity on a gradual basis to get up to 36 cars per month. In the beginning, we are looking at getting to around 15 cars as I mentioned a little while ago. Within this year, we will be able to achieve this -- within this financial year we should be able to achieve between 15 and 20 cars per month there.
- The Vande Bharat line will be Brownfield expansion that is undergoing. The capex plans have already been firmed up, plant and machinery have already been ordered and we are expecting the production of that to start by the end of this financial year.
- Amit Anwani:** Tender process?
- Umesh Chowdhary:** So as far as metros are concerned you would have seen in public domain and this information is also available on the website of the Ministry of Housing and Urban Affairs. There are a number of metro projects that are underway and both our passenger business and the freight business actually while being in the capital goods sector they are to an extent like the consumable for the infrastructure.
- So wherever infrastructure that is railway tracks are being created or capacity is being created for freight in order to utilize that capacity the last mile of the investment is the rolling stock where we come in. So it's a very easily kind of identifiable number of how many rolling stock requirements should be there based on the metro projects that have been sanctioned.
- So there is Chennai, there is Mumbai, three lines that are going on. There is Bhubaneswar, there is Patna, there is further Delhi. So there are a number of projects that are there in the pipeline and we believe that urban mobility is going to be the order of the day with even the tier -- not only the Tier 1, but the Tier 2 and Tier 3 cities demanding urban mobility. So we do believe that the metro segment should be a segment which we will continue to be in demand for the future.
- Amit Anwani:** So my second question you highlighted about the work on propulsion system. So just wanted to understand we did had some agreement with ABB for propulsion system. And now you're talking about propulsion system. So more colour on this? How much is in-house right now and what is the bought out and what kind of products in the value chain we are going to make in-house over the next 2 years and about this propulsion system which you highlighted?

Umesh Chowdhary: So we've already started propulsion system production. The facilities have already been established. Propulsion system consists of various equipments. Till now till Pune contract the entire equipment of the propulsion were bought out for us, but with this ABB agreement and also with the contracts that we have received from the railways plus some technology that we have received from our Italian investment and so on.

So with all of this, we believe that it is a journey that we have embarked upon and propulsion equipment also requires a greater time for approvals and stability and so on, but thanks to the strategic tie-ups with different partners as I just mentioned. We believe that in around 3 years time we should be able to in-house most of the propulsion equipments that we are now purchasing.

Apart from some very strategic projects where we would continue to purchase the propulsion equipment by and large, for example, in the case of Ahmedabad we are already using the propulsion which comes from ABB and the TCMS which will be done by ourselves with the technology transfer from ABB.

So this will be a gradual process. Again, I would not be able to bifurcate it for both technical and competitive reasons on a miniscule basis, but overall we have a very clear road map that in 3 years' time we should be able to have a substantial part of this propulsion for the rolling stock produced by us as backward integrated volumes.

Amit Anwani: Right. Sir lastly, on any scope of work for us on the Vande Bharat standard conversion which is announced, if at all, that comes on stream?

Umesh Chowdhary: I'm sorry, I did not understand that.

Amit Anwani: So any scope of work for Titagarh for the Vande -- conversion of the old coaches into Vande Bharat standard which was announced in the interim budget, if at all that comes on stream, are we also going to be part of it?

Umesh Chowdhary: We would have to see the tenders and the detail of the work. It is not clear whether it is replacement of the old coaches with the new Vande Bharat trains for conversion, it would be difficult to convert old trains into Vande Bharat because both are different technologies. But having been in the Vande Bharat field every business opportunity, as I said, we are working on the concept. There are two epicentres passenger coaches and freight wagons. Whatever is getting captured in the radar of these epicentres will be definitely looked at us as a potential opportunity.

Amit Anwani: Thanks for taking my questions.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Sir, a couple of clarifications. So if Pune metro order completed in March '24?

Umesh Chowdhary: Yes. So the production of the Pune metro is by and large completed in March '24. We have already dispatched 90% plus of the contracts -- contractual trains. Some of the trains which

would be -- the production is over as I said that some of the components have to be fitted and the last train in the first contract are always -- they are missing things that have to be done, retrofits that have to be done. So that will be completed in due course, but I would say, substantially completed.

Vaibhav Shah: So some revenue would be -- we would be booking in FY '25 as well a partial revenue?

Umesh Chowdhary: I would not be able to give you the exact number there, but it would be very, very miniscule. I would not say it would be very substantial.

Vaibhav Shah: Okay. And sir, secondly, if I'm not mistaken the actual revenue from Surat Metro largely that would start in '26, right?

Umesh Chowdhary: It is passenger coaches or these are capital good equipment which are booked as per the account -- relevant accounting standards which follow the percentage of completion method. So the dispatch -- the production will start within in this current financial year which is FY '25. And probably the first train also would be dispatched within this financial year. So the revenues will be recognized as per the relevant accounting standards.

Vaibhav Shah: Okay. And sir, secondly for the IR wagons order of 24,000 wagons, so ballpark how much would have been completed until March '24?

Umesh Chowdhary: We would only be able to disclose the numbers that have been said in the presentation. So all the number details that can be shared have already been put in the presentation. I would request you to kindly refer to that.

Vaibhav Shah: Okay. And sir, lastly, what would be the order inflows for us in FY '24, overall?

Umesh Chowdhary: Sorry. Can you repeat that question?

Vaibhav Shah: The total order inflow that we won in FY '24?

Umesh Chowdhary: So I think, again, I'm speaking from memory, but it's a very simple number that from the last opening order book of 1st April '24 to the revenue and the opening order book of 1st April '23 - - for the closing order book of '23. But maybe, Anil, if you have the exact number, you can share it. Otherwise, we can -- proceed -- you can just take it on the presentation as well or we can share it?

Anil Agarwal: You will share it better, sir. I don't have right now exact number.

Umesh Chowdhary: It's easily desirable from the number.

Vaibhav Shah: So basically, there is no large majorly no change of scope in existing orders. So whatever the difference comes that is the actual inflows?

Umesh Chowdhary: Exactly. Exactly.

Moderator: The next question is from the line of Shyam Garg with Ladderup Finance Ltd.

- Shyam Garg:** Most of my questions are answered. Thank you.
- Moderator:** The next question is from the line of Mehul Mehta from Nuvama PCG.
- Mehul Mehta:** My question is with regard to capital -- working capital employed. How are we looking at like going forward, like because I believe, like in terms of receivables, there has been substantial increase maybe in proportion to like it's just proportionate to revenue growth. So how are we looking at going forward?
- Umesh Chowdhary:** So as far as the working capital cycle is concerned, there can be always -- because the debtors are reported at a point of time, it also depends on the sales pick up, etcetera, etcetera. As I just mentioned that March was the month where we made the highest number of wagons that has been ever recorded in the history of the Indian wagon industry. We are the only company who has actually crossed the 4 figures mark barrier twice during the financial year. One was in December the second time was in March.
- But we do not see much challenges. We would be very much be able to maintain the working capital, the number of working capital days which we have been able to maintain in the past. So we don't see challenges in maintaining that.
- Mehul Mehta:** So don't get me wrong. But like -- as compared to September ending, we have improved in terms of like receivables days, like, I believe, like it was INR600 crores at the end of September '23. And now it is the INR500 cross plus like. So that's sound, but overall, because the way we have order book to execute that, like so working capital cycle days, I mean, that cycle should continue, like it should not be like on the higher side. Is that correct?
- Umesh Chowdhary:** Yes. As I mentioned that these are all at points of time. So the points of time can be depending on the customer, depending on the invoicing, depending upon the payment terms of that particular contract. It can change. But as I just mentioned that in terms of the overall working capital management, we do not see that as a challenge at all, considering the terms of payment and the working capital cycle that we follow.
- Mehul Mehta:** Sure. Got it. Another is how is capex outlook like say, for current year FY '25 and FY '26, how should we look at it?
- Umesh Chowdhary:** I just mentioned this a little while ago to one of the queries raised, but the total capex that we had announced as a group is about INR1,000 crores, including some part of it, which has been spent in FY '24. So by up till FY '26, a total of INR1,000 crores would be spent to build up the capacity for producing Vande Bharat propulsion, the stainless steel metro and also some backward integration activities that the company has taken up.
- Mehul Mehta:** Sorry for repeating the question. Last question from my side is in terms of, if I look at dividend payout, it is about single digit. Like so now, I mean, we can look at like in the kind of growth and like free cash flow. Is it that like we can consider like maybe like a it will be on the increasing side or we should continue with this?

Umesh Chowdhary: That is again, a decision that is taken from year-to-year by the Board, and I will not be able to comment on that. But what I can only say is that right now, the company, if you really see that the company has grown over the last 5, 6 years, but the momentum of the growth would continue because the current revenue that has been recognized in FY '24 is primarily from [0:35:23 freight] and the passenger division is something which is kind of going to take off in the next couple of years and grow from there or fly higher from there.

So based on the overall growth that is there, it was deemed appropriate by the board to strike the right balance between the dividend payout and conserving cash for the growth requirements. There was -- it was an interesting analysis shared with me that the total top line of the company in FY '18, I think, was almost similar to the PAT of the company in FY '24. So that signifies the growth that has been achieved primarily thanks to the tailwind in the industry, the infrastructure spend and the boost to the railways that have been driven by the government. And the company has been in a position to be able to position itself rightly and in time to be able to capture that opportunity.

Moderator: The next question is from the line of Shrinidhi from HSBC.

Shrinidhi: Congratulations on great set of numbers. Sir, would it be possible to update us on development of this traction motor that you are supplying for Indian Railways? How is that business scaling up?

Umesh Chowdhary: Shrinidhi, so definitely, the traction motor is now in the production. We are ramping up the production. We have a capacity to produce up to 150 traction motors, the installed capacity. And our target is that within this financial year, we should get to at least 60% to 70% of that capacity utilization on a monthly basis.

Shrinidhi: And do you think this business can scale up as you're looking to add more capacities in this business?

Umesh Chowdhary: Definitely, you see, this is a business which is growing very fast and all the capex that has been done, all the planning that has been done, has been done with the provision to enhance capacity. So -- but because it's a new business that we have entered into, we are kind of balancing it out and we are taking firm steps even if there are smaller steps, we are taking firm steps. So that we can establish ourselves for the long run, and we are not wanting to play a T20 match here, we are looking at the test match. So we are not looking at this for the short term. These are opportunities that are going to sustain themselves for very, very long, and we'd like to be in the long game.

Shrinidhi: So the second one is on the Shipbuilding and Defense business. What are the medium-term plan out there? You have very good assets there. I think you were looking for a JV partner. Would it be possible to share some update on this part of the business?

Umesh Chowdhary: Yes, absolutely. We had announced in the past that these are -- this is a segment which offers great opportunity. It has been in the centre of the government policy in terms of indigenization, Atmanirbharta and all of that. So we believe that to really be able to get the real potential to -- in cash the real potential of this business. It may be necessary at some stage to make this

independent, maybe with some strategic partner or otherwise. And definitely, this is something which is work in progress, and we would look at taking concrete steps towards the right direction on this business also within this financial year.

Moderator: Thank you. The next question is from the line of Nikhil Kanodia from B&K Securities. Please go ahead.

Nikhil Kanodia: Sir, most of my questions have been answered. So one thing, if I heard it correct that you are still looking out for injecting some strategic partners for a shipbuilding business?

Umesh Chowdhary: Your voice is actually very muffled. I'm sorry, I'm not able to get your question clearly.

Nikhil Kanodia: Sir if I heard correct that you are looking for some strategic partnerships in your defense and shipbuilding business?

Umesh Chowdhary: What I mentioned is that including the possibility of induction of a strategic partner or otherwise. We are definitely looking at doing the right thing to grow this business. It is a niche business in Titagarh Rail Systems.

And as the name of the company suggests that the company is more focused towards rail systems and to be able to really encash, the real opportunity for the defense and ship building, it would be necessary to take some steps whether that is on the -- based on the best analysis conducted and the approval of the board and then ultimately by the shareholders whether by way of doing it ourselves or by induction of strategic partner that is something that is going to be crystallized within this financial year.

Nikhil Kanodia: Sir, the other thing is -- just one request. So I couldn't find your presentation on the website. So if you can confirm whether it has been uploaded on your website?

Umesh Chowdhary: I'm sure this should have been. Anil, can you confirm?

Anil Agarwal: Let me check it out. We have already sent it to the stock exchanges. Let me find out if there is any issue or not.

Umesh Chowdhary: In case it would be available at the stock exchange, but if it is not, if there is some bug, we will rectify it.

Nikhil Kanodia: Yes, it is not available on the stock exchange website as well. So I guess that's the reason why there are many questions on the order book as well.

Umesh Chowdhary: We will share it right after this call.

Nikhil Kanodia: Okay. Those were my questions. Thank you for answering them and all the best sir.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

- Vaibhav Shah:** Sir thanks for the follow up. Sir, can you throw some light on the pipeline for Vande Bharat order that we expect in the next couple of years?
- Umesh Chowdhary:** Very interesting question, sir. So we've heard the railway minister and the railways and the government speak about waitlist free railways in the next 5 years. And we've also heard numbers in the press of very large quantities of Vande Bharat trains that would be required to be built in order to achieve that. So we are building the capacity to produce, as I said, 36 cars per month and we have an order book of 1,280 cars and we believe that this demand should pick up the way Vande Bharat trains have gain the popularity. There would be the Vande Metro opportunities, there will be MRVC opportunity.
- So basically, the intercity transport and we also believe that the trains that we are designing and we will be producing which is the Vande Bharat sleeper trains would be quite a game changer in terms of the way people would like to travel. So as far as the order inflow is concerned we can only say that we are very excited with this time of moment that we are in where the railways is undergoing a complete transformation and to be in this a small part of this journey of transformation.
- Vaibhav Shah:** Okay. And sir, secondly, this would be largely on the steel side, the capacity that we are setting up for Vande Bharat?
- Umesh Chowdhary:** What I just told you is the stainless steel one. We have the capability to do aluminium coaches. We've already done Pune metro aluminium coaches. If there is the aluminium coach opportunity that gets presented by the railways or by other customers. We are the only company in India which are the best suited to be able to put our – raise our hands and put forward to walk towards that opportunity.
- Vaibhav Shah:** So we can expect either of steel or aluminium opportunity on the Vande Bharat side in future?
- Umesh Chowdhary:** We can expect either or and both. We would love to see both, but we do not know. I mean, of course, these are all newspaper reports that we are speaking about. We would only know what finally happens in terms of the railway decisions and the government's policy and we see the final tenders come out.
- Vaibhav Shah:** Okay. And sir, lastly who would be our major competitors both for metro and for Vande Bharat on the domestic front?
- Umesh Chowdhary:** As of now the current coach manufacturers apart from the government railway which is PSBUs which is ICF etc is Alstom and BML. So we have seen them as the only contenders or the tenders that we participate in.
- Vaibhav Shah:** Okay. Thank you sir.
- Moderator:** Thank you. The next question is from the line of Priyesh Babariya from Max Life Insurance. Please go ahead.

Priyesh Babariya: Just one question on the wagon side. From the demand perspective, so I understand we typically speak about DSC that's likely to be a driver for the next couple of years. However, when we see a couple of reports that says that currently capacity utilization for this Eastern DFC and Western DFC remains very low. So -- and they suppose if that remains very low and the additional pipeline for the DFC will likely to get delayed. So any thoughts on this?

Umesh Chowdhary: So I think in order to understand this -- in order to understand this demand the overall market needs to be kind of discussed. The Indian logistics cost is one of the highest logistics costs as a percentage of GDP. The market share of the Indian railways is very low compared to the other modes of transport. So these two data points combined the only way that Indian economy can become more competitive is by moving the mode of logistics from road and air to rail and water, water having its own limitation rail is the only mode which can really take over the share of the logistics.

It is much more environment friendly. It is much more fuel efficient and faster once these lines are operational. So the fact that -- and the data that you are saying I'm not seeing this one, but not analyse this about capacity utilization of DFC being low, would probably be only because the entire stretch would not be complete or the entire utilization is not being done.

But I think that there is no reason for the railway capacity utilization being low because it's the lowest cost of transport the most efficient mode of transport for bulk commodities. So to sum up, I don't see that there should be a challenge in terms of the additional freight corridors coming up merely because for a few months, few quarters, the capacity utilization of the existing Eastern and Western dedicated freight corridors is low.

Priyesh Babariya: Sure sir. That's all from my side. Thank you so much for answering the question.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Sir, understanding from the propulsion point of view, so what is the cost of these propulsion in the metro and how do we overall with the kind of capex and ROI we like to expect to generate, what would be the benefit in terms of EBITDA margin?

Umesh Chowdhary: There are different parts of this question. As far as the percentage of propulsion in a coach is the cost of propulsion in a coach is anything between 20% to 30% depending upon the kind of propulsion, depending upon the speed of the train, depending upon the type of the propulsion. So -- but that is the range of the propulsion -- cost of propulsion as a percentage of the metro coach. In terms of the EBITDA I already discussed this a little while ago that the EBITDA -- once we are able to reach a certain volume in the metro should give us about 10%.

And once we are able to integrate it with the propulsion we could see an expansion of the EBITDA by about 4% -- between 4% to 5%, I would say, over a period of time once the capacity is again are fully utilized. The ROI, etc is something which -- it would be much, much higher because as I just mentioned that we are developing very large capacities considering the capex that we are spending and that is primarily because a large part of the infrastructure has already

been created by us in the past. So we are looking at a good ROI for the propulsion and the metro and the Vande Bharat rolling stock complaint.

Bharat Sheth: Sir, one more thing, this tie-up with EBITDA is mainly for Vande Bharat and not metro. Is that a fair understanding?

Umesh Chowdhary: So it is the other way around, so it is for metro not for Vande Bharat.

Bharat Sheth: And for Vande Bharat we have tied up with Italian partners. So we will continue to...

Umesh Chowdhary: Vande Bharat is with the BHEL which is a consortium built with BHL where the propulsion is coming from BHEL.

Bharat Sheth: But we will continue in that case I mean, with our Italian partner as well as JV with the ABB to manufacture both the propulsion or...

Umesh Chowdhary: Yes. For different types of propulsion we would be following different strategies. It would be difficult to explain exactly because these are highly technical matters, but effectively what we are trying to do is ensure that we have the entire bouquet of products, entire range of product in the propulsion. And we are taking and choosing the best option that we can from both technology cost and availability perspective from different options of technology.

And we are also, I think, I would love to share with you that the engineering capability that we have -- design and engineering capability that we have built and we are continuing to build is also going to help us develop our own technologies. We have the full fledged design center in Calcutta. We have a joint venture design center in Hyderabad, and we have also opened a design center in Bangalore. So we have multiple design centers which are supporting us for development of these propulsion and for the development of the rolling stock as well.

Bharat Sheth: Okay. Great sir. Sir on freight side pardon my Zoran earlier whenever we used to get from railway these wagons wheels were used to be supplied by the railway as well as steel material. So now under the new thing, how this thing or we are at liberty to buy from wherever we want?

Umesh Chowdhary: So different contracts have different conditions. When we supply to the railways normally -- there is no free supply anymore. Normally, we are encouraged to buy these from the railways own plant in Bangalore. But again there is no one size that fits all. There are different contracts that we get which have different criteria, but to answer your question there is no free supply regime anymore.

Bharat Sheth: I understand. Now that we can use our whole network, I mean to procure the material at reasonably much cheaper than what earlier we were getting. So that -- how that will really play out on the one is on the working capital side and second thing on EBITDA improvement with our procurement capability?

Umesh Chowdhary: To a great extent that has already happened, sir, that we have already seen margin expansion, EBITDA expansion. And this is an ongoing process. This is not something which will be a point of inflection like a turn on or turn off. This is an ongoing process wherein we continuously as

my colleagues Anil Agarwal mentioned that we are continuously endeavouring to improve our EBITDA margin.

Earlier we used to guide for 8% to 10% EBITDA margin. The very size that we have been able to achieve and we are guiding for 11.5% to 12% EBITDA margins on the freight side in itself is being achieved because of operating leverages and -- which also includes the right kind of procurement abilities and capabilities.

Bharat Sheth: Is it possible to share, how much is the order book dedicated freight corridor wagons are there?

Umesh Chowdhary: It is not possible to do that, sir, because the railways do not buy separately. It is all going into the same pool. And the order book details are all shared in the presentation which are uploaded in the BSE website. And the numbers that I would be able to unfortunately due to, of course, as you understand regulation share are the ones that are available in the presentation.

Bharat Sheth: So our current blended realization is how much sir approximately and if we have to...

Umesh Chowdhary: It would be in terms of presentation, sir. All this data would be in the presentation.

Bharat Sheth: And this dedicated freight corridor is on higher side or if you can give some trajectory in staking order?

Umesh Chowdhary: It's not possible to do that because there is no separate procurement as I just mentioned.

Bharat Sheth: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Shrinidhi from HSBC. Please go ahead.

Shrinidhi: Thank you for the follow up opportunity. Sir just one small question on the demand from the private wagon industry. So do you continue to see strong demand in that part of the market, the way we witnessed last year?

Umesh Chowdhary: Shrinidhi I think the private demand or the overall demand for the wagon if you see historically borrowing blips positive or negative ones from time to time is about 15% of the -- between 10% and 20% of the overall demand of wagons is procured by the private sector and the balance is procured by the Indian railways.

And I believe that, that is something that would -- that is a trend that is likely to continue. Again, I qualify that barring positive or negative quarters or months which can happen or periods of time that can happen on a slightly longer-term basis spanning to maybe over 4 quarters the demand pattern is likely to remain the same. This, of course, is an answer that I'm giving out of our experience in the industry and there is no particular data to substantiate this. It is based on how we have seen the market behaved in the past.

Shrinidhi: So sir, last year, we saw a share of private going significantly up, do you think that will normalize to the trend that you alluded to?

Umesh Chowdhary: That was the supply. That was not the ordering. The ordering would also remain what I just mentioned to you. But again, it will be blended over a period of time. So that's the reason why we also maintain a healthy mix between our private and the government of the railway supplies so that we can present on a longer basis and sustain this kind of capacity utilization on a longer period.

Shrinidhi: Thank you for answering my questions and all the best sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Umesh Chowdhary: Thank you very much. It was very, very interesting and I would say educating to get some perspective and some ideas from the various questions that were asked. I hope we've been able to answer the questions that were there. And our Investor Relations team is available for any further reach out that may be required from anybody.

I would like to convey the year has been satisfying. I would like to convey my deepest gratitude to everybody, to all the stakeholders, to their employees, to the stakeholders, to the customer for supporting us and continuing to support us. And we hope and look forward to this continued support in years to come. Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.