



“Titagarh Rail Systems Limited  
Q1 FY '25 Earnings Conference Call”

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**MODERATOR:** **MR. PARTH PATEL – ORIENT CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Titagarh Rail Systems Limited Q1 FY '25 Earnings Conference Call. 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. Parth Patel from Orient Capital. Thank you, and over to you, sir.

**Parth Patel:** Thank you, Neha. On behalf of Titagarh Rail Systems Limited, I extend a very warm welcome to all participants on Q1 FY '25 Financial Results Discussion Call. Today on the call we have Mr. Umesh Chowdhary, Vice Chairman and Managing Director; Mr. Prithish Chowdhary, Deputy Managing Director; Mr. Saurav Singhanian, Chief Financial Officer.

Before we begin the call, I would like to give you a short disclaimer. This call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinion, expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

And with this, I would like to hand over the call to Mr. Umesh, sir. Over to you, sir. Thank you.

**Umesh Chowdhary:** Thank you. Thank you, Parth. Very good morning to everybody and thank you very much for joining this quarterly earnings conference call of Q1 FY '25. To begin with the -- as far as the quarter has been concerned, the numbers have already been published. I will speak about the two segments separately. As far as the Freight segment is concerned, the performance has been slightly muted compared to the Q4 of FY '24.

However, if you compare on a year-to-year basis from the previous year, we have been able to improve our performance. Overall revenue is about 12% higher compared to the last year's same quarter. Traditionally, the Q1 is a slower quarter in our industry, but this year was exceptionally -- an exceptional quarter because of the severity of the heat wave in Eastern India. There was substantial absenteeism, which was also aggravated by the election season, as a result of which, there was -- not only in our case, but also in the supply chain base, there was disruptions. However, things have already sprung back, and we are picking up. And we are still 100% sure and confident that we'll be able to achieve our targets.

We expect that from the last year of 8,400 wagons, we'll be able to achieve a growth and get to definitely a 5-digit kind of a number. As far as the Passenger segment is concerned, as was already shared in the last quarter, we had completed -- so if you compare it on a year-to-year

basis, there has been about INR100 crores gaps in the revenue that we had achieved in June '24 versus June '25. That is only because of the fact that Pune Metro was executed in that quarter. And now we have just begun the production of Bangalore Metro in this quarter. The first train for Bangalore Metro will be dispatched in Q2 of FY '25, and the gradual ramp-up is absolutely on track.

As we had planned and targeted that we will be able to reach production run rate of between 10 to 15 cars by Q3 or Q4 this year. And that will continue to grow as Surat and Ahmedabad production happens and Vande Bharat starts next year. A few of significant developments on the PRS is we have been able to export our first traction converters to Europe. This is in the propulsion side of the PRS. The shipment happened a few days ago. And of course, the production line that has been set up, the stainless-steel production line has begun operations.

I think that's a broad summary of the quarter, and I'm happy to take any questions. Thank you.

**Moderator:** Thank very much. We will now begin the question-and-answer session. The first question is from the line of Vikas Reddy Chinnam from Lakshmi Kala Investments.

**Vikas Reddy Chinnam:** Sir, congratulations. And normally, Q1 is a slower quarter in the industry, right?

**Umesh Chowdhary:** That's right. Absolutely.

**Vikas Reddy Chinnam:** Yes, yes. Sir are we confident to reach our earlier targets which you have taken the 12,000 freight wagons per year, which is 950 to 1,000 wagons per month. So are we confident to reach our target?

**Umesh Chowdhary:** Yes, we are fairly confident that we will reach the target of 950 to 1,000 wagons a month, and we are also confident that we will do a substantive growth almost from the previous year. And the first quarter that has been, as I said, an average of around 700 is not going to be the constraint going forward.

**Vikas Reddy Chinnam:** Yes. As I can see, in the passenger rolling stock in this FY '25, there is a decrease as we compare year-on-year, 63% revenue decline. So could you just elaborate and what is the execution in coming quarters?

**Umesh Chowdhary:** As I had explained in the previous conference call also, and also, we had given it in our results, we -- in the passenger rail segment, we have completed the Pune Metro dispatches, and the Bangalore Metro was to be started. It was delayed because of nonavailability of the visas, this is in cooperation with CRRC. We are subcontractors of CRRC for Bangalore Metro, and there were some problems for getting the Chinese visas. That was resolved. The production has started. And we are confident of being able to ramp to 10 -- between 10 and 15 cars per month within this financial year.

**Moderator:** The next question is from the line of Sudeep Anand from Systematix Group.

**Sudeep Anand:** Sir, just one question on IFRS. So if you look at the per wagon cost of -- per wagon revenue of last quarter was somewhere around INR37.7 lakh, while if we calculate this quarter, it's around

INR40.6 lakhs. So is it because of higher execution of private wagons? Or was it -- what's the mix if you can just give us?

**Umesh Chowdhary:** So the information that can be disclosed has already been disclosed in terms of the numbers in the investor presentation. And yes, absolutely, you're right, that the mix of private versus railways or even within the railways, the type of wagon that has been executed during the quarter continues to change the overall revenue. So that is not a kind of a constant KPI that can be taken in the wagon pricing because there are different types of wagons that whether the railway buys or the private sector buys, and each one of them has a different pricing.

**Sudeep Anand:** Okay. And another on PRS, how do we see the pipeline of metro contracts? So any new metro order which is expected to come or where we have bid, any color on that?

**Umesh Chowdhary:** So there is -- absolutely there -- in public domain, it is there that there are a number of metro tenders that have already been floated. There are ongoing, as we speak, 6 tenders of different cities that are in the pipeline. There have been -- tenders have been floated or prices have been submitted, whether prices are yet to be opened. And also in terms of the government's clear policy to push the metro or urban mobility forward, we believe that several cities will be undergoing an expansion or further capacity enhancement in terms of carrying passengers for other mobility, which will continue to bolster the demand of metro coaches.

**Moderator:** The next question is from the line of Koushik Mohan from Ashika Institutional Equities.

**Koushik Mohan:** Sir, I just wanted to understand what is currently our capacity in this quarter that we are running for wagon side? And basically, where is -- what's the margin is also sustained in this quarter?

**Umesh Chowdhary:** So the numbers have already been given in the investor presentation. But broadly, I can share with you that, last year, we did an average, if you look at an annual average of 700 wagons. This quarter also, we were at the same average. In terms of the growth on a year-to-year basis, Q1 of FY '24 to FY '25, there is definitely a growth, which is, if extrapolated, is a very clear sign that the first quarter is actually a certain percentage which is not equal to the balance quarter. So in terms of the margin profile is concerned, we have always mentioned -- maintained that in the freight wagon, the sustainable margin and a quarter-to-quarter margin is not really a proper reflection or a proper again KPI for our business. But on the blended margin of 12%, 12.5% is something that we are confident to maintain.

**Koushik Mohan:** Got it. Sir, and also if I look at closely on your numbers. I can see there has been an increase in the employee cost as a percentage of sales. So are we increasing our employee count in the factory?

**Umesh Chowdhary:** Yes, absolutely. We are definitely increasing our employee count. We have started, and in fact, this is one thing which I forgot to mention. We started our design center in Bangalore. So we are moving -- the whole target of the company is rather than being a manufacturing company alone, we are looking at becoming a more technological company. And as a result of which, a lot of bandwidth creation is going on in terms of developing technology or making products of higher technology.

The very fact that we've been able to achieve our first traction converter export, which is a very, very high technology item, I mean, on a technology scale to the wagons and other products, it is a completely different ballgame altogether. That can be only achieved with very high -- highly qualified and skilled people at all levels, whether it is at very senior levels or at even worker levels. So we are continuing to build up our talent pipeline. Last year also, we recruited hundreds of graduate engineers that we are training in also. All of this is reflective of this employee cost.

**Koushik Mohan:** Got it. Got it. Sir, we have an operating leverage for -- financing leverage because of interest was going down. So in the full year basis, what could be our total interest cost on the P&L?

**Umesh Chowdhary:** We are net debt free today. So our cost of interest is, on a net basis, is negligible or not there. Our cost comes primarily on account of the guarantees and LCs, et cetera, that have to be opened in our business, which is very high. And that also will be further optimized because of the credit upgrade -- credit rating upgrade that the company has been able to receive during this quarter from A+ to AA- by CRISIL.

**Koushik Mohan:** Got it, sir. And sir, I want to understand our visionary numbers that we would reach over next 5 years, how do we look -- Titagarh Rail Systems over the next 5 years?

**Umesh Chowdhary:** We have already given our outlook about our targets, the business plan that we are creating, capacity to produce between 800 to 850 passenger cars and 12,000 freight wagons. So that is the capacity that we are creating. As far as reaching the revenue targets are completely utilizing that capacity, of course, that factor of demand, market dynamics, economic situation, et cetera, et cetera, of the macroeconomic situation and interest rates. So definitely, but we believe that India is on a growth path.

The infrastructure in India is going to continue to grow. We have seen that even at a very large base of infrastructure spend, the government has further enhanced the budget for infrastructure, 3.4% of the GDP is being spent on further infrastructure growth. So we believe that the capacity that we are creating is something that is going to get utilized or taken away or taken up by the government in its infrastructure pipeline building.

**Koushik Mohan:** Sir, and in Freight Rail System, how much is the shipbuilding numbers have been added? Because now shipbuilding sector is on booming side, I can see there a set-up with a lot of orders and all, how is that shipbuilding division doing altogether?

**Umesh Chowdhary:** Shipbuilding division is not a very significant part. And the numbers that have been shared in the presentation is that we have -- we can disclose also on this call. But what we can say is that we had announced in the past that we had created a Board committee to look into the strategic future of the shipbuilding and the defence. And within the next period of time, short period of time, we will be coming up with the final plans for the shipbuilding and defence.

**Koushik Mohan:** Okay. And last one final question, sir. When can we expect our Passenger Rail Systems will be a major contributor to revenue? If my assumption is right, if I assume FY'25 Q3, we'll be starting progress on this? Or it is FY'26, should I assume?

**Umesh Chowdhary:** As I had mentioned, our capacity that we are building will continue to get ramped up. We are confident of achieving between 10 to 15 cars in Q3 or beginning of Q4 per month. But the target that we have is in 2- to 3-years' time. I would say, more like 3 years' time to reach 70 cars per month. So it will be not an overnight jump, but a gradual move towards on -- let's say, 3 cars per month of the previous year to 70 cars per month in 3, 4 years that we are going to achieve.

**Koushik Mohan:** In that, how much can be from Vande Bharat?

**Umesh Chowdhary:** We are not segmenting, but we have a large order. We have 1,280 car orders from Vande Bharat. And we believe that the demand for both Vande Bharat and the Metro will continue. And similar to wagon, it's not -- the capacity is fungible between Vande Bharat and Metro to an extent. And therefore, we would just stay with the passenger coach. But broadly, I would say, half and half is what we can envisage in the next at least foreseeable future.

**Koushik Mohan:** Got it. And sir, how are we looking at our improvement, because Passenger Rail Systems every time is a higher-margin business and in the blended level you're telling that we can make around 11-12 percentage on the EBITDA level. So how are we looking? This will be sustaining? And do we need any capex to be done in the future for our business now? Because in the past we have done heavy capex, right?

**Umesh Chowdhary:** It is a dynamic situation. I don't think that the decision-making or anything that can remain constant in a dynamic kind of scenario that the country is going through. As of now, as far as margin projections are concerned, what I had mentioned is for the freight wagon is 12% approximately.

For the passenger, whilst we had explained in the past calls also, without propulsion, the margins are at the level of 10%, 11%. With propulsion, it is increasing by another 4%. So with this whole propulsion integration, the future outlook would be to target margin levels of 14% to 15% in the Passenger Rail segment side.

**Koushik Mohan:** Sir, how about our deal size...

**Moderator:** I request you to come back for a follow-up question. The next question is from the line of Sandesh Shetty from HSBC Securities.

**Sandesh Shetty:** Sir, first question will be what will be the capex for the current year, for FY'25?

**Umesh Chowdhary:** So the capex that we had announced of close to between INR700 crores to INR1,000 crores, this will be primarily spent within the current year, and I would say in the first part of the next financial year, because in order to get the production lines going for Vande Bharat and the other propulsion and stuff like that, the capex will be front ended. So I would say that the entire INR700 crores to INR1,000 crores will be spent within this and between the first part of the next financial year.

**Sandesh Shetty:** So for next 1.5 years, INR700 crores to INR1,000 crores is what you're expecting...?

**Umesh Chowdhary:** Including what we have already spent over the last 5, 6 months, I would say.

**Sandesh Shetty:** Okay. And sir, you mentioned -- sir, for this quarter, the PRS margin has been around 6.5, so it's slightly on the higher side. So is it because the design component accrues a higher margin? Or is my understanding incorrect, sir?

**Umesh Chowdhary:** So the PRS follows a percentage of completion method according to the accounting standards. And with the new contracts coming in, that is how the margin recognition goes forward. Of course, the operating leverage plays a very important part because as was also rightly pointed out by another gentleman a little while ago, we are continuously building our talent pipeline. This business requires a very, very deep talent pipeline. And therefore, the fixed cost continues to get incurred.

And the operating leverage or the margin starts coming only when the right volume comes in our business. It's typically one that where the bottom line will follow the top line. So our focus is now to grow the top line. And as soon as that happens, the margin profile will improve. But the recognition of the margin happened, as I said, on percentage of completion method and this is because the new contracts are coming up. We don't separately book margins for design or production.

**Sandesh Shetty:** Okay. Got it, sir. And sir, one last question. Sir, you mentioned that you have sent your first consignment for traction converters. This is an export order. Sir, going forward, how do you see this traction converter exports panning out like Titagarh, you have sent it to Firema, so it's like a captive sister concern. So do you look at other opportunities also outside of Firema for exports? How do you look at that opportunity, sir? That would be the idea.

**Umesh Chowdhary:** As far as the exports are concerned, once your product gets invested, once it gets approved, it just becomes -- the world opens up as the market. And yes, the first one has gone to Firema, but it is going -- it has to go through all the approval processes, including acceptance by the final customer, which is the Rome region or the Lazio region for the trains that will run in the capital city of Italy. So therefore, the quality standards, the technical standards, the facilities, all of that have to be up to the mark in order to achieve this kind of approvals. Once that is done, then whether it is Firema or anybody else, the market opens up.

We also understand from newspaper reports that the government is really focusing and is likely to come up with teams to support exports of railway components. And we believe that further will give us some kind of an advantage or some kind of a boost to enhance our international presence or international markets.

**Moderator:** The next question is from the line of Balasubramanian from Arihant Capital.

**Balasubramanian:** Sir, one of EMS players talked about some delay in metro projects especially in Mumbai as well as a delay in 200 Vande Bharat trains and because of shortage of supply systems -- subsystems. So what's your thought process on the shortage of these subsystems? And like what's the -- in this budget also government have not much focused on railway side. And like what kind of growth aspects we can expect in this financial as well as next financial as well as what kind of execution challenges, we have as of now?

**Umesh Chowdhary:** So as far as supply chain constraints are concerned, they are a part of the business, and they happen on a day-to-day basis. That is not something that is new. And that is exactly where the work of the companies are, the management of the company is to ensure that these constraints are removed, but we can divide it into manageable challenges and unmanageable challenges, and I can confirm that there are no unmanageable challenges. They're all manageable challenges that we are facing, or we have faced in the past.

And in fact, if I can also confirm that there is no particular specific challenge which kind of it a showstopper and it's a day-to-day affair. In terms of the infrastructure for Mumbai, etc we are all aware that was also on account of certain delays for certain plant regions, etc and this is again a very normal process of any metro or infrastructure project, but the work is going on very well. There are 3 metro tenders, metro coach tenders that have been floated by Mumbai Metro as of this moment and we do not see that is going to be a challenge.

And the third point in terms of the focus of the government on railways going down, I really do not -- I do not understand where this question comes from. Because if you look at the budgetary allocation on a very high number that was existing last year there has been a further enhancement. So the focus of the government on the railways, I don't see has come down. We must also appreciate that infrastructure is a long-term project.

So let's say the Vande Bharat contract that we received is going to be executed over 4, 5 years. So every year the orders are not something that will continue on the same level, but it is a cycle where in the first orders have to start execution and then the second one is coming. So it is pretty much I would say on the track as per the game plan that we had envisaged, or we had hoped for. And we do not see any negative or any concerns in the overall budget that was presented for the railways...

**Balasubramanian:** Got it. Sir, on the wheel sets plant one of the partner with Ramkrishna Forgings they talked about INR1,800 crores kind of capex. Earlier like if we look at it 1 year back the capex that was around INR1,200 crores, INR1,300 crores kind of range. Right now INR1,800 crores like any further explanations we can expect -- one of our competitors also aggressively expanding this wheel sets capex side. So whether -- what kind of opportunity do we have and whether -- how you are confident to execute in those capex and business opportunities?

**Umesh Chowdhary:** Yes, I will not be able to speak on the competitors here because I'm not fully aware of what exactly is being done, but what I can speak about is our joint venture with Ramkrishna Forgings is absolutely on track. The overall capex of INR1,800 crores is in two phases, and we are the only company, or our joint venture is the only company in the country which has a long-term contract from the railway. So I'm sure you are aware that our project is being set up on the back of a commitment from the railways to purchase 80,000 wheels per year for the next 20 years. So that gives us certainty of the capacity utilization apart from our own requirement which in itself is substantial as well as the exports which is going to be there.

So the total capacity that is being created by joint venture is around 200,000, 220,000 wheels out of which 80,000 wheels is underwritten by the railways. And the balance is going to be consumed or sold to our own captive consumption requirement or to market requirements.



- Balasubramanian:** Got it. Sir, my last question one of these younger players...
- Moderator:** Sorry to interrupt you sir. I request you to come back for a follow-up question.
- Balasubramanian:** Thank you madam.
- Moderator:** Thank you. The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.
- Parvez Qazi:** So two questions from my side. First of all, thanks for giving a very detailed outline towards your plan for the propulsion system and the various component business over the next 3 to 4 years. So my question is that over the next 3 to 4 years when we have expanded our capacity both in terms of production as well as on the technology side and have developed these products, what is the kind of additional market or revenue size which we can target which let's say, today, we are not able to target?
- Umesh Chowdhary:** Yes, morning Parvez. In terms of what we are not able to target and what we will be able to target is going to be the real -- what I explained in the beginning that we are moving from a manufacturing company to a technology to a product company. And today what -- if you compare it to the freight wagons or freight rail segment the drawings are primarily issued by the railways and the wagon manufacturing industry is supposed to follow those drawings and produce product as per that.
- What we are doing now in the current scenario particularly in the PRS is we are creating products. We are doing R&D. We have a very strong engineering base now both in Calcutta, engineering -- design and engineering and R&D base and also engineering base, in Calcutta and now we have started with Bangalore plus in Hyderabad with joint venture with Firema. Plus we have the technological cooperation agreements with Firema and the two design offices that they have in Italy.
- So on an integrated basis the overall technological development is a huge upgrade that we are looking at and we are successfully achieving. Plus we have strategic tie-ups for technology for some -- from companies like ABB for the metro TCMS and for yearly propulsion and all of that. So effectively it is going to be targeting a completely different segment of products that can be sold, designed, manufactured and sold whether it is to Indian market or to international market.
- Parvez Qazi:** Sure. And the second question is regarding the Ahmedabad and the Surat Metro orders. So we expect our production on them in Q3 and Q4. Would that be a right way to look at it?
- Umesh Chowdhary:** Yes, absolutely. I would say within this financial year, it would be more towards the beginning of Q4 of the current financial year. But we are absolutely on track to be able to do that. And if I could just add to the previous one. In terms of propulsion that we are doing, we are also investing a lot in developing intellectual properties. So right now, the one that we are doing is for electrical, and where we are trying to work further on energy efficiency, on lower power consumption. And then keeping our options open and in fact have already started evaluating newer technologies, whether it is with respect to hydrogen or battery, etcetera, etcetera. So we would

also like to mention this, that the whole technological level of the company is what is undergoing the change particularly in the PRS.

**Parvez Qazi:**

Sure. And just one more question, if I may. Our current coach production capacity obviously is fully utilized based on the orders that we have. We are in amidst of expanding our capacity, at the same time, obviously, new metro rail orders are coming, as you mentioned, 6 tenders are in the pipeline. Plus we haven't seen any Vande Bharat train order coming for the last 1 year, I'm assuming something might come up that also. So how do we see or how do we position ourselves in terms of future ordering? Do we wait now or continue to bid and then try to calibrate our production with the new orders that we get? And what is our strategy as far as future order intake in the passenger segment?

**Umesh Chowdhary:**

It is a very dynamic market. Firstly, as I mentioned, infrastructure is not something that is like a revenue requirement or an ongoing consumable kind of a requirement. These are requirements that come up on a lumpy basis. So Vande Bharat is not something that we expect to come out on an annual basis. The first train tenders were given. However, I believe that the aluminum coach is something which that time the railways did not finalize, the railway had announced -- aluminum Vande Bharat that might come up. And if that does come up, then it will be a target market for us, because we are the only company in India which has produce aluminum coaches for the city of Pune metro.

In terms of our participating in tenders, we continue to participate in tenders. The aggression level or the strategy for each tender is defined on the merit of that particular tender, how it is adjusting or how it is fitting well with our overall capacity. And wherever we see sustainable demand, we go for the capacity expansion, we do not want to kind of expand or invest and expand capacity for demand that we do not see are sustainable. So as of now, what we have invested is to build up a capacity of, as I said, 800, 850 cars per year, which we believe is demand that exists on current levels.

When the Vande Bharat demand further enhances with the changes of the rolling stock that the government has announced or if the government moves towards, as they have announced, with wait free travel, which will require several more trains. We will definitely look at further the capacity expansion, or if there is also the aluminum Vande Bharat opportunity that comes up. But as of now, we are only focusing on the existing planned capacity expansion that we have undertaken to achieve 800 to 850 coach capacity, which we want to do within the next 3 to 4 years.

**Moderator:**

The next question is from the line of Aditya from Sowilo Investment Managers. Please go ahead.

**Aditya:**

Okay. So my question was more on the lines of there was some news flow, how your I mean the Vande Bharat order, which was split between Titagarh and its competition. They were facing some challenges on the propulsion side and there could be some diversion of orders to Titagarh. Could you throw some light on that?

**Umesh Chowdhary:**

So we would not be able to comment, and we would not like to comment on any of these newspaper kind of reports, which are speculative. We are continuing to execute our portion of

the 80 Vande Bharat trains. And we presume that the competition is doing their part of the job. If the railways ever wants us to expand the scope of supply on account of additional demand or any which way, we will definitely examine that.

**Moderator:** The next question is from the line of Jayesh Shah from Ohm Portfolio Equi Research. Please go ahead.

**Jayesh Shah:** While sir, you have talked about the Ramakrishna JV. I just wanted an update on all the JVs that you have with ABB and Amber, any significant development? And is my understanding right that the revenues will kick in only by FY '26 or later? Thanks.

**Umesh Chowdhary:** Yes. So as far as the JVs are concerned, the only joint venture that we have is with Ramkrishna for setting up the wheels, wheel project. The revenue for this will start from 2026 -- FY '26 but will really ramp up in the year after. In terms of the partnership which we have with Amber, Amber is primarily the one that we have is -- they have also joined as a partner in the Italian company, Firema and we are discussing about various components. So one is on the strategic side, the second is on a joint venture. So both ABB and Amber is more on a strategic side, which Amber can culminate into being a joint venture for the component business which we are evaluating for different subcomponents of coaches.

As far as ABB is concerned, it is not a joint venture, it is a technology transfer, which is going on very well and we'll be fitting in these propulsion in both the Surat and Ahmedabad metro. So both Surat and Ahmedabad metro will be using the propulsion that is coming in this technology or the strategic agreement that we have with ABB.

**Jayesh Shah:** And there is a JV with BHEL as well?

**Umesh Chowdhary:** That is a consortium, sir. So that is the consortium for the Vande Bharat, which is being executed.

**Jayesh Shah:** Okay. Thank you. That's all. Best wishes.

**Moderator:** Thank you. The next question is from the line of Ameya Sharda from Purnartha Investment Advisors. Please go ahead.

**Ameya Sharda:** Sir my question was more on the Bangalore Metro side. I just wanted to understand that the orders -- revenue -- or the size is very less as compared to the number of coaches that you're delivering. What is the reason for that, I mean as compared to other metros which are helping us.

**Umesh Chowdhary:** Yes, absolutely. So as I had explained that this is -- we are doing these coaches as subcontractor of CRRC. So we are only doing the materials on a free supply basis. So therefore, the value of the order is only for our part of the conversion or the manufacturing of the coaches. That's the reason that the material cost is not getting added to the revenue.

**Ameya Sharda:** Okay. So I mean is this directly flow to the GP side of the P&L, right?

**Moderator:** I would not say that it goes completely to the GP. The manufacturing cost, of course, is there. But yes, to that extent the EBITDA is distributed over a smaller base.

- Ameya Sharda:** Okay. So -- but it is not the case that we'll be able to execute the orders faster and then we'll have to do the same amount of work, but the materials will be provided by CERC.
- Umesh Chowdhary:** Yes. That's right.
- Ameya Sharda:** Okay. Thank you so much sir.
- Moderator:** Thank you. The next follow-up question is from the line of Kaushik Mohan from Ashika Institutional Equities. Please go ahead.
- Kaushik Mohan:** Sir, just only one question. So can I understand who and all are there as our competitors in wheelset business as per your knowledge? Currently, what is the capacity as India needed also?
- Umesh Chowdhary:** So as far as forged wheels are concerned the only company that is manufacturing forged wheels in India is Steel Authority of India. And also the RINL, which is again Steel Authority of India or rather the Government of India. So there is no private sector of forged wheel manufacturer in India. As far as cars wheel is concerned, again, it's only the railways. They have 2 plants in Patna and in Bangalore who are producing. So effectively, there is no forged wheel manufacturing. And in fact, if you look at the construct of the tender that was floated by the railways a couple of years or a year ago was for setting up indigenous forged wheel capacity.
- So because people were not willing to set up and it doesn't -- it was not making economic sense to set up capacities without having kind of a guaranteed offtake that is the reason that the government came up with a very innovative -- for making India Aatmanirbhar. So the wheels, as we have seen in the different reports were being imported continuously. And including last year, we read reports that more than INR500 crores of wheels were imported from China.
- So the government wanted to become self-reliant in the production or kind of in the availability of forged wheels. And they came up with a tender that whoever sets up or wins this tender will be given a guaranteed offtake for 20 years at the rate of 80,000 wheels per year. And that's how the tender was constructed, which we and our joint venture won and therefore setting up this project.
- Kaushik Mohan:** And what is the progress in the factory cycle? Like is it wheelset factory getting constructed or where it is exactly located?
- Umesh Chowdhary:** Absolutely. So this is being -- this is going on absolutely on track. This is being set up as it's already been announced by Ramkrishna Forgings in Chennai and the progress is absolutely on track.
- Kaushik Mohan:** Got it. Sir, that means that we will be in wheelset range from forging till the end product, where we'll be the supply to the government as well as internal consumption. Is my understanding, right?
- Umesh Chowdhary:** As well as exports and to the industry at large.
- Koushik Mohan:** Okay. 80,000 is for the government. And what is our internal consumption that we have?

- Umesh Chowdhary:** That will be varying from both passenger and wagon. So as of now, the wagons are primarily on cast wheels but the private wagons that we supply are on forged wheels. So overall, if we look at one wagon or one coach, whatever rolling stock we produce requires 8 wheels. So therefore, it's a simple mathematics that can be done that what will be the overall requirement. Now one part of it will be the railway part of the cast wheels supplies and what will be the forged wheel is something that will be evolving over a period of time.
- Kaushik Mohan:** Okay. Sir, and the capex, what kind of capex is needed? And how well this -- on the EBITDA level this entire division concept? Do we have any advantage, positive advantage between Chinese players and as well as in Indian player?
- Umesh Chowdhary:** So we have already -- since this is a joint venture, we have already made announcements in terms of the overall cost of the project and overall size of the project and everything. And I would restrict my comments to the announcement that has already been made. As I would say, it's a joint venture of 2 listed companies and we would like to respect the disclosures of either of the company so that it is mid and equal terms.
- Kaushik Mohan:** Got it sir. Thanks sir. I will get back in the queue.
- Moderator:** Thank you. The next follow-up question is from the line of Vikas Reddy Chinnam from Lakshmi Kala Investments.
- Vikas Reddy Chinnam:** Sir, my last question. Sir, railways are a priority in the 2024 budget. As we can see, rolling stock has increased by 10% and wagon stock is increased 60% to 38,000 wagons. And what is the order visibility in FY '25? Are we expecting any big? Please comment.
- Umesh Chowdhary:** As I mentioned that these are not consumables per se, they are all capex or infrastructure and the demand. We need to look at the bigger picture. In my opinion, the way we look at it for the demand projection is that the railways is currently carrying 1.5 billion tons of traffic, and this is a clear target that has been set by the government that they will carry 3 billion tons of traffic by FY '30. Now even if we for a moment to kind of consider that there will be 90%, 95%, whatever achievement the number of wagons that will have to be added would be quite substantial.
- So we believe that the demand for wagons over a period of next years should not clearly slow down. As far as we are concerned, we have given it in our presentation. We have a decent order book. We are covered for almost close to 1.5 years, 2 years of order book. And the orders keep on coming, and the railways have started floating smaller tenders in batches in order to meet up their requirements. So we do not see a challenge in getting enough demand traction from the railways and the private sector for wagons.
- Vikas Reddy Chinnam:** Yes. And in opportunity pipeline in investor presentation, as we can see here, the value opportunity is INR55,000 crores. So how much we can expect and what is the visibility?
- Umesh Chowdhary:** As I mentioned, these are tender-oriented businesses. So we'll have to see from a tender-to-tender basis what will be the expectations and what will be the achievements. But in general, for the wagon market, in the past, we had about 20%, 25%, 26% kind of market share. So we believe that kind of market share is something that we will be able to maintain going forward also.

**Vikas Reddy Chinnam:** Yes, sir. And lastly, the shipbuilding and defence sector is -- the growth is robust ahead. So can you throw some light on it, sir, when...

**Umesh Chowdhary:** I just mentioned a little while earlier to one of the questions that we had announced last year that we have constituted a committee to define the road map and the strategy for the shipbuilding and defines part of it. As of now, it is a very niche and a very small part of the business. And being within the railway, it is not also core.

So we are looking at -- and very in the next near future, we will come up with the final strategy for the shipbuilding and defence and how we can grow that business on an independent basis, whether it is by way of strategic investors, strategic partner or ourselves. So that is something that we, I think, about 4 months, 5 months ago had constituted this committee, and it was announced to the market, and we will be finalizing this very shortly.

**Vikas Reddy Chinnam:** Yes, sir. Eagerly waiting for Vande Bharat coaches on tracks. Thank you so much and all the best.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraint, we'll take this as the last question. And I'll hand the conference over to Mr. Umesh Chowdhary, Vice Chairman and Managing Director, for closing comments.

**Umesh Chowdhary:** Thank you very much. And thank you, everybody, for the very insightful questions, very interesting questions that were asked. We are always available for any further details that -- our Investor Relations team is at your disposal if there are any further details that you would like to know. We continue to remain very excited about the infrastructure story of the government. The way we are moving towards the vision of becoming Viksit Bharat that can only happen with large-scale infrastructure. And Titagarh Rail Systems is very well poised to be a part of this infrastructure growth story of the country.

I had mentioned -- if I can just kind of over the last 3 years, 4 years, we have very clearly set priorities. And about 3 years ago, I remember I had said when our order book was INR500 crores, INR600 crores, I said that our priority now is to build order books. Now the priority is on execution. But now also the priority is on technological upgradation.

So one of the big focus is that, for the future growth of Titagarh Rail Systems, what we are going to focus on as a company, is to upgrade our technological levels to become a more engineering design-based product company, so that we can really -- both in terms of our own internal expertise to design our products, to make high technology products, but also in terms of making sure that the infrastructure that is being built in the country, is also of the latest international standards, and we are able to do that as an Indian company and India is not dependent on the foreign companies to be able to do that.

So that is the focus. And we are very hopeful that with all the support that we have received from everybody, from government, from the employees and the investment community, investors at large, we'll be able to achieve that target in the next years to come. Thank you very much.



**Moderator:** Thank you. On behalf of Titagarh Railway Systems Limited, that concludes this conference.  
Thank you for joining us, and you may now disconnect your lines. Thank you.