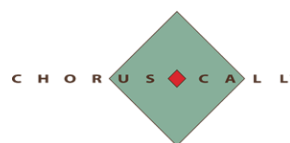




“Titagarh Rail Systems Limited
Q3 and 9 Months FY '25 Earnings Conference Call”

February 14, 2025



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LIMITED
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MODERATOR: MS. PRACHI AMBRE – ORIENT CAPITAL

Moderator: Ladies and gentlemen, good day, and welcome to Titagarh Rail Systems Limited Q3 and 9 Months 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 Ms. Prachi Ambre from Orient Capital. Thank you, and over to you, ma'am.

Prachi Ambre: Thank you, Yousuf. On behalf of Titagarh Rail Systems Limited, I extend a very warm welcome to all the participants on Q3 and 9 months FY '25 financial results discussion call. Today on the call, we have Mr. Umesh Chowdhary, Vice Chairman and Managing Director; Mr. Saurav Singhania, Chief Financial Officer.

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

With this, I would like to hand over the call to Mr. Umesh sir for his opening remarks. Over to you, sir. Thank you.

Umesh Chowdhary: Good afternoon, Prachi. Thank you very much. Very good afternoon, everybody, and thank you for joining the conference call of Q3. The results for the quarter have already been shared. And I would say that the performance has been pretty much as expected online, except for the temporary problem that we had on account of our availability of the wheel set which kind of restricted...

My apologies, the line got disconnected. I was mentioning that the quarter was pretty much in expected lines, except for the problem that we had with the rail wheel factory on account of non-availability of wheel sets. As we understand, they had some breakdown and for the -- mainly for the RFP, for the railway orders, we have to take our wheel sets from the Railway Board only or from the railway wheel factory only. And on account of that, the production got muted, particularly on the first month of the quarter, which was in September -- sorry, in October. November was a slight recovery and December was a better recovery.

The problem is not 100% solved with RWH, but it's gradually getting resolved. Recognizing this, the railways has suo moto given additional time for delivery of the wagons and have also allowed us to import wheels -- or use imported wheels on replacement basis. So the wheels that we are importing for the private sector wagons can be used in production of the railway wagons and they would be replenished when the railway wagon wheels are supplied by rail wheel factory. There would be no financial implications or costs on this account, except for some maybe inventory holding costs, which will be very miniscule.

On the other side, on the passenger side, happy to share that we rolled out our first stainless steel coach for Bangalore Metro. It was rolled out in the virtual presence of the Honorable Minister of Housing and Urban Affairs, Mr. Manohar Lal Khattar, who also took a virtual tour of the new stainless steel manufacturing -- coach manufacturing line and was very appreciated along with the Secretary of MoHUA, who is also the Chairman of all the metro corporations in the country.

For the propulsion, the traction motor production picked up and we saw the first time in the Q3, touched the 100 traction motor mark, which is in itself a milestone. The target would be to get to a production of 150 traction motor, which we expect that we'll be able to achieve by June or July of 2025.

The company has also announced 2 new business verticals. And we believe that while the freight wagon business is something which helped the company to grow to an extent from where it was in the last 4, 5 years. And the Passenger business, the Metro and Vande Bharat will continue to support the company to go to the next level, after which the growth drivers of the company would be the signaling and safety system, which is a big area of focus from the railways and for metros and is also synergistic to us. And the shipbuilding and maritime systems, which we call SMS, which we are already being present in the shipbuilding and naval shipbuilding primarily.

But considering the impetus of the Government of India on domestic shipbuilding production, we decided to, once again, relaunch this venture. I had mentioned a couple of years ago that we will not be allocating any capital to this for the next 1.5 or 2 years. And that's exactly what we did. We wanted to first stabilize the passenger rail system business, and thereafter, the next 2 drivers of growth for the company over the next -- which will take to the next levels over the next 3 to 5 years would be these 2 businesses, which is signaling and safety systems and the shipbuilding and advanced systems.

This is an overall overview of the quarter and of how things have progressed. Just a couple of quick updates on -- maybe on Vande Bharat and the Metro pipeline. So on Vande Bharat, as everybody would be aware that there was discussions going on with the railways, about train length from 16 to 24 projects. So the new speculations also in the market about financial terms being changed, etcetera.

I'm happy to share that now formally the letter has been issued by the railways and the project is -- the execution of the project has started in full stream. The first few trains will be taken by the railways on a 16 car configuration as originally planned, and the further trains will be considered to be taken in longer that is 24 car configuration, which can be done by the railways exercising the 30% option clause. The railways have also suo moto extended the delivery period for the train, considering the period of uncertainty without a new financial implication.

On the Metro tender pipeline, there are many tenders that are ongoing with the different metro authorities where the company has been participating. We believe that this is a segment that will continue to present greater opportunities and particularly with our stainless steel metro line being operational now, we feel that we will also have a competitive value in future.

So that's all as far as my opening comments are concerned, and I'd be very happy to take any questions on this.

Moderator: First question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Sir, my first question regarding one of our JV partner, Amber technologies, like it mentioned, like in Vande Bharat, earlier they covered up to 16 coaches per train. But right now, it's being changed to 24 coaches per train. Is there any impact in our order look?

Umesh Chowdhary: So as I just mentioned in my opening comments that the railways had told in May 2024 that they would like to modify the contract from a 16-car configuration to a 24-car configuration. And we had represented to the railways that while we are acceptable to be able to do that, this has to be done in terms of the relevant provisions of the contract and that discussion was ongoing.

Now the Railways has finally issued the letter accepting our point of view wherein they have accepted to take the first few trains on the 16 car configuration itself. And thereafter, when they want to increase to the 24 car configuration, it would be done by way of exercise of the option quantity, which would not reduce our quantity, but in fact, enhance the quantity whenever they decide to exercise the option. As of today, there is no plus or minus commercial impact to the contract that we have.

Balasubramanian: Got it, sir. Sir, is there any delay or the designing and execution side because of these changes?

Umesh Chowdhary: No. The delay has been there because of the period of uncertainty. And as I had mentioned, the railways themselves have acknowledged that this period of uncertainty had nothing to do with the technology provider that is ourselves. And they have suitably readjusted delivery period for the same. We now expect the first train of Vande Bharat to be rolled out from our factory by March 2026 based on the agreement signed between us and the railways, a few days ago.

Balasubramanian: Sir, my last question regarding the wheel sets, like you have mentioned the production has been impacted on non-availability of the wheel sets. However, our competitor like reported like a positive territory numbers. Like is that because of the execution issues because of government and private order mix like -- and like when the execution will ramp up, sir? Because we're almost like achieve 800, 900 wagons per month. We have the capacity of 1,000 wagons. Is there any possibility to increase further maybe next 3 years' timeframe?

Umesh Chowdhary: So as I have already said that we are targeting to be at 1,000 wagons per month or 3,000 wagons per quarter. And we are already having the capacity to do that to produce at the rate of 1,000 wagons per month or 3,000 wagons per quarter.

In terms of what the competitor has done or not done, I will not be able to comment. I would only say that even in Q3, as per the records, which are publicly available from the Ministry of Railway, both private and railway combined. We, Titagarh is the largest producer of wagons, subject to correction, but the railway -- because the figures published by the Railway Board or

the Railway Ministry say that we have produced 2,218 wagons in this quarter, whereas the other manufacturers production is shown as lesser than that.

Moderator: The next question is from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: A couple of questions from my side. First would be great if you could give us some update on the project progress for the Ahmedabad and Surat Metro project.

Umesh Chowdhary: Sure, Parvez. The Ahmedabad project will be executed prior to the Surat metro project. Final stages of the designing are getting completed. We will delivered the first train of Ahmedabad in Q1 of FY '26, which is April to June quarter. And we are well on track to be able to do that.

Thereafter, the production of the Ahmedabad will be done at the rate of starting with 1 train per month, ramped up to 2 trains per month, followed by continuous execution of Surat. That is how the contract is envisaged that we will execute first the Ahmedabad and then follow on.

Parvez Qazi: So only after we complete the delivery of Ahmedabad, will the Surat metro delivery start? Is that correct?

Umesh Chowdhary: There may be an overlap also. But I would say that the priority first would be on the Ahmedabad. First few trains of Ahmedabad would be rolled out before the Surat ones because it also has to be synchronized with their infrastructure and signaling, etcetera, being ready.

Parvez Qazi: Got it. Second, you mentioned that railways have extended the delivery time line for Vande Bharat, considering the time which has gone away. So now what is the revised delivery time line for Vande Bharat, and when will it start?

Umesh Chowdhary: The delivery of the first train, which was scheduled in June 2025 will be now March 2026. So it's additional of 9 months. And then the balance trains will follow accordingly in the same manner that it will be.

Parvez Qazi: Sure. And lastly, how has private sector wagon ordering -- we know you recently received the wagon order from cement [wagers 0:14:52]. So how was the overall ordering in Q3? And what is the outlook going ahead?

Umesh Chowdhary: I would say that the general capex cycle was a little subdued in the last few months, but it has again started coming up. We have seen new inquiries come in. And this has not been particular to our sector, but in general, I would say, over the last few months. But now things are picking up again and our testament to that is the recent order that we've done on the Adani Group. There are many other negotiations that are ongoing with different companies. And we will definitely come back and inform the market as soon as something concrete is coming out.

Parvez Qazi: So any thoughts on Indian railway wagon tendering in FY '26? And how soon can we see any tender from the Indian Railway?

- Umesh Chowdhary:** So we believe that the government has already restated their ambition and the target of staying with the 3 billion tons by 2030. And they are not deterring from that target which they have set for themselves. And in order to achieve that target, we do believe that the railways will have to come up with additional tenders.
- The current tenders that they have placed -- the orders that they have placed will get executed with -- by -- in this financial -- in the coming financial FY '26. Plus the railways do have the provision of adding 30% to the quantity. So we believe that somewhere in FY '26, maybe in the Q3, Q4, of FY '26, the railways should come up with the bigger tender.
- Moderator:** Next question is from the line of Sandeep from SKP Securities Limited.
- Sandeep:** Sir, my first question is regarding what is the status on all the joint ventures like plant setup...
- Moderator:** Mr. Sandeep, your audio is very low.
- Sandeep:** Yes, sorry. Sir, what is the status on the -- all the joint ventures like plant set up progress, investments done until now and expected commercialization?
- Umesh Chowdhary:** Sorry, I'm not able to understand your question, if you can repeat, please.
- Sandeep:** Sir, in the joint ventures, like what is the plant set up progress in the wheel-set business and investments done until now?
- Umesh Chowdhary:** Yes. So the wheel set plant is coming up very well on track. We are moving as per schedule. The contract stated that the deliveries of the first wheels had to be made by, if my memory serves me correct, April 2026 and the project is very well on track.
- Sandeep:** Okay, sir. And in the Sidwal joint venture, what is the expected TAM we are targeting both domestically and export?
- Umesh Chowdhary:** There is no joint venture on Sidwal. It is an independent company. We have a strategic alliance with them for new products to be introduced and that is an ongoing thing as soon as items are concretized apart from the -- of course, apart from the size that we are also investor in Firema, the Italian associate of the company. So as soon as there are things that are finalized, we will definitely come back to the market.
- Unknown Analyst:** Okay, sir. And sir, one last question. Can you provide -- please provide ramp-up of metro coaches and expectation in ramp-up of metro coaches in FY '26 and FY '27, like per car per month?
- Umesh Chowdhary:** So in FY '26, we will be able to ramp up our production to close to 20 cars per month by Q4 of -- I would say, end of Q3, Q4, we will definitely be able to ramp up our coach production to 20 cars per month. As far as the FY '27 is concerned, it will also depend upon the new order inflow

because we have now started participating in focusing on the building up the other pipelines. So the capacity that we have created is to go to a 36 cars per month on metro.

But we believe that the sweet spot for us would be about 25 cars per month, and we should be able to achieve that in FY '27, once we are able to get additional orders, which we are hopeful to get. Of course, Vande Bharat production, which is a separate line will also start in this.

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

Shrinidhi Karlekar: Sir, my first question is related to the new business verticals, particularly on the signaling and safety. Would it be possible to elaborate this opportunity in terms of how are you going to target it in terms of product development, technology absorptions or the technology development part of it?

Umesh Chowdhary: Shrinidhi, I lost your question. Could you please repeat? I'm sorry.

Shrinidhi Karlekar: Can you hear me now?

Umesh Chowdhary: Yes, please.

Shrinidhi Karlekar: My question is related to the signaling and safety business, new verticals you guys are trying. So in that section, what I wanted to understand is how one should look at the product development part of it, the technology aspect of it and the whole product development cycle of it, yes?

Umesh Chowdhary: Sure. So the safety and signaling is a very wide spectrum business. We have identified for ourselves 3 subsegments. One is rail mounted vehicles for different kind of safety and track maintenance, it is also relating to safety. One is onboard kind of systems. And the third is more electronic-oriented system. So we are -- we already have an association with one of the largest players in this field for a few products, which is Mermec of Italy. But we have also now initiated dialogue which are in different stages of finalization with different technology partners.

Some may be by just way of TOTs, some maybe consortium bidding and some might culminate into joint ventures. We are also steadily working on designing or setting up our own development centers. I'm in fact, happy to mention and this I should have mentioned in my opening comments, that our engineering centers for the passenger system, now we have ramped up to more than about 120 people between Bangalore, Hyderabad and Calcutta, where we have more than 100 - - which approximately 120 people already, which will further be ramped up to 150 people, which makes us kind of quite independent and self-reliant in terms of doing the designing for the frame and for the components of the frame. And the same would be our target for safety and signaling system as well.

Shrinidhi Karlekar: Understood. And sir, here, in terms of opportunities, is it likely to play out in a year of 1 or 2 years? Or one should look like it's a long gestation and it could take like maybe beyond 2 years?

Umesh Chowdhary: So in terms of -- I would say that the way these 2 new businesses, which is both SMS and SSS, safety and signaling systems and shipbuilding and maritime systems should be seen is that in the next 1 year, there are 2 KPIs. One is the associations or the strategic alliances that are formed for this business.

And the second is the number of tenders that we can participate and the number of orders that we can get. I do not expect much of revenue to come in, in the coming year on FY '26 from these 2, apart from the old orders in the shipbuilding and maritime system that is continuing. But the 2 KPIs this year would be, as I said, strategic alliances that are formed and tenders participated stroke orders.

The revenue of these 2 businesses will really start coming in, and the same will continue for FY' 27 to a great extent, I would say. The first half of '27 should also be the KPI we should be. And then second half of FY '27 and FY '28 would be where the revenues will start getting reflected in our budget.

Shrinidhi Karlekar: Understood. And sir, one related question, more on the shipbuilding side. Given that you want to revitalize that business, wondering would it be possible to quantify incremental investment that are needed to target bigger opportunities in this business.

Umesh Chowdhary: We will come back with these numbers as soon as the business plan is approved by the Board. Right now, it is more of a strategic decision. Exact budget and the business plan, including the investments, whether it will be done and we had announced in the Board some time ago whether this will be done by ourselves alone or by way of strategic alliances in the main company or by way of subsidiary. These are things that have been still finalized. And I would say we would come back with a complete business plan over the next few days or weeks.

Moderator: Next question is from the line of Khush Nahar from Electrum PMS.

Khush Nahar: So a couple of questions from my side. Number one, can you elaborate more on the maritime and the shipbuilding segment, like what kind of products are we targeting over there? And sir, second, our EBITDA margin for the quarter was around 10%. For 9 months, it is around, I think, 11%, 11.4%. So are we still confident on achieving around 13% to 15% going ahead?

Umesh Chowdhary: My apologies -- sorry, my apologies, again, losing your voice, it's breaking up. Can you repeat?

Khush Nahar: So my first question was on the maritime and the shipbuilding segment. If you can elaborate more on that in terms of products. Second question was on the EBITDA margins. We have done around 11%, 11.4% in 9 months. So what is your guidance going ahead? Because I think previously, you have guided for around 13% to 15% in '26, considering the ramp-up of Metro is a bit delayed. And third, sir, can you guide us on the capex numbers that we're planning to spend in the next 3 years?

Umesh Chowdhary: So as far as the first one is concerned, on the shipbuilding and maritime systems. The products are the same that we have been doing. Specialized vessels for both navy, coastguard, but also

for civilian users. We have seen also in the last budget that the sector found a lot of mention by the finance minister in budget speech.

We have been in dialogue with the government and government has decided to take this as one of the key thrust structure because the percentage of shipbuilding and maritime systems that Indian producers have in terms of the global production market is very, very small, and the government is very keen to make this as a thrust sector.

And considering the credentials and the approvals that we already have at Titagarh, thanks to the orders that we have executed over the last few years, we are able to qualify for, I would say, many or most of the requirements that are coming outside of maybe all other agencies that are buying ships or maritime systems.

In terms of the EBITDA margin, your second question, we have always maintained that in the Freight business, the EBITDA margins are likely to be between 11%, 12%, and the operating leverages, of course, will help us to improve further. In the current quarter, it has been down by a few percent -- a few decimals of a percentage because of the operating leverage disadvantage.

In terms of the passenger coaches, again, we have always said that it will be 10% or thereabouts till we start doing our own propulsion. And once we are able to integrate the complete number of trains that we produce with our own propulsion, that will be able to increase our EBITDA margins by another 4 to 5 basis points. So that is likely to happen in I would say in FY '27 to a greater extent. But FY '28, I would say would be the year where we'll be able to completely integrate our propulsion in-house.

Moderator: Mr. Nahar, does that answer your question?

Khush Nahar: So the third question on the capex, if you...

Umesh Chowdhary: So very quickly on the capex, I'm sorry, I forgot to answer that. So the capex, which we had announced for the freight and the passenger remains the same, and that is being implemented now. Most of it has been implemented, and the rest will be completed in FY '26, which is primarily for Vande Bharat. We are exploring the possibility of setting up the complete aluminum coach line also because we believe that the government is again putting a lot of emphasis on lightweight coaches.

So as and when that happens, we will come back to announce about the capex of the line for aluminum coaches. Till now, we were doing the CKD of aluminum coaches from Italy and then assembling them in India, but we would like to, for a cost-effective reason to produce them in India. For the SSS and the SMS, which is shipbuilding and at Maritime and the Safety segment, we will, as I mentioned a little while ago, as soon as we are -- the Board has approved, we will announce the capex numbers.

Moderator: Next question is from the line of Kunal Sheth from B&K Securities.

Kunal Sheth: Sir, I have just one question. On Vande Bharat, you mentioned that our first coach will go in March '26. So what is the schedule of deliveries post that?

Umesh Chowdhary: So the schedule that was there originally will remain as it is in the sense that we will shift the first train from June of 2025 to March '26. Thereafter, the second train was supposed to be delivered after 60 days of the first train. And then the first year, there were supposed to be 8 trains, the second year, 12 trains and so on and so forth. So the starting date only gets shifted from June '25 to March '26, and the balance trains will continue to be delivered on the same basis with this readjusted starting date.

Kunal Sheth: Sure. And just a clarification. We did mention that as far as our shipbuilding is concerned, we will not require or we've not put any additional capital in the next 18 months in that business, right?

Umesh Chowdhary: That is what we had announced about 1.5 years or 2 years ago that because we have taken up large capex on the passenger side, we would not be allocating any fresh capital or management resources to the shipbuilding venture.

Now that the capex cycle of the passenger side is coming to a completion. And we are getting into regular production, in order to have the next engine for growth ready, which will be able to provide the growth over the next 3 to 5 years, we have decided to relaunch this venture, where we already have a lot of credentials due to our past performance.

Kunal Sheth: But investments will start when, in this business?

Umesh Chowdhary: So as I mentioned a little while earlier that we will come back on the exact investment plans for both the shipbuilding and maritime system and the safety and signaling system once the same has been finalized and approved by the Board, we'll announce [inaudible 0:33:05]. I'm unable to give the numbers or the exact dates, unless and until this is done.

Moderator: Next question is from the line of Koushik Mohan from Ashika Group.

Koushik Mohan: Sir, my question is basically on how are we looking for next 2, 3 years near term, sir? And is the government budget impact, how is that impact on us? And like how is the cash flows are working currently?

Umesh Chowdhary: So there were a number of questions. So as far as the outlook is concerned, I just mentioned that the railways have stayed with their path of 3,000 million tons or 3 billion tons in 2030. So obviously, that is critical for us to be able to maintain our order flow and production flow if the railways or the capex of government is not online, then the resultant cascading effect on all sectors including ours take place.

But we do believe that the government has allocated slightly enhanced budget probably compared to last year to the railways and to the capex spend in the railways. And we are fairly confident and hopeful that railway progress will continue in the same manner that we had in

business here. In terms of the financial results, I think all the details are available in the presentation. If there is something specific you would like to know, happy to answer that. In general, I mean, the numbers, I would only be repeating what is already there in presentation.

Koushik Mohan: Okay. Sir, I just wanted to understand on your 2 new businesses that we are entering. One is on the shipbuilding, which is our old business. I wanted to understand what are we going to do there? And on the second business that I wanted to understand is the safety systems. Is it very big focus that the government is putting up and that's the reason you're getting into this business? And what expertise that we have here?

Umesh Chowdhary: Again, I just answered these questions a little while ago. Both these businesses have a large capex spend. In terms of safety and signaling system as we understand almost INR1 lakh of crores is allocated out of the budget even this year on products that will be covered under the safety and signaling systems. Plus there is synergy in terms of metros and all of that. So we believe that both shipbuilding and maritime systems and the safety and signaling systems both can be very important drivers for growth over the next 3 to 5 years and beyond.

It was after a lot of deliberation, a lot of deep study that we have done and we have discussed this with the Board several times, after which we have decided to relaunch or launch both of these business verticals or business units, which we do believe very strongly that Titagarh was firing on 1 engine of growth earlier, then the second engine grew in terms of the passenger rail systems. And these 2 engines of growth will really take the company's growth to much further level.

Kunal Sheth: Sir, one small request. From next time possible, can you break up given the shipbuilding as a new division and give the numbers?

Umesh Chowdhary: So we will do that as would be appropriate. I mean we take note of your request, and we'll definitely plan and do something.

Moderator: Next question is from the line of Jennisa Popat from Systematix Group.

Jennisa Popat: I just wanted to know, are you still facing wheel set supply issues? And just wanted to know current run rate and the run rate that we expect going forward.

Umesh Chowdhary: So yes, the wheel set supply issues are continuing even now. There is still the normalcy of production in railway factories has not yet been resumed. We are expecting that to the end of this month or next month, things should get better. In terms of the current run rate, I can only tell you about what we have done in the last quarter.

And the balance, I think these are available for the industry on website -- so on the railway website. But I -- in absence of my knowledge, whether it is available in the public domain, I will not be able to disclose that. But definitely, the problem for the wheel set are not yet fully resolved. It is continuing in this quarter as well.

- Jennisa Popat:** Just a follow-up. So if we have supply issues from the Indian railways, can you replace part of it with private production and supply to private payers?
- Umesh Chowdhary:** Yes, we have already done that, but there is a limitation on the number of values that the private sectors can also take, Ultimately, the market dynamics is such that more than 90% of the wagons that are produced over a period of time are produced for the Indian Railways, it's only 10% to 15% that goes to the private sector.
- So we are balancing that. We have also bought the permits from the railways to use our own wheel sets, which we have secured for private sector in the production of railway wagon. So with all of that, we have been trying to mitigate this, I would say, temporary shortage.
- But historically, this is a problem that has always remained. Wheel sets have always remained the problem, and this was one of the reasons by this -- it was making a lot of strategic sense for us to enter into wheel set production along with Ramkrishna Forgings. So we do expect that this problem that is there right now for rail wheel factory should get resolved in the next few weeks. But the longest -- I mean the permanent solution will be once our production starts outside.
- Moderator:** Next question is from the line of Mayank Bhandari from Asian Market Securities.
- Mayank Bhandari:** Just wanted to understand one thing on the private wagon side, what kind of margin we are anticipating in long term. Hello?
- Moderator:** Sir, I think there's an echo. If you can get off handset to ask the question, we will be able to. I am unable to understand your question with the echo.
- Mayank Bhandari:** Yes. Sir, I just wanted to understand what kind of -- on the private wagon side, private wagon side, what kind of margin we should build in long term, including the backward integration efforts you are making on this?
- Umesh Chowdhary:** So the blended margin of the freight business, as I've always said, is around 11%, 12%. The volumes of operating leverage or volume advantage will increase the margins by maybe 0.5 percentage point, maximum 1 percentage point. But in terms of private sector, if you really...
- Moderator:** Sorry to interrupt, sir, we...
- Umesh Chowdhary:** I'm unable to speak with the background noise.
- Moderator:** Sir, please go ahead.
- Umesh Chowdhary:** So in terms of the private sector demand, the demand is only 10% to 15% of the overall demand for wagons. Of course, the percentages of EBITDA margin is maybe 2%, 3% higher in that. But then there is a higher risk that we carry. Private sector, as I said in the past, private sector places normally fixed price contracts, whereas the railways place contract with price variation clause.

So if the prices do not -- input prices do not scale up, then the margins that one ends up making in the private sector is about 2%, 3% more. But in case the prices of commodities like steel, etcetera, rise during the intervening period, then that margin actually goes down. So for the sake of modeling, I would say it is much better to consider a blended EBITDA margin in this business of about 12%.

Mayank Bhandari: As you mentioned in the presentation for Vande Bharat increased to INR72,000 crores versus INR36,000 crores in last quarter. And the expected tender timeline is also revised to December '25. So can you give more granularity on this additional INR36,000 crores worth of opportunity pipeline you have mentioned?

Umesh Chowdhary: These are numbers that have been published by the government or in public domain. And as far as our knowledge is concerned, it is also restricted by the public knowledge that is available to everybody else. In terms of the granularity or concreteness of these opportunities, they will only become concrete once tenders are issued by the railways.

So once they are done, well, of course, we will come back with the details of that. But at this point of time, we are unable to share any more granularity or concrete evidence of the size of the opportunity, apart from what we have received from either government published data or some public domain.

Moderator: Next question is from the line of Chinmay Gandre from Canara HSBC Life Insurance.

Chinmay Gandre: Sir, just on the metro side, if you can help us understand tenders which are quoted -- which are tenders could kind of open up in the next maybe 6 months or so?

Umesh Chowdhary: Sure. Can I just request the organizers to please put the participants or even my colleagues on mute because there's a lot of echo coming in time and again? So to answer the question, in terms of the tenders that we have participated, which are all in public domain, we have participated in Mumbai and Bhubaneswar. And new tenders that are expected are a number of them.

There is tenders expected from -- another tender expected from Chennai. There's another expected from Bangalore, from Nagpur, from Pune, from Patna, from Delhi. So there is a number of tenders that are in the pipeline. If one goes to the Ministry of Housing and Urban Affairs website to see the ongoing projects, wherever infrastructure for metro is being created, they will obviously require the rolling stock. So all of them are opportunities that we are looking forward.

Chinmay Gandre: And sir, but which tender will likely finalize I mean, open up in the next 6 months or so?

Umesh Chowdhary: It would be speculative on our part to give a timeline because these are infrastructure projects. They have to follow a number of steps for the government, including the financial tie-ups and all of that. But we expect that most of these tenders that are there, in order for the projects to be on time will be published over the coming financial year. We will finalize -- most of them could get finalized over the next financial year, which is FY '26.



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Moderator: Ladies and gentlemen, in the interest of time, this will be the last question for the day. Thank you for joining Titagarh Rail Systems Limited earnings conference call. You may now disconnect your lines. Thank you.