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

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

Dear Sirs,

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

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investor Update Call of Titagarh Wagons Limited ('the Company') held on Tuesday, 14<sup>th</sup> February, 2023 at 5:30 P.M. The same can also be accessed on the Company's website at [www.titagarh.in](http://www.titagarh.in)

Please take the above on record.

Thanking you,

Yours faithfully,  
For TITAGARH WAGONS LIMITED

Ravi Prakash Mundhra  
Company Secretary

Encl.: As above.

**TITAGARH WAGONS LIMITED**

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**“Titagarh Wagons Limited  
Q3 FY23 Earnings Conference Call”**

**February 14, 2023**

**MANAGEMENT: MR. UMESH CHOWDHARY, VICE CHAIRMAN &  
MANAGING DIRECTOR  
MR. PRITHISH CHOWDHARY, DIRECTOR, MARKETING  
& BUSINESS DEVELOPMENT  
MR. ANIL AGARWAL, DIRECTOR (FINANCE), CFO &  
CBRO  
MR. SAURAV SINGHANIA, JT CFO & GROUP FINANCE  
CONTROLLER**

**ANALYST: MS. AASHNA MANAKTALA – ICICI SECURITIES**



**Moderator:** Ladies and gentlemen, good day and welcome to the Titagarh Wagons Q3 FY23 Conference Call hosted by ICICI Securities.

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 ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aashna. Thank you and over to you.

**Aashna:** Thank you, Mike and a very warm welcome to everyone. On behalf of ICICI Securities, I would like to welcome you all for the Investor Update Call of Titagarh Wagons Limited. We will start the call with opening remarks from the management post which we will have the Q&A session.

I would now like to hand over the call to Mr. Prithish Chowdhary – Director, Marketing and Business Development for his opening remarks. Thank you and over to you, sir.

**Prithish Chowdhary:** Good evening everybody. Firstly, thank you very much for taking time out to be a part of this call. I am very proud and very honored to share with all of you that this quarter the company has achieved its highest ever turnover at Rs. 766 crores. Further, this quarter, we have seen a 101% growth in total income as compared to the last quarter of FY2022. In terms of EBITDA, the company has reported an EBITDA of Rs. 83 crores which is 75% growth from Q3 FY2022. This year, there are also several drivers this quarter that has been announced and that the company is looking upon very favorably and with a lot of interest. Firstly, the Railways have seen its highest ever budget allocation to the tune of Rs. 2.4 lakh crores. A lot of this budget will go into capital expenditure such as Vande Bharat Train sets as well as Freight Wagons, both of which are areas of interest to the company.

Secondly, this quarter, the company has attained major successes through the supply of its first traction motor from the company’s state-of-the-art facility in Uttarpara. This was accomplished in the month of November 2022 and this opens the potential to a huge market which can be tapped into and can also be used for the captive production of metro cars that the company is engaged in. This may also result in substantial cost benefit for the company.

Thirdly, the existing capacity that exists through the company of 700 wagons per month, against that we have already achieved a production of 630 to 650 wagons per month. This is almost the entire assessed capacity as per the Indian railways. We are, however, working towards increasing this capacity further.

Fourthly, the company has participated in the very prestigious and well renowned Vande Bharat tender in November 2022. This tender was for the supply of 200 trains with the maintenance contract of 35 years as well. This contract would be awarded to the two lowest bidders in the ratio of 120 trains to 80 trains and the total estimated value is to the tune of roughly Rs. 72,000 crores. The company is one out of five potential bidders in the consortium with BHEL making

the company the only truly Atmanirbhar consortium as both the consortium partners are fully Indian.

Further, as I mentioned earlier with the new budget allocation that the Railways has seen, the company also foresees further demand for these Vande Bharat Train Sets, therefore indicating larger market that will be available in the near future and future opportunities for the company. Lastly, the company has also participated in a tender for Forged Wheel sets in partnership with Ramakrishna Forgings Limited and we have submitted a joint bid in response to the Indian Railways request for quotation. This will entail the company setting up Forged Wheel manufacturing unit, if the company is the successful bidder and wins the bid. The purpose of this bid will be to produce forged wheel set in India for both the Indian market as well as the potential export market, as well as to reduce the dependence on imported wheel sets from countries like China and other foreign nations. As on date, the company has a standing order book of Rs. 10,130 crores with good subsequent visibility.

Thank you very much and I hand it back over to ICICI.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Kunal Sheth from B&K Securities. Please go ahead.

**Kunal Sheth:** My first question is pertaining to the wagons supply to Indian Railways, so you mentioned that we have reached about 650 wagons in terms of production, so what is our plan going ahead in terms of where do we aspire to reach over the next 2-3 months given the schedule that we have in terms of supply?

**Management:** So, as far as the capacity according to which the orders were placed by the Indian Railway was for 8,400 wagons per annum which effectively means 700 wagons per month. As I had mentioned during the last conference call that our target will be to achieve 700 wagons per month, we have not achieved that target as of now in the last quarter, but we are confident, as it was mentioned by Mr. Prithish Chowdhary just now, that we have already touched 630 to 650 wagons in a month, not in the entire quarter, but in the last month of the quarter and we are confident of being able to get to the 700 number in the next couple of months or so and thereafter we do intent to enhance it further to between 800 and 900 wagons. So, to answer your question, as far as the obligation of the contractual commitment to the Indian Railways, we would be in line with that in any case now, in terms of exceeding the commitment so that we have more capacity for either the private sector wagon demand or for getting additional share from the railways in future tenders. That is something which is a work in progress and we will report back to the market as soon as we are able to achieve that.

**Kunal Sheth:** My second question is pertaining to the private wagon market, in your estimate, what would be the size of the private wagon market per annum and what would be our share in the private wagon market?

**Management:**

So, historically, we have always maintained a good share in the private wagon market. As it has been mentioned in the presentation also we have now an order book of almost Rs. 1,200 crores from private wagons which is in itself a sizable order book, I would say. It is the highest ever order book for private wagon market that we have had in the history of this company. In terms of the total market size of private wagons, it is not a very defined formula of the private wagon. The private wagon market depends upon the availability for wagons from the Indian Railways, the overall capital expenditure cycle from the private investors, but if we take a thumb rule, I will say about 15 to 20% of the overall wagon addition or I would say anything between 10 to 20% of the overall wagon addition into the Indian fleet would happen from the private sector.

**Kunal Sheth:**

Sir, we mentioned about the supply of first traction motor from our factory and also we have done a JV with RK Forging for the forged wheel, so if you can give us some sense about how large this market potentially could be and what could be our play in this market in terms of size?

**Management:**

Both are completely different from each other. The first one is the part of the transit and propulsion vertical. We have mentioned in the last investor call also I had mentioned that in the succeeding quarter, that is the Q3, we would intent to make the first sale from the propulsion division which is what my colleague reported, that we have been able to do that. It is just the developmental order execution; the prototype has been supplied for the traction motor. The propulsion division has two advantages, one is the strategic advantage which will be useful to reduce our cost of production for the metro coaches and for the trains that we produce and on the other side, the market advantage which is the export and domestic market for both propulsion equipment as well as traction motor. We believe that the market size is quite large, there are companies worth doing business for thousands of crores in propulsion and electrical business which is including the traction converter and traction motor, etc., and we have begun in a small manner, but we do intent to become an important and significant player in this segment. As far as the Forged Wheel is concerned, this is a tender that we have participated and this is more by way of an information which is being shared with the market. This is not a project which has already been taken up. This is subject to our winning the tender, project will be taken up. So, we would not be able to estimate the impact of this project on our financials or our initial future financials until and unless we have a result of this tender which is favorable towards us.

**Kunal Sheth:**

Sir, my last question is pertaining to our CAPEX, can you help me with what kind of CAPEX do we envisage over the next 3 years?

**Management:**

We had already announced this in the last call also, that including the CAPEX that has already been spent in the last 2-3 years, we expect that for completing the entire projects that we have in hand that is likely to take another 4.5 or 5 years. The total CAPEX estimated is about Rs. 1,000 crores. Having said that, our company has always tried to optimize wherever possible and if the CAPEX is spent not on the basis of top down approach, but a bottoms up approach which is effectively to achieve the capacity target, for example, to illustrate, the wagon capacity of 650 to 700 wagons that we have achieved, we have achieved with very limited amount of CAPEX and if we really look at the replacement cost or the Greenfield cost for setting up that kind of a capacity or even the incremental capacity that we have achieved, it would be far higher than the

CAPEX that we have spent. So, the CAPEX that we have incurred in the last 3 years is about Rs. 300 odd crores including the development of some of the product intellectual properties etc., and we expect that over the next 4.5 to 5 years, including the 300, we should be spending about Rs. 1,000 crores.

**Kunal Sheth:** Sir, would it be possible roughly to give a sense of where this CAPEX will be split as in what projects and what division?

**Management:** We are only operating in the three divisions, the passenger, transit and propulsion, the freight and SBD, which is ship building bridges and defense, we would not be able to give you the breakup of the numbers, but it is on an overall, since all three divisions are a part of the same company and we do have some capacities and facilities which are inter-fungible between the divisions, therefore, I would not be able to give you the breakup of the three verticals.

**Moderator:** Thank you. We have the next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** First question is on the gross margin profile, so I guess this quarter, your gross profit as well as the other competitor's gross profit has come down on a quarter to quarter basis, so are there some material price pressure that we are seeing to fulfill this current contract of the Indian Railways or because this is slightly counterintuitive because raw material prices have generally been on a downward trend or is it because of some contract specific sort of the requirement that your margins are little bit lower on this contract?

**Management:** As far as our contracts are concerned, most of our contracts are with the price variation clause, which mean that the increase or decrease in raw material prices are passed on either which way, so when there is a decrease in commodity pricing, the benefit of that is passed on to the customer and when there is an increase in commodity or raw material prices, we are reimbursed for that increase or decrease. Having said that on a quarter-to-quarter basis, I have always maintained that our EBITDA margin that we can expect is between 8% and 10% and in the current quarter also, we have done 10.7% of EBITDA margin including the other income. If we exclude the other income, still we are at about 9.48%. So, we are pretty much in line with our target. I would not be able to speak about competition, but I can speak for ourselves that as far as we are concerned, we are pretty much on target. As regard to the comparative EBITDA margins of previous quarter, I have also mentioned that quarterly comparison of EBITDA margin in our sector will not give a very reflective picture because we execute many contracts, some have higher margin, some have lower margin and when we speak about our targeted margin levels, we talk about blended margin of different contracts. So, as far as the expected margin guidelines are concerned, we maintain that we would be able to keep sustainable EBITDA margin of between 8% and 10% and there is no pressure on the margins for the reasons I explained just now.

**Sarvesh Gupta:** So, generally, in a manufacturing setup, when you are aiming for almost now from a very low capacity utilization, you are going for a very high utilization of almost 100%, there is an element

of fixed cost, employee cost, corporate overheads involved, so shouldn't you sort of expect your EBITDA margins to grow beyond the traditional band of 8% to 10% or when you take up such a large order, you sort of sacrifice your gross margin in a way that it comes back to your normalized margins, otherwise because you have fixed cost and all, so ideally it should increase, right, it should not be in the same range as it was when your utilization was far lower than this?

**Management:**

It is a very good academic discussion, but I don't think that I will be able to answer that. I would be only saying that when we do our, there is always a trade off in a tender of trying to get volumes versus trying to get margins and balancing the two. So, in the whole picture, we are able to position ourselves that we have been consistently the market leaders and in order to be the market leaders, sometimes one has to take a strategic pricing policy.

**Sarvesh Gupta:**

Now, in terms of your CAPEX plan of Rs. 1,000 crores over the next 4-5 years, even at the current profitability this would mean almost 4 years of EBITDA or more than that, so how are you planning to fund it because this would again be slightly heavy on the balance sheet, even the Rs. 250 crores per year of CAPEX given the current scale will lead to no generation of the cash as such, so how do you look at cash generation and how do you look at the CAPEX of Rs. 1,000 odd crores?

**Management:**

I mentioned that this is the CAPEX over an 8-year period, so it is about on an average Rs. 100-Rs. 150 crores and this is an approximate number which will be based on projects that we are able to undertake. Many of them are project CAPEX, so the cost can be charged to the project itself. So, of course, the company has maintained a very prudent policy, we have reduced our debt significantly to become a net zero debt company, long-term debt company and I can only say that the company maintains very prudent and conservative policy in terms of over committing or leveraging itself.

**Moderator:**

Thank you. We have the next question from the line of Parvez Qazi from Nuvama Group. Please go ahead.

**Parvez Qazi:**

Sir, couple of questions from my side, it would be great if you could update us about the status of the Pune Metro order and also the CRRC order?

**Management:**

As far as the Pune Metro is concerned, we have already executed, delivered up to 15 trains out of 34 and we are well on track to deliver the complete number of trains within the first half of the next financial year. As far as the Bangalore CRRC project is concerned, the facility setting up of the stainless-steel line is already underway. We have already ordered all the major equipments and we intend to start production in the second quarter or maximum the third quarter of the coming financial year. So, either in the second quarter or the third quarter of the coming financial year, we will start delivering the coaches.

**Parvez Qazi:**

Couple of questions for Anil ji, sir, what is our current gross debt and net debt for the Indian entity?

- Saurav Singhania:** Hi Parvez, Saurav this side, so the net debt for the Indian entity is basically the working capital debt, so the net debt is at Rs. 160 crores as of December 2022.
- Parvez Qazi:** What is the current order book in Firema and how do we see that performance going ahead?
- Management:** As far as Firema is concerned, as we have already said that the numbers are not consolidated in the parent balance sheet, the Titagarh Wagons balance sheet, but having said that Titagarh Wagons owns 49% shares in Firema and the order book in Titagarh Firema is close to 500 million Euros and the performance is starting to improve now, the new contract for the Lazio is also under production. We expect that the targeted production of Titagarh Firema will be achieved in the first quarter of the coming financial year. That is from April onwards, we should be seeing the targeted level of production in Titagarh Firema also.
- Parvez Qazi:** Lastly, could it be possible to get a breakup of the order book segment wise among the freight, passenger and the shipbuilding division?
- Management:** It has already been given in the page 4 of the presentation.
- Parvez Qazi:** Unfortunately we don't have access to the presentation.
- Management:** I think it has been uploaded, but we will again sent it across. I can share the numbers with you. It is 8,600 for Freight Business, 1,176 for Passenger Rolling Stock and 341 for SBD.
- Moderator:** Thank you. We have the next question from the line of Sanjay Awatramani from Aamara Capital. Please go ahead.
- Sanjay Awatramani:** So, just order book which you have mentioned of Rs. 10,000 crores, what is the timeline to the execution for execute of this order book of Rs. 10,130 crores?
- Management:** Different orders have different schedules of execution, but on an average basis, I would say this has to be executed in the next 2.5 to 3 years at the most.
- Sanjay Awatramani:** If I may request that if you could provide me the breakup, I think I lost my line when you were giving the breakup of this order book?
- Management:** It is there in the investor presentation also, but I will repeat it for you, it is Rs. 8,600 crores for Freight Wagon Rolling Stock, Rs. 1,176 crores for the Passenger Rolling Stock and Rs. 340 crores for the Ship Building Bridges and Defence.
- Moderator:** Thank you. We have the next question from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir, when is the Vande Bharat award expected to be out, any details on that front?



**Management:**

Unfortunately, now it is a tender in process, so the tender was submitted on the end of November, 30<sup>th</sup> of November I believe and normally such large tenders take time for technical evaluation and so on and so forth, but I would just like to add that this is the tender for 200 Vande Bharat as was mentioned by my colleague Prithish and the overall requirement that has been including the current budget announcement is for 1,000 Vande Bharat Trains, so I believe that the opportunity for this segment is quite substantial and our company is very uniquely positioned for several reasons, number one, we are the only Indian company and in fact the only company in India which has facilities for both aluminum and stainless steel coaches. Once we have implemented the line in the next couple of quarters or the Bangalore Metro CRRC project, we would have the stainless-steel facility also. So, while we are very keenly awaiting the results of the current tender, I would also like to mention that there are adequate opportunities that we foresee coming up in this passenger train segment whether it is in terms of trains which is like MRVC or Vande Bharat or Metros like Bangalore and Chennai, etc.

**Akshay Kothari:**

Sir, what is the current situation of rail wheel sets if you can throw some light on it?

**Management:**

Railway wheel sets are hand to mouth with the railways because the capacity, the wagon production has gone up and the wheel set capacity also has gone up but not on the same line, but having said that I am always maintaining that there can be pressures from time to time, but on an overall basis, the railways have done a brilliant job in planning the availability of wheel sets and as we can see the railways are also doing future planning, it is in fact an interesting point that you raise because if we kind of look at the planning of the railways, tender that they have noticed, whoever wins the tender, whether it is our consortium or anybody else, the fact is the railway is going to give a guaranteed uptake for 20 years for 80,000 wheels per annum which kind of sets the tone of what they are planning for the Rolling Stock market. So, the railways have been doing their home work extremely well, exceptionally well I would say and have been planning the wheel sets also and have continued to do that for the future requirement.

**Akshay Kothari:**

Sir, now that we have deconsolidated the Italian Associate, so I am assuming that there won't be any qualifications as such as in FY22 order report and just to know because it was not very much clear, what was that material element which led to this qualification and to continue currently, what is the debt in the Italian subsidiary, I understand it is already deconsolidated, but still I think the Bharatpur land is still pledged, so hence the question?

**Management:**

So, that is right, it is deconsolidated and we have already disclosed all the facts in our results, so I think all the details are available in the results. I didn't understand your point on qualification.

**Management:**

There is no qualification on the standalone financial statement.

**Akshay Kothari:**

But there was a qualification on the consolidated **part**, right?

**Management:**

Yes, there is only a consolidation on the consolidated financials and that too it is relating to the consolidation of the Firema results prepared on the management basis which we have already clarified that in the results, so the standalone is clean.

- Management:** We have already clarified that in the results, so the standalone is clean.
- Akshay Kothari:** So, what is the current debt at Firema?
- Management:** The current debt, the net debt at Firema is at Rs. 333 crores and the gross debt is at around Rs. 640-Rs. 650 odd crores.
- Akshay Kothari:** In the other expense in FY22, there were some irrecoverable claims of around Rs. 23 crores, so what was that actually?
- Management:** You are talking about which quarter?
- Akshay Kothari:** I am talking about the annual report, FY22?
- Management:** FY22?
- Akshay Kothari:** Yes. So, are these on the private side or?
- Management:** No, I don't think so, what we can do is if you agree, we can discuss about the quarter and then you can.
- Akshay Kothari:** I actually tried to reach out a lot of times through even the IR, but I think we could not fix up a meeting, so that is why I have to add. Anyways, we can take it offline then.
- Management:** We will make sure my colleague, Divesh Singhanian will ensure that he reaches out to you.
- Moderator:** Thank you. We have the next question from the line of Rajesh Bhandari, Individual Investor. Please go ahead.
- Rajesh Bhandari:** The results are excellent and will we be able to keep the increase in the turnover in the same way that we have been doing?
- Management:** Thank you very much and yes, it is our endeavor to continue to do that. We have a good runway ahead of us. We have good visibility. We have been able to ramp up. If you really look at the company in 4.5-5 years ago, we were at an annual revenue of Rs. 300 crores, now we are at quarterly revenue of Rs. 766 crores, so from Rs. 75 to Rs. 766 on a quarterly basis, let us say, so obviously there has been a journey that has been travelled and we are very confident and we are very committed to continue with this journey.
- Rajesh Bhandari:** So, FY23-24, we can expect turnover would be more than Rs. 3,500 crores?
- Management:** I would not be able to give you any forward-looking numbers, but I can only say that the runway ahead of us is clear, we have good visibility, we have an order book of Rs. 10,100 crores, so definitely our company and the entire team is committed towards achieving execution of these and additional orders that we are able to procure during this time.

**Rajesh Bhandari:** Sir, the manner in which they are giving the budget for railway's which they have given this year and will give in next year also, in the requirements of railways will be used nicely then all that orders like you have done with BHEL and doing with RK Forging, do they have the capacity to execute such orders in time?

**Management:** Definitely sir, the Indian industry is very capable, very competent, the problem that used to remain was lack of visibility and the government now is taking up long-term plans, now the railway has published its vision for 2030 for 3,000 million tons traffic they will carry, for which they will require a huge amount of rolling stock and in a huge amount trains will be required. So, Indian industry, I am not talking about ourselves alone, but Indian industry as a whole is fully geared up.

**Rajesh Bhandari:** Yes, I understood that I want to say that Titagarh wagon is great, it is a god-send opportunity for any railway related company, so we will be able to like the way in which we are going forward and the way in which we see the orders that they can come, and to execute them do we have the financial capability, the place and the infrastructure and for all that are we geared up?

**Management:** Absolutely, that exactly what I was saying sir, we are fully geared up.

**Rajesh Bhandari:** Because like Vande Bharat and all which you are saying there are many trains, by the way talking about Vande Bharat the margin for the rolling for freight is 10%, but in passenger rolling the margin is only 3% which I saw in your results.

**Management:** That is because this is a startup business for us, we have just started up this thing. Our capacity further, I think this is a very interesting question that you have asked, you talked about the capacity, I said in freight we already have capacity of almost 700, whereas transit as of today the capacity is of making 20 coaches per month because currently we are in startup phase. Till now, we have made 15 trains, so if we extrapolate then one, one and half train or 5-6 coaches maximum has been made in a month, so as soon as we can utilize our capacity at least 70-75% then the margins will improve.

**Rajesh Bhandari:** So, our capacity is 20 coaches per month?

**Management:** Right now it is 20 coaches per month and with the addition of the stainless steel line and all of that our target is to enhance this capacity to 40 coaches per month.

**Rajesh Bhandari:** 40 coaches, because the way you are telling 1,000, 1,200 trains are coming of Vande Bharat and sir in this our defence and ship building that margin is much better if I see on that small value, 15%, so are we not thinking towards this to increase more?

**Management:** Again, it is a question as I mentioned in the question asked by a previous gentleman that margin's percentage is that is the right equilibrium that has to be stuck between volume and profitability. In some of the businesses there when we go to increase the volume in that then may be margins may not be maintained.

- Rajesh Bhandari:** And sir, what is the status of NCLT? That chapter is closed now.
- Management:** Yes, that chapter is closed.
- Rajesh Bhandari:** Means now there is no fear of NCLT's else whenever we hear our heart beats get faster.
- Management:** There is no need to fear that chapter is closed.
- Rajesh Bhandari:** And sir this Italy one, in every quarter some losses are showing, so for how long will it go?
- Management:** Today, as we have explained in our notes to the account, the total investment in the books of Titagarh Wagon, investment value in the books of Titagarh Wagon in the Italian Associate stands at 3 crores 70 lakh rupees.
- Rajesh Bhandari:** Rs. 103 crores?
- Management:** No, 3 crores 7 lakhs.
- Rajesh Bhandari:** Yes, sir means that from next quarters nothing will come here from Italy loses?
- Management:** Up to 3 crores 70 lakhs is the downside potential.
- Rajesh Bhandari:** Yes that Rs. 3 crores 70 is okay that came in one quarter and finished, right, sir?
- Management:** Yes correct, I have disposed numbers and after that rest interpretations you can take.
- Rajesh Bhandari:** No, it is okay Rs. 3 crores that is nothing it is fine, your results were very good and keep on progressing like this.
- Moderator:** Thank you. We have the next question from the line of Panjul Agrawal from Green Portfolio Private Limited. Please go ahead.
- Panjul Agrawal:** Sir, what is our current bidding pipeline?
- Management:** Ma'am, we have a very large bidding pipeline, we would not be able to disclose the exact number of tenders for competitive reasons, but the number of tenders for all the divisions that we continue to bid are quite substantial.
- Panjul Agrawal:** Sir, actually one thing I was really concerned about this share of losses of joint ventures and associates has increased sharply to Rs. 7.36 crores in this quarter, so sir, actually it seems like Italian operations are still bleeding, so would you like to comment on that?
- Management:** Ma'am, as far as the Italian operations bleeding is concerned, as I explained in the previous caller, the company is now an associate and the accounting that is done for the company is on equity method basis, I would say that the Italian operations have also started picking up very

well. The losses have started coming down. We are very hopeful that the company will turn EBITDA positive in the coming quarter, in the Q4 of the current financial year and going forward, it will be able to turnaround. Having said that as far as standalone Titagarh Wagon is concerned, our downside risk has been capped.

**Panjul Agrawal:** I do understand that, sir, is there any expenditure due to which the losses are incurring in the Italian subsidiary or are we not able to generate revenues on that or sir, the legacy contracts are over I guess, right?

**Management:** Almost over, that is exactly why the losses have started to come down, but there are some contracts which were pending which are getting over, these are all contracts which are very old, so, there is always the tail end of the storm as they say which continues, but now more or less they are all over. The restructuring also that has been done in the company, couple of types have been merged into the parent side, number of people have been reduced, fixed cost have been reduced, the management restructuring has been done, so lot of action has been taken in order to bring back that company into health and we believe based on all the actions and the current status and the European market which is also picking up that the company should be able to stand on its feet and start delivering positive results in not so distant future.

**Panjul Agrawal:** Sir, what is the operational status of Falta Shipyard?

**Management:** We have only acquired the facility and I had mentioned this in my several interactions that this is an infrastructure that we are keeping it prepared. Our focus and our allocation of resources would first continue towards the first two verticals and then only we would take up the third engine to our growth. So, the first two engines of our growth should be fully fired which is the Freight Rolling Stock and the Passenger Rolling Stock and after that we will take up the third one which is the SBD on full traction. Till that time, we will continue to strengthen ourselves in that segment, but not allocate too much of resources while keeping ourselves ready.

**Moderator:** Thank you. We have the next question from the line of Ankur Kumar from Alpha Capital. Please go ahead.

**Ankur Kumar:** Sir, my question on the Passenger Rolling segment, you said there is around Rs. 1,100 crores type of order book, so can you comment on execution timeline for this business?

**Management:** As I mentioned that most of these orders are between 2.5 and 3 years and the same is the situation for the Passenger Rolling Stock. All the orders that we have in hand should be executed in the next 30 months at the most.

**Ankur Kumar:** Sir, if I look at quarterly segmental business, we are doing Rs. 150 crores revenue per quarter, is that correct and it will take 2 years to complete this Rs. 1,100 crores?

**Management:** Right now, what we are doing yes, it is about the amount that is mentioned there, but as I mentioned that this is in the ramp up phase. We are now producing just about 1 to 1/2 trains per month. We will ramp it up to 15 to 20 cars in the next couple of years

**Ankur Kumar:** On Vande Bharat, you said it is Rs. 72,000 crores opportunity and even if we can win the smaller one, then also it is quite substantial?

**Management:** It is the opportunity and of course it is the tender business, so we do not know whether we will be the successful bidders or not, so we have just disclosed that what we have participated in and we have also explained that this is the 200-train tender, there are announcements to add on several more trains, so whether this or the other, we believe that there is a very large opportunity in the Vande Bharat segment that exists for a company like us.

**Ankur Kumar:** And sir, I heard that number correct, Rs. 72,000 crores?

**Management:** It would be around that much. This is just an approximate, it could be anything 10% plus minus or 15% plus minus.

**Moderator:** Thank you. We have the next question from the line of Kunal N. from Alpha Invesco. Please go ahead.

**Kunal N.:** Sir, I can you just give me the update on the propulsion system business, we were with partnership with ABB and you said that you do get the orders, but it is not completely operational on regular basis, so can you just give update on what is happening in propulsion system?

**Management:** I just mentioned that we made our first dispatches for the propulsion system which is for the traction motor in the last quarter. This is a very key business to our overall plans and strategy. It is not yet fully operational because we are in the developmental stage, but we believe that in the coming financial year, we should be in execution stage, then there are prototype approval testing period, so the real commercial advantage of this vertical for the propulsion will start coming in from FY24-25.

**Moderator:** Thank you. We have the next question from the line of Anand Venugopal from BMSPL Capital. Please go ahead.

**Anand Venugopal:** I just want to know when do we expect more Rolling Stock orders from the government to achieve the target set in the National Rail Plan, how much more does the government need to order?

**Management:** So, as far as the tenders are concerned, the tenders are mostly on an annual basis. Last year, the tenders were floated where we got 24,000 wagons. We expect the new tender should also get floated sometime in the coming financial year, so I would say in the time horizon of April to October because Railways have placed an order for the next 2-2.5 years and now the orders which will be placed will be on top of that, so either for higher uptake or for furthering up to 2030 on the National Rail Plan, orders that they have placed will get executed by FY25. So, the railways are planning to work backwards to ensure that the target of 2030 is met by way of additional Rolling Stock that is planned for the entire period of time. We believe however that based on our estimate and based on whatever we read that the Railways in order to achieve that should be adding around 30,000 Freight Wagons per year at the minimum.

- Moderator:** Thank you. We have the next question from the line of Bhavya Sonawala from Samaasa Capital. Please go ahead.
- Bhavya Sonawala:** Just again on the traction motors, we had supplied few of the prototype, just wanted to know has there been any response and basically just trying to understand do you see this forming a decent part of our contributing to the revenue if any thoughts on that?
- Management:** We have supplied the prototype and we will hear about; this is a process that has to be gone through. It doesn't get done so quickly, it takes time, but having said that I mentioned a little while ago, this is both commercially and strategically a very important part of our strategy.
- Moderator:** Thank you. We have the next question from the line of Alisha M from Envision Capital. Please go ahead.
- Alisha M:** Sir, I understand that the current rail we order 24,000 wagons three years, these were supposed to reach 700 wagons on month number to be able to supply it in the 33 months, it is almost being 8-9 months and just get to hit that number which is about 650 last month, is there a delay or do we still believe that we will be able to achieve it in the timeline that was of 33 months?
- Management:** Ma'am, I can only say that we are running ahead of schedule at this point of time.
- Alisha M:** Like we mentioned earlier in the call we are expecting to increase the capacity to 800-900 wagons and that will help us cover this run rate?
- Management:** No, As we speak today, we are already running ahead of the contractual schedule.
- Alisha M:** And what you were mentioning to the previous participant that the next round will come, say in the next financial year, say in the next quarter, will the delivery or execution of that also would be expected to start immediately or will this order first have to be executed before that can come up in the pipeline?
- Management:** That is for us, this has to be seen, but normally we expect that the deliveries will be in continuation with the current contractual delivery, but we will have to wait and watch what the tender says because we would not be able to pre-guess the tender conditions, but logically we believe that it should be in continuation with the current delivery schedule.
- Alisha M:** And the CAPEX that we have outlined currently looks enough or we will probably have to revisit it once the new tender is out?
- Management:** We are already working on increasing our capacities. I mentioned this in the beginning of the call also did my colleague, Prithish Chowdhary, that we are almost at our previously assessed capacity and now our target is to further enhance that capacity. We should be able to do that in the coming financial year.

**Moderator:** Thank you. We have the next question from the line of Ram Chakrawarthy, an Investor. Please go ahead.

**Ram Chakrawarthy:** I congratulate you for the excellent set of numbers. Most of my questions have been answered, but if I may ask one thing, with your experience logically can we guess that this Vande Bharat tender, if we get it means sometime in FY24, the tender is going to come out, something like that, can you just please guess, if it comes out?

**Management:** Thank you for your wishes and your compliments, it means a lot to us and as far as the upcoming tenders are concerned, it would be very difficult, if not impossible for me to make any guesses. What we can only speak about is the overall announcements that have been made by the Railways and the fact that the Railways announcement to implementation time has been on a remarkable trajectory or the track record of the railway has been very positive in the current government. So, we expect that the execution of the announcement should happen quite fast.

**Moderator:** Thank you. I would now like to hand it over to the management for closing comments.

**Management:** Thank you for a very interesting set of question and thank you for your time, everybody to join in the call. It has been always great pleasure and very informative interacting, some of the questions which leads to lot of thought processes. We do hope to continue this run to continue to grow the operations and as I mentioned several times, we have a good runway ahead of us and we have been able to build up the team and the facilities to grow the operations and we look forward to continue to having your support and your participation like we have had in the past. Thank you.

**Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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