



29.05.2023

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

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

Dear Sirs,

Sub: Transcript of the Investor Update Call

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investor Update Call of Titagarh Rail Systems Limited ('the Company') held on Thursday, 25th May, 2023 at 4:00 P.M. The same can also be accessed on the Company's website at www.titagarh.in

Please take the above on record.

Thanking you,

Yours faithfully,
For TITAGARH RAIL SYSTEMS LIMITED

Dinesh Arya
FCS 3665
Company Secretary & Compliance Officer

TITAGARH RAIL SYSTEMS LIMITED

(formerly Titagarh Wagons Limited)

CIN: L27320WB1997PLC084819

Registered Office: Titagarh Towers, 756 Anandapur, E.M Bypass, Kolkata 700107, India
Phone: +91 33 40190800 Fax: +91 33 41090823 E mail: corp@titagarh.in; Web: www.titagarh.in



**Titagarh Rail Systems Ltd -
Q4 FY23 Earnings Conference Call**

Event Date / Time : 25/05/2023, 1600 hours.
Event Duration : 64 mins 04 secs

CORPORATE PARTICIPANTS:

Mr. Umesh Chowdhary,
Vice Chairman and Managing Director,

Mr. Prithish Chowdhary,
Director Marketing and Business Development.

Mr. Anil Kumar Agarwal,
Director finance, CFO and CBRO,

Mr. Sourav Singhanian,
Joint CFO and Group Finance Controller.

Q&A PARTICIPANTS:

1. Koushik Mohan	:	Ashika Stock Broking
2. Sunil G	:	Individual Investor
3. Balasubramanian	:	Arihant Capital
4. Vinay Chaudhary	:	Individual Investor
5. Premal Shah	:	Individual Investor
6. Ankur Agarwal	:	RC Wealth Solutions Private Limited
7. Karthikeyan	:	Suyash Advisors
8. Abdulkadira Raja	:	Ratnabali Investments
9. Akash Bohra	:	Dalal and Brocha Stock broking
10. Akshay Kothari	:	Envision Capital
11. Soniya Varnekar	:	Dalal and Broacha Stock broking

Moderator

Good evening, ladies and gentlemen, I am Vidya, moderator for the conference call. Welcome to Titagarh Rail Systems Limited Q4 FY23 earnings conference call. We have with us today, Mr. Umesh Chowdhary, Vice Chairman and Managing Director, Mr. Prithish Chowdhary, Director Marketing and Business Development. Mr. Anil Kumar Agarwal, Director finance, CFO and CBRO, Mr. Sourav Singhania Joint CFO and Group Finance Controller. As a reminder, all participants will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal the operator by pressing * and 0 on your touch tone telephone. Please note that this conference is being recorded. I would now like to hand over the floor to Mr. Mohit Kumar. Thank you and over to you, Sir.

Mr. Mohit Kumar

Thank you, Vidya. On behalf of ICICI securities, I would like to welcome you all for the Q4 FY23 and FY23 earnings call for Titagarh Wagons Limited. Without much delay, I would now like to hand over the call to the management for the opening remarks, which will be followed by Q&A. Thank you and over to you sir.

Management Team

Thank you very much. Very Good afternoon to everybody and once again, our own welcome heartiest welcome to the Q4 FY23 earnings conference call. As always, it's a great pleasure interacting with all of you. So just to give you a brief snapshot of the quarter gone by and the year gone by, and then of course very happy to take questions and answer them to the best possible extent. I think FY23 has been a significant year in the history of our company. It's the beginning of the second 25 years of the company. First, we completed 25 years in July'22 and it's been a significant way to kind of celebrate the quarter anniversary of the silver anniversary because the company has moved from being just a wagon manufacturer to being the rail systems manufacturer and that is significant from the change of the name also that has been implemented.

So Titagarh Wagons now is called Titagarh Rail systems and that is reflective of the strategy that we would follow for the company in the future. We have also decided in the last quarter to segmentize the company into two business segments, the passenger rail systems business and freight rail systems business. We have decided to merge the smaller businesses like shipbuilding etc. into the freight because they are quite insignificant in terms of the overall size and the potential that we have now. That doesn't mean that we are forgoing those business opportunities, but definitely we are focusing on the existing opportunities that we have and keeping them in a slow

burner so that we can raise the flame there once we have been able to stabilize our core businesses, which is the freight rail systems and the passenger rail systems.

The other significant development in the company has been that we have kind of gone through a transformational journey in terms of the size of business that we have. You will be happy to know that when we declared our results for FY22, we were with an order book of just about 1600 crores which along with our share of the consortium, that orders that we have won in a consortium with BHEL and Ramakrishna Forging, our business grows up to almost, order book goes up to almost 27,000 plus crores. So that's a quantum jump that we have been able to make during the year. In terms of performance also we have continuously ramped up the performance quarter after quarter, reaching to 970 odd crores in the last quarter and a total yearly revenue of 2781 crores which, of course are the best ever quarter and the year in the history of the company.

We believe going forward the passenger rail system, which was just about 500 crores, out of this 2700 crores has a long headroom available. We are currently operating at about 5-6 coaches per month. We have delivered 17 trains by March'23 and we would be ramping it up in the beginning to 20 cars per month and then our capacity planned for the passenger coaches over the next 2-3 years is to go up to 70 coaches, 70-75 coaches per month. That's about 750-800 coaches plus in a year. In terms of the freight wagons, we are now around the run rate of 700 wagons, between 650-700 and we intend within this financial year to get it up to 1000 wagons a year.

The other very significant developments that have taken place during the year is of course our entry into the Vande Bharat train segment where we won the contract from the Indian railways for manufacturing 80 Vande Bharat trains in consortium with BHEL. As everybody knows, BHEL is a leader in electrical and propulsion and that is what their scope in the consortium would be and our scope would be to manufacture the train. The prototype train will be made in the next 24 months. And thereafter, in about 4 - 4 1/2 years, the balance trains will be delivered, which is followed by a 35-year maintenance contract.

Although the pricing has been a challenge because of competitive pressures, but we had factored in some part of it and we believe that we will still be able to maintain the overall average blended EBITDA margins that we are doing now, which is about 8 to 10% in this contract in the supply portion also. The services portion, maybe the AMC portion may be a little better. But even in the supply, we should be able to achieve the 8 to 10% EBITDA margin. The other significant contract that the company has won is for manufacturing of wheels and as is well known to most of you, and I think this has been one of the questions that has been asked in most of the investor calls is how do you manage your supply of wheels sets because that's been always in short supply?

So, I think you know, a country like India, which has achieved many scientific peaks, has still been dependent on foreign countries like China, Ukraine, etc. for availability of wheels and kudos to

the Government of India and to the railway ministry for coming up with this very forward looking concept of having a 20 year offtake agreement for buying 80,000 wheels per annum, which has enabled us to come in partnership with Ramakrishna Forging, which is undoubtedly a market leader in the forging business and they have a wealth of domain expertise in terms of the forging process, combined with our domain expertise in the railway.

It becomes a very strong win-win association between the two companies, and we would be setting up together a plant to produce almost 200,000 wheels per annum. This would probably, I'm not sure exactly, but probably the one of the largest if not the largest wheel manufacturing plant outside China, forged wheel manufacturing plants outside China. So, out of that 200,000, 80,000 wheels are assured for the next 20 years by the Indian railways and the rest will be used for our own wagons for exports of Vande Bharat etc. So, these are a few very important developments that has happened in the course of the last year.

Another very significant and important development that has happened is in the erstwhile subsidiary that we had in Italy that is Titagarh Firema, wherein the investment was infused by new investors including the government of Italy in September 2022 as a result of which Titagarh Firema got converted from a subsidiary to an associate company. In terms of the operations of the associate company, the headwinds have been very strong in Europe as most of you know. To start with was the COVID crisis, then Ukraine war related inflationary crisis and so on and so forth.

However, having said that, the company has been and is in the process of getting some very significant orders and with induction of the government of Italy as an equity partner, we do believe that the company has a strong prospect, the turnaround of the company has been delayed, which we were expecting to happen last year, FY23. We've not been able to turn positive in FY23, but we do estimate based on the current order books to be able to break even, at least on the EBITDA positive level in FY24. We been able to install a new management, which post the induction of the government of Italy as a shareholder, the board had to be reconstituted the management has been installed with their consent.

And we believe that the company is now on its way to recovery. So as far as the future outlook for India is concerned, the outlook on the back of the very strong government policies for Atmanirbhar Bharat, for Make in India and the infrastructure, I was hearing an interview of the honorable railway Minister a few days ago, where he was explaining the economics of investment in the railway infrastructure and the payback to the economy, so this is the first time, that it's a music to years that at such senior levels, such detailed and careful analysis of the return on investment in such infrastructure, particularly in respect to the railways is being done.

And that makes us even more confident that this story of the railways turning around and companies like us being able to ride that wave effectively is something that is likely to continue. So, with these opening remarks, I'd handover the call to Mr. Anil Agarwal and Mr. Saurav

Singhania to maybe walk you through some of the highlights of the financials, and then most happy to take any questions that may be. Thank you.

Saurav Singhania

Good afternoon, everyone. This is Saurav Singhania so, just a few key numbers that I wanted to highlight in terms of the performance of the quarter. So, in terms of the revenue, we had 974 crores during the current quarter as against 422 crores in the corresponding quarter in March 2022, which is 131% increase. EBITDA has gone up by 114% as compared to March 22 and Profit Before Tax by 173%. In terms of the overall revenue from YoY basis is 86% increase as compared to last year, 57% in EBITDA and 85% in Profit Before Tax. Some key ratios, if you see in terms of Return on Capital Employed, we were at 6.5% in FY19, which is in our presentation page number 13 and now, we have gone up to 26% in FY23. The Return on Equity has gone up from 5.2% in FY19 to 16.3% in FY23. In terms of net working capital days, we were at peak in FY21 at 80 days, which has now gone down to 60 days as on FY22. So, in terms of the overall segmental performance, if you see in the current year, in the freight rolling stock segments, the total revenue was at 2250 crores and the revenue from the passenger division has been at 528 crores. The margin from the freight rolling stock segments was at 10.47% and the margin from the passenger rolling stock was at 4.16%. So, with this, I would open up the questions from the participants in the call. Thank you.

Moderator

Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press “*” and “1” on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing “*” and “1” again. The first question comes from Kaushik Mohan from Ashika Stock Broking, please go ahead.

Kaushik Mohan

Hi Sir, congratulations for great set of numbers. Sir, I have a couple of questions. Can you just give some light on Vande Bharat for us. You have 80 trains order, what is the total value of this order and how much is your share? And in your share how much is for construction and how much is for maintenance?

Management Team

Thank you very much Mr. Mohan. So, for the Vande Bharat contract, there are two portions to the contract. Supply portion and the maintenance. The contract value is about 9600 crores and plus PVC which will accumulate over the period of time and the maintenance is about 1.4-1.5 times of

that. So, the total contract value including maintenance is about 24,000 crores plus the PVC as I said. Our share on the overall basis is about 51-52% and BHEL is there.

Kaushik Mohan

Between 51 -52% for us and 48% is BHEL sir?

Management Team

So, it's between 51 and 52%. So, it's around 51-52% is for us and balance is for BHEL. This is applicable both for the supply as well as the service.

Kaushik Mohan

Got it Sir and my second question is on this RK Forging part. With RK Forging, what is your share between both of us and what is the total order value and how many years will this go for?

Management Team

So, the initial contract value which we have received is 15,60,000 wheels which has to be supplied over 20 years. The value of the contract is close to 13,000 crores and the participation of both the companies is almost equal.

Kaushik Mohan

Sir, is this inflation adjusted or is the number has been exactly calculated current price?

Management Team

This is not inflation adjust. This is plus PVC. The exact quantity is 15,40,000 wheels, and not 15,60,000 and the total exact value is close to approximately 30,000.

Kaushik Mohan

Sir there is one recent bidding which happened for 50,000 wagons. When can we expect the results for this?

Management Team

There is no bidding that has happened till now. It was in the media that there is a tender likely to come out, but the tender has not yet come out.

Kaushik Mohan

Got it. Thank you, sir and congratulations, for the numbers.

Management Team

Thank you very much sir.

Moderator

Thank you, sir. The next question comes from Sunil G, an individual investor. Please go ahead, sir.

Sunil G

Yes, my first question is regarding this decrease in their borrowing, which if I considered this current and non-current borrowing is approximately INR 600 crores which is fantastic, but there is an increase of INR 200 crores in that contract borrowing sorry, yes in the Contract Purchase, what does it mean? Does it also get some interest or is it purely like vendor caterer.

Management Team

Sir, are you talking about the contract liabilities on the standalone financial?

Sunil G

Yes, consolidated yes.

Management Team

Yes, so these contract liabilities are the advance from customers that has been received against various contracts. So, this has been disclosed separately in line with the requirements of the scheduled thing.

Sunil G

So, if you can use the term in advance received from customer that will be much better. Because it's too confusing and too misleading what this is, contract's liabilities. Contract can quote so many things, contract can quote about vendors and other things. Contract could include so many things, so better everyone write as advance from customers.

Management Team

We take your suggestion sir, very valuable. We will examine this the accounting standards and I have requested my team to examine, this is a very valuable suggestion.

Sunil G

Yes, and number two, I mean, I have seen all your press release. There is also some sort of incompleteness and misleading portion is there. Because you are writing okay at 80 Vande Bharat train we have received under the consortium. But there is no mentioning there what is your share of the JV or the consortium in that particular press release. So, we as an investor, we just keep thinking, okay, maybe it's 90%, maybe it's 10%, maybe 20%, maybe 50%. So, today only you clarified. So going forward, whenever a press release has given, kindly mention like any other company mentions to give the complete information otherwise, it may also tend to move to like, you can say violation of required order for example.

Management Team

Again, thank you for your suggestion, but to the best of our knowledge, the press releases that have been issued by us and we cannot talk about press coverages, but press releases, we always give all the necessary facts that are to be given. If there are some that you have come across which do not give the necessary details, we would request you to share this with our investor team and we should certainly look into it. But as a company we are very conscious about press releases. Of course, we cannot control all press coverages.

Sunil G

No sorry sir, I am not talking about press release, I'm talking about the corporate announcement which you are given to the stock exchange. We don't rely on this media or a paper. So whatever corporate announcements you have given in the form of press release to the stock exchange there only be we have seen that nowhere you have mentioned, or your team has mentioned regarding that, what is the share of Titagarh Wagon or Titagarh Railway System in that particular **JV** of consortium. So going forward kindly mention.

Management Team

Thank you very much. We will definitely check this up inadequacy of information and we shall definitely make sure that it is correct.

Sunil G

Thank you. So, nice of you sir.

Moderator

Thank you, sir. The next question comes from Balasubramanian from Arihant Capital, please go ahead.

Balasubramanian

Good evening, sir. Congratulations for good set of numbers. My first question like what would be the status for trial and propulsion systems for railways and after propulsion systems like it's the kind of indigenization so what kind of margin improvement we may expect? Because right now in the metro in the cost side around 20 to 30% share of value comes from propulsion systems only. So, after this indigenization, what kind of margin improvement we may expect?

Management Team

Thank you, sir. In terms of the process of approval of the propulsion system that is underway, some of the components we have already supplied, and they are under the trial period, there is a very detailed step by step approval process for the propulsion system, which is actually quite time taking. We are pursuing that and over the year, we should be able to receive some of the approvals and start bulk supplies, some of the approvals will get spilled over to the next year. So overall, I would say we are, by and large as per our plan on the propulsion system.

And in terms of your second part of your question, that is about margin improvements, once we have our own propulsion system, definitely it is going to impact the margins favorably once we start making our own indigenous propulsion system. But in order to reach that stage, where we will be fully independent, and we'll be able to do our own propulsion systems entirely by ourselves, it is going to be a process of at least 2-3 years. Thereafter, there is definitely going to be a quantum jump in the overall margins of the PRS that is the passenger rail system business.

Having said that, I would also like to clarify that the passenger rail system, even without the propulsion, is a business where we are expecting to get the same 8 to 10% EBITDA margins. The current low level of EBITDA is on account of the no top line in our business, the top line is what drives the bottom line. So, since the business is at a nascent stage till the business comes to a certain base level, the EBITDA margins are lower, but you would see that it has improved over the quarters. And going forward once we have been able to reach a certain base level, we will be able to get an 8 to 10% EBITDA margin on the PRS also.

Balasubramanian

Okay got it sir. Sir, and my second question under traction motor side, what would be the volume on that monthly run rate and what kind of target we have going forward?

Management Team

We have installed capacities between 150 to 200 traction motors per year that 1800 to 2400 traction motors per year but as I mentioned a little while ago, the entire process of approval is a time taking one we have already supplied traction motors, some of them have already undergone trials have been successful. And it is a process which is ongoing. And we will continue to travel this journey.

Balasubramanian

Okay sir, we are manufacturing around 50-60 motors per month or like what will be the numbers?

Management Team

Sir, now, as I mentioned that we have only made the trial production, the trials have to go on and there is a process I'm not able to elaborate the entire process because it's the entire specifications of the railways. But to be able to get to the rated capacity of 150 to 200 traction motors a month is going to be a 2-2.5 year journey.

Balasubramanian

Okay got it sir. Sir on the Metro side is there any pipeline and what would be the status on Surat and Ahmedabad metros, if you could throw some lights on future opportunities, that would be really helpful.

Management Team

The Metro business is a very attractive business, there are many metros that are coming up and that have been announced to come up, I will not be able to speak about specific opportunities as we can only speak about them when we are successful in winning a bid. But all I can say is that you know being the latest entrant in this field, and competing with large companies, we have been able to establish ourselves in a very significant manner as the only Indian fully Atmanirbhar Metro coach manufacturer and using this advantage of being established as a good manufacturer of Metro coaches, we will definitely be a significant player in this segment in years to come.

Balasubramanian

Thank you so much sir. I'll come back in the que.

Moderator

Thank you, sir. The next question comes from Vinay Chaudhry an individual investor. Please go ahead.

Vinay Chaudhry

Hello, thank you for the opportunity and congrats on the great numbers. So, on the wagons how much would be the private sector wagons which have been produced in FY23 and what are the planned production for the coming FY24?

Management Team

Thank you, sir. Sir, as a strategy we do not give the breakup between the private sector and RSP wagons. We do not announce those numbers all I can say is that we are a leader in both the segments. We have order book which are probably equal to the largest or even the largest in the private sector wagon market also and of course, we are by far the leaders in the railway wagon market. So, in both the segments we are quite actively present and are playing a very important significant role.

Vinay Chaudhry

Sure, and when can we expect the coaches manufacture for CRRC start?

Management Team

The coaches are for Bangalore Metro on behalf of CRRC and production is likely to start in the Q3 of the current financial year.

Vinay Chaudhry

Okay and if I got the information right the current capacity for Metro coaches is around 1.5 to 2 lakhs.

Management Team

I did not get you I am Sorry.

Vinay Chaudhry

Sir, can you throw some light on the current capacity for the Metro coaches with the commencement of the stainless-steel coaches set to begin production?

Management Team

Okay so, for the Metros we will have a capacity of about 30-35 coaches per month and then we will have similar capacity for the Vande Bharat. So, overall, we are planning to build a capacity of about 70 cars per month.

Vinay Chaudhry

Okay. Thank you very much.

Moderator

Thank you, sir. So, the next question comes from Premal Shah, an individual investor, please go ahead.

Premal Shah

Yes, hi good afternoon, sir thank you for the opportunity. What is the wagon production for this current quarter? Total wagon production? Hello, am I audible?

Management Team

Yes, you're very much audible. Good afternoon, sir. So, we have been able to get to approximately an average rate of around 8000 wagons, that is about 2000 wagons with a quarter. But we would not be able to disclose the exact numbers that we won't put that in our presentation, and we do not generally disclose the exact numbers. But we are now I mean we have been able to achieve close to 2000 wagons per quarter and our target is the current financial year to grow it further to reach close to 3000 wagons per quarter.

Premal Shah

Okay, thank you. And in this quarter's results, the freight rail system shows a top line of about 808 crores and you've already merged the shipping business into that. So, could we get a basic idea about what is the freight rail top line and a shipping top line because both are included. So, we don't have an idea on that.

Management Team

So, it is primarily the freight rail and shipping is not very significant part, that is why the segment has been merged. So, breakup of the merged entity at this point may not be possible or appropriate. The overall size of the company and overall scheme of things, it would be extremely small, shipbuilding would be extremely small at this point of time. As I mentioned in my opening comments, that is true for this at this point of time, and by no means we are planning to kind of downplay the shipbuilding for the long term, we believe that it does offer good prospects but or being able to concentrate both our capital allocation and management resource and time allocation, this organization is considered appropriate and implemented.

Premal Shah

Okay and this Pune Metro what percentage of the total contract is still pending to be executed? And by when will it be complete?

Management Team

As I mentioned, about 50% of the contract has been completed till the last financial year the balance will be completed within the current year.

Premal Shah

Okay, thank you. That's it from my side. Thank you.

Management Team

Thank you so much.

Moderator

Thank you, sir. The next question comes from Ankur Agarwal from RC WEALTH SOLUTIONS Private Limited please go ahead.

Ankur Agarwal

Congrats on the excellent performance. Please provide visibility on the Passenger Rail segment.

Management Team

Thank You. We intend to build a capacity of 700-800 coaches per year for the Passenger Rail segment. Selling price of each coach is around Rs 9-10 crores. In case of Vande Bharat, selling price will be lower due to consortium arrangement. This is a very big opportunity and the Passenger Rail segment opportunity itself is much larger than the size of our company. We are building a capacity of 30 metro coaches and 30 Vande Bharat per month. Currently, we are at a nascent stage in the metro division and doing 5 coaches which will gradually increase to 12-15 and eventually to 20. Final target is 30 coaches per month in the metro. Line for Vande Bharat will start fully in next 2 years. Initially the production will be low and we will make 30-35 coaches per month as per contractual delivery schedule.

Ankur Agarwal

What is the order book status of our associate in Italy?

Management Team

Last time we had announced around Eur 450-500 million order book. They have also bid few orders which is in pipeline which will be disclosed in due course of time when appropriate.

Moderator

Thank you, sir. So, the next question comes from Karthikeyan from Suyash Advisors. Please go-ahead sir.

Karthikeyan

Sir, Good afternoon.

Management Team

Good afternoon, sir.

Karthikeyan

Yes, thank you. So, couple of things, sir on these two contracts, one in consortium with RK Forging and other with BHEL, given the long tenures of these contracts, and specifically on the RK project, where you're also creating extra capacity, a couple of things, can you tell us how protected are you in terms of downsides, on the profitability side in these in these contracts? And given that you are creating 60% extra capacity, spare capacity on the wheel strength site? How soon do you believe you will be able to absorb this entire capacity sir?

Management Team

Thank you very much. In terms of the downside protection, you see, there are two ways of downside protection, one is the price protection for the contracts on account of inflationary tendencies trends. So, all the contracts, the large contracts that we have got, whether it is Vande Bharat, or the wheels are both with price variation, adequate price variation clause, which kind of protects the companies, whether it's our consortium with BHEL, or our consortium with Ramakrishna Forging from the inflationary trend.

Karthikeyan

I'm very sorry to be interrupting, but when you say inflation, would that be only on the input side or would that include fuel and other components as well sir.

Management Team

It is a very comprehensive price variation formula, I mean, of course, I would not be able to go into each element of that, but when the price variation formulas are worked out, they are worked out on the basis of the actual cost of production. So, suffice to say that, based on the experience of the company over the last 25 years, which is a very long period of time to be able to judge the efficacy of such price variation clauses, barring a couple of quarters here or there, where the price movements could be very steep and sudden the price variation flaws does compensate for the inflationary cost pressures.

Karthikeyan

Right.

Management Team

In terms of utilization of the capacity is concerned, if any venture is set up, where 40% capacity is underwritten by a single customer for a long period of 20 years, that itself gives you a very large, huge head start. So, that is what we are looking at, we are looking at the glass half full and not the glass half empty, the 60% capacity that we are building up is something which will be not a big challenge to kind of absorb or to be able to sell as we ourselves as a wagon manufacturer are always in shortage of wheel sets.

Then after that, we would also have the Vande Bharat and then the maintenance of the Vande Bharat. So, there's 35 years of the maintenance of the Vande Bharat which would also require wheel sets and there is the export market wheels and with the China plus one strategy, which the world is following. Today, most of the wheels are being produced in China. So, we do believe that there is a very good export potential and we will be focusing on export markets as well for the reasons that we will produce.

Karthikeyan

Right sir one clarification sir would there be a meaningful import content in terms of raw materials still available locally for the wheels? Or would you have specific grade requirements which you have to import at this point in time?

Management Team

Wheel is available locally, but I'm not able to give details about the kind of import versus domestic content. These tenders are under Make in India clause of the government which means substantial local content is a must. But having said that, these are operational decisions, and we are talking about a contract which lasts for 20 years. So, obviously there are strategies that cannot be kind of decided upfront.

Karthikeyan

Right, but there is no constraint in terms of local availability, my question, I get that you, you retain your option of course.

Management Team

That's right.

Karthikeyan

And one last question, if I may say I don't mind my delivering the point, but with just the 40% utilization 77,000 per annum effectively the wheel sets, would you at least break even at an EBITDA level, with just this number that is to say.

Management Team

It will be going into too much of financial details, we will definitely, disclose, because this is a consortium of two listed companies, whatever is possible to be disclosed, but, once again, I will say that, as investors you would have seen many companies and as industrialists, whatever, we have seen, if a business is started, a greenfield project is started, where in 40% of the capacities underwritten for the next 20 years by a single customer, then the head start it's like starting at a 50 meter or a 40 meter kind of handicap advantage in a 100-meter race.

Karthikeyan

Of course, though I appreciate the advantage of course, just clarifying whether, there is a longer gestation than what is available, immediately that is the only point behind the question, but thanks very much for indulging me and very best wishes sir.

Management Team

Thank you.

Moderator

Thank you, sir, we have a follow up question from Kaushik Mohan from Ashika Stock Broking please go ahead.

Kaushik Mohan

Hi sir, this is a question on I just wanted to understand on your current Pune orders sir how many total what is the contract value for Pune and how many you told 50% has been delivered that means another 50% how long do you have the time?

Management Team

So, the total contract for Pune was 34 trains. The value of the contract was about 1000-1100 crores .50% has been executed the balance will be over within this financial year.

Kaushik Mohan

Sir for one train how many coaches that comes out to be.

Management Team

See 34 train, 3 coaches each 102 coaches.

Kaushik Mohan

102 coaches. So, that means that half of that is 51 you have been already supplied and 51 is still more pending.

Management Team

That's right

Kaushik Mohan

Sir in this duration of 1 year or 2 years over the 2 years or 1 year.

Management Team

This one is completed within this financial year.

Kaushik Mohan

You will complete this in this financial year. Okay. Sir, how about the Bangalore order?

Management Team

As I mentioned a little while ago, we will start production in Q3 of the current financial year. And that would take about 6 quarters or 7 quarters as per the schedule.

Kaushik Mohan

Okay. Sir what is the margins only in the metro segment?

Management Team

Sorry, I didn't get your question.

Kaushik Mohan

What is the EBITDA margins in Pune Metro segment?

Management Team

We will not be able to disclose contract by contract margins for competitive reasons, but segment margin have already been disclosed in the results that have been published.

Kaushik Mohan

So, because in this financial report, which have gone through, I'm just seeing that margin is 4.1% Is my reading right or is there is any mistake on this.

Management Team

There is no mistake in reading sir.

Kaushik Mohan

The reading is correct than what I did.

Management Team

Yes, as I said a little while ago that we have not been able to attain till now the base level of capacity utilization and therefore the fixed costs of the business get amortized over a smaller volume, which results in lesser margins. Apart from that there are some learning curve costs that are incurred in a new business. But going forward, we expect that once things are more stable over the next maybe 3-4 quarters, 5 quarters at the most we would be able to also target 8 to 10% which is projected forecasted EBITDA margin in the PRS as well.

Kaushik Mohan

Sir, the last and final question, what can be the Capex for the next four years plan?

Management Team

We had already announced the Capex that we are likely to incur including the ones that we have done in the last two three years is about 1000 crores. So, what we have done in the last two, three years is around 250-300 crores, the rest will be spent over the next four or five-years' time, which would also include our equity portion to the week project.

Kaushik Mohan

Got it sir another question is on the Wagons part on freight wagons. Sir this year, how many wagons have you produced? If any near number works out for me?

Management Team

It's already disclosed in the investor presentation that the dispatch for the current year is 5298 Wagons.

Kaushik Mohan

Okay sir, thank you. I didn't get that.

Management Team

Thank you.

Moderator

Thank you, sir. The next question comes from Abdulkadira Raja from Ratnabali Investments, please go ahead.

Abdulkadira Raja

Good evening, sir. And thank you for giving me the opportunity and congratulations on such a great set of numbers. So, just wanted to understand the demand for the private sector in the wagons. And if you could just, throw us a ballpark number like of how much wagons were like you would have delivered during the previous quarter.

Management Team

Sir, we already mentioned that delivery or quarter by quarter basis is something that we are not disclosing but approximately we have been able to achieve about 2000 run rate of 2000 wagons

close to 2000 wagons per quarter. I didn't get your first question the first part of your question if you could repeat it.

Abdulkadira Raja

Yeah, we just wanted to understand the sales number which we have shown in the freight rail segment. So, like I just want you to understand like how has the private demand, or shipped up in the last quarter?

Management Team

The private demand break up while in the last year I would say we are not giving the breakup, but I did mention in the during the call that in terms of our company, we are a leading player one of the leading players in the private rail wagons businesses as well, we would have one of the highest order books and in both the private sector and in the Indian railway business. So, the private business or private wagon business is also very buoyant business. But when you look at the wagon business per se, we have to see the overall demand because you know the demand of the railways is there as a set number and purchasing is done either via the railways own funds, or under the PPT mode which is done by the railways sorry by the private sector wagons.

Abdulkhadari Raja

Okay got it sir. That's it for my side. Thank you so much sir.

Moderator

Thank you, sir. The next question comes from Akash Bohra from Dalal and Brocha stock broking, please go ahead.

Akash Bohra

Yeah, thank you for the opportunity and congrats for the good set of numbers. So, my question is more from the point of view of so regarding the Capex that we're going to do, is it going to be from our internal accruals? Or are we going to take more debt and what is the broader strategy on date as to how are we planning to, how much data are we trying to keep in our books, how much are we planning to repay in the short and medium term?

Management Team

Sir, our strategy as far as debt is concerned is quite evident from our actions over the last years. While on one side, we have incurred capex and enhanced capacities, if you compare on a

standalone basis, which is excluding the erstwhile subsidiary, over the last five years, we have reduced our debt quite significantly. So, we are conservative, very conservative as far as our debt policies are concerned. On the funding of the Capex, we are generating cash and we have good cash flow.

Having said that, we also have a large growth trajectory as you are aware, and you can see from the numbers in 2018 which is 5-6 years ago, we were at 300 Crore top line and now we are at a 970 Crore quarterly line. So, which on an annualized basis is 10-12 times of that. So obviously, the cash requirement goes up. So as far as the funding of the capex judicious mix will be worked out it is still work in progress, we will be using part of it through our internal accruals maybe part of it through debt etc. So, this is something which we do not see or envisage this as a challenge, but we will be working on this and making sure that it is done in the best interest and sustainability of the growth trajectory that we have embarked upon.

Akash Bohra

Okay sir. So, basically, we are not planning to raise any proceeds from equity rights.

Management Team

There is nothing that has been planned so far. But I will not, again, like to speculate on any future issues, but no, we have not yet planned any equity raising so far.

Akash Bohra

Okay sir and if you could give any guidance for FY24 and FY25, for revenue and EBITDA levels.

Management Team

We do not give guidance in terms of the business for the future. But what we have always maintained is that our business is top line leading the bottom line, the kind of business in terms of the EBITDA, we continue to maintain that we would be able to do our businesses, a business, which gives about 8 to 10% of EBITDA, some quarters can be slightly better, some quarters can be slightly worse, some contracts can be slightly better, some contracts can be slightly worse, but on a blended basis, when we do our bidding, when we do our strategies, we ensure that we are at about 8 to 10% EBITDA and we have already disclosed to you the order book that we have and the ramp up that we have been able to achieve over the last six eight quarters, where we have been very consistent in our delivery whatever we have kind of promised. So, we hope we are sure we'll be able to maintain that kind of kind of performance.

Akash Bohra

Okay sir and just last question from my side. So, this was regarding the large orders that we received. So namely the wagons order from Indian railways, the Vande Bharat orders and Metro order these three. What is the broad execution timeline and what is the broad revenue booking like when it will start reflecting in our books so what is the broad name for these two things for these orders?

Management Team

Sir, the execution timelines of different orders are different. There's not a standard execution timeline, the wagon order is already under production and revenue has been booked over the last 11-12 months. I would say for the Vande Bharat the first train will be supplied in two years from now. And thereafter the train supply would happen in about four and a half years. The revenue recognition will start when we start building the train in the POCM method. And Metro as I mentioned a little while ago the Pune Metro may have already executed 50% the balance will be executed during this financial year.

Akash Bohra

Sir so for Vande Bharat when you're recording on a POCM basis so, like will the revenue booking start from FY 24 and FY 25 itself because we would have already started building the train right.

Management Team

Sir, I will not be able to comment upon that that is an accounting treatment which has to be dependent on the physical progress of the work. So, as it is the percentage of completion so as the project gets started getting completed, the revenue recognition would happen accordingly. But of course, we have to deliver which we will deliver the train in 24 months the production activities will have to be started much before

Akash Bohra

And the Wagons will complete by the wagons order 24,000 order when completing.

Management Team

This is scheduled to be completed by August 25.

Akash Bohra

Okay sir, thank you sir.

Management Team

Thank you.

Moderator

Thank you, sir. So, the next question comes from Akshay Kothari from Envision. Please go ahead.

Akshay Kothari

Yeah, thanks for the opportunity, sir am I audible?

Management Team

Yes, absolutely sir.

Akshay Kothari

Sir, just one clarification the 9600 and the remaining maintenance order so the workshare is equal for both BHEL and us.

Management Team

Sir I've already clarified a little while ago, about 51-52% for us and the balance for the BHEL.

Akshay Kothari

Yes, but also on the maintenance price?

Management Team

Yes, for both supply and maintenance both are approximately the same percentages now.

Akshay Kothari

Okay sir so now on the Vande Bharat trains is there any stipulation of certain level of indigenization, which needs to be there which is embedded in the contract?

Management Team

I'm sorry, I didn't get your question.

Akshay Kothari

So just, you did mention that rail wheel sets will also be a supplement to the 35 years of maintenance, which we will do for Vande Bharat, I'm just asking whether there will be any stipulation of, Atmanirbharta indigenization content, which is there in existing Vande Bharat contract?

Management Team

Yes, absolutely all these contracts are under the making India clause Vande Bharat clause.

Akshay Kothari

Yes, so there is a stipulation of around 80%, local procurement or something like that, right?

Management Team

Different tenders have different stipulations of local content. So, I'm not able to comment on individual contracts, but yes, they do have the appropriate local content which is stipulated by law.

Akshay Kothari

Okay sir, lastly what risks do you perceive in these contracts? Because I have of-lately seen some of them, whenever there is this jointly and severally liable clauses, because the other party does not perform, and under him the whole project falters. So, what are the risks which you perceive in these contracts when we are working with the counterparty?

Management Team

There are risks in every contract in every sphere of business, what we absolutely do, and the risks exist for both sides, I mean, there is a perceived risk, and there is an actual risk. So, both parties work together to mitigate those risks. And that is exactly what we are doing also, in both the cases in both the partnerships that we have built in, we don't see a huge rates as such, which is unmanageable, because both the cases we have very strong partners, and both the partners bring in immense value on the table in terms of their knowhow expertise and management bandwidth, so we really do not see this as a risk but we see this as an opportunity.

Akshay Kothari

That's great sir. Lastly do we have the capability to win aluminum coaches as well?

Management Team

In Pune Metro we are the first aluminum coach manufacturer in the country.

Akshay Kothari

Vande Bharat as well.

Management Team

If we can make one, we can make anyone, but Vande Bharat current project is on stainless steel.

Akshay Kothari

Yes, understood But I think there are talks of our getting into aluminum coaches for Vande Bharat as well.

Management Team

We will cross the bridge when we come to it. Whenever there is an opportunity, we will definitely evaluate the opportunity on its merits.

Akshay Kothari

Thanks a lot, and all the best Sir.

Management Team

Thank you, sir.

Moderator

Thank you, sir. The next question comes from Sonia Varnekar from Dalal and Brocha please go ahead.

Sonia Varnekar

Hello, sir. Thank you for the opportunity. I have two questions on Vande Bharat. Earlier you mentioned that margins on Vande Bharat order would be higher in maintenance versus manufacturing. So, initially when the majority of business would come from manufacturing part of Vande Bharat, it will impact blended margins, right?

Management Team

No, it will not impact blended margins mam. Because, as I mentioned that our business for sustainable level of EBITDA margins 8 to 10% and that is what we are expecting to receive from the supply of Vande Bharat as well.

Sonia Varnekar

Okay, and sir regarding propulsion system it will be sourced from home for Vande Bharat?

Management Team

Our partners BHEL is responsible for the propulsion supplies.

Sonia Varnekar

Okay, so sir in terms of quality or technology, how is it placed against the competitors?

Management Team

The very fact that the results have technically evaluated qualified and awarded the contract to us is testimony enough that the partners both us and BHEL are fully competent to produce a quality train as per the required standards. Both BHEL and us have qualified on the basis of our credentials which is past performances, so in a nutshell, both of us have already kind of been in the respective businesses that we are in and have been able to supply the right quality product in the right manner. That's what has led us to be able to be the successful bidder for this tender.

Sonia Varnekar

Okay sir last question, if I can ask. Recently, there was an announcement that railways will be procuring 238 Vande Bharat Rack's for replacing Mumbai local, Vande Bharat Metro Rack's. So, will Titagarh bid for this order?

Management Team

We also read the announcement mam. As I mentioned, we evaluate each opportunity on its own merits, we are significant and leading player in the business both in the Vande Bharat now and in the metro segment. So definitely when there is an opportunity, we definitely would evaluate that to give a definitive answer of a yes or no at this point of time would be premature, because we've also read this from media reports. The tender is not being floated as yet.

Sonia Varnekar

Okay, and sir in terms of capacity for passenger coaches, like if such orders come then how well we are placed to increase capacity.

Management Team

I already mentioned, we are increasing capacity significantly. And our targeted capacity is to get to about 70 coaches per month, in the next say three years or so.

Sonia Varnekar

Okay, thank you. So that's it from my side.

Moderator

Thank you. That will be the last question for the day. Now, I hand over the floor to the management team for the closing comments.

Management Team

Thank you very much. And thank you to all of you for the very insightful questions and suggestions, we have taken note of the same and my team here has taken note on each one of them. Thank you for the support and confidence that has been bestowed upon us in the past, and we do look forward to be able to live up to those expectations in times to come. As I mentioned that, India is going through a transformative journey under the current regime in terms of the railway, the Atmanirbhar Bharat Abhiyan, infrastructure spent, the Make in India program and I have always believed that the Make in India program and the Atmanirbhar Bharat is probably the most significant development in independent India in terms of supporting and encouraging local industry.

So, we have just been able to ensure that we are able to ride this wave and be a part of this journey that the government, the honorable Prime Minister has been able to kind of define for the country. So, we believe that this growth in the railway space in the infrastructure space is here to stay. And it shall be continuously our endeavor to be able to upgrade ourselves on an ongoing

basis to be significant contributor to this process of I would say reconstructing Indian infrastructure. So, thank you very much and wish you all a very good evening. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

- 1. This document has been edited to improve readability.**
- 2. Blanks in this transcript represent inaudible or incomprehensible words.**