



**Titagarh Rail Systems Limited**  
**Q1 FY24 Earnings Conference Call**

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**CORPORATE PARTICIPANTS:**

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Vice Chairman and Managing Director

**Mr. Prithish Chowdhary**

Director, Marketing and Business Development

**Mr. Anil Kumar Agarwal**

Director Finance CFO and CBRO

**Mr. Saurav Singhania**

Joint CFO and Group Finance Controller

**Mr. Mohit Kumar**

ICIC Securities Limited

## **Q&A PARTICIPANTS:**

- |                              |   |                                    |
|------------------------------|---|------------------------------------|
| <b>1. Bala Subramanian</b>   | : | Arihant Capital                    |
| <b>2. Bhavin Chheda</b>      | : | Enam Holdings                      |
| <b>3. Akash Vora</b>         | : | Dalal and Brocha                   |
| <b>4. Ashwani Sharma</b>     | : | ICICI Securities Ltd               |
| <b>5. Srinidhi karlekar</b>  | : | HSBC                               |
| <b>6. Parvez Qazi</b>        | : | Nuvama                             |
| <b>7. Jay Bathija</b>        | : | JV investment                      |
| <b>8. Pankaj Gupta</b>       | : | Ratnabali Investments              |
| <b>9. Siddharth Purohit</b>  | : | InvesQ Investment Advisors Pvt Ltd |
| <b>10. Manish Maheshwari</b> | : | Manu Family Office                 |
| <b>11. Kunal Sheth</b>       | : | B and K Securities                 |
| <b>12. Rahul Maheshwary</b>  | : | Ambit Asset Management             |

**Moderator**

Good afternoon, ladies, and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to Q1 FY24 Results Conference Call of Titagarh Rail Systems Limited. 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 assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from ICIC Securities Limited. Thank you, and over to you, sir.

**Mohit Kumar**

Thank you. On behalf of ICICI Securities, I would like to welcome you all for the Q1 FY24 earnings call for Titagarh Wagons. 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. Saurav Singhania, Joint CFO and Group Finance Controller. 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.

**Umesh Chowdhary**

Thank you very much. Very good afternoon and thank you to all the participants for yet again joining the earnings conference call of Titagarh Rail Systems. I'm Umesh Chowdhary and I'm joined by my colleagues Anil Agarwal, Prithish Chowdhary, Saurav Singhania, and Divesh Singhania. This quarter has been an interesting quarter, number of developments have taken place, some follow-on developments, and some continuing progress. So, as far as the follow of developments are concerned, during the quarter the company signed the major contracts of the Vande Bharat train as well as the wheel project, the Vande Bharat in consortium with BHEL, and the wheel project in joint venture with Ramkrishna Forgings. Of course, the Letter of Award of these were received earlier but the final contract signing happened during this quarter. During the quarter, we also received the Letter of Award from Gujarat Metro for-- sorry, there is a static, if the call can be put on mute by the organizers, please?

The company received a Letter of Award from Gujarat Metro for 72 cars of Surat Metro, which is a major development, because this is the stainless-steel metro, and this is the first direct stainless-steel metro contract the company has won. As we had already shared in the past, the company is setting up the stainless-steel metro line for which the first contract which will be executed will be the Bangalore Metro contract in subcontract from CRRC. So, that gives us the capability to manufacture stainless steel lines, and this will be only a follow-through. In terms of the numbers, the numbers have already been shared. We've been able to deliver numbers that have been as per our expectations, and I would say that in the coming quarters, we would continue to develop on both Freight Rolling Stock and the Passenger Rolling

Stock, stock segment. With these opening comments, I am most happy to take questions along with my team, we'll try to answer them to the best of our ability. Thank you.

## **Q&A**

### **Moderator**

Thank you, sir. 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. Ladies and gentlemen, if we have any questions, please press \* and 1 on your telephone keypad. The first question comes from Bala Subramanian from Arihant capital. Please go ahead.

### **Bala Subramanian**

Good evening, sir. Thank you so much for the opportunity. Congratulations for a good set of numbers. Sir, my first question as per railway volume data, vetted 1,430 freight wagons in Q1 FY24, and how much total volume is expected by for FY24, and is there any seasonality in the execution in that freight wagon side? And, my second question, could you please share the total volume including railway volumes and private volumes break up with the realizations? That will be really helpful.

### **Umesh Chowdhary**

As far as the total requirements of the wagons from the railways and the private sector is concerned, we consider them as one bucket, because indirectly the private sector wagons also go back to the railway circuit. So, the total offtake of the railways is expected to be around 30,000 wagons per year, out of which 15-20% is going through the private purchase route and the balance is going to go through the railway's direct purchase. We believe that this momentum should continue.

As regards seasonality is concerned, traditionally, Q1 is a little slower because of various reasons. It's just traditionally been there. But now, the level of seasonality has come down quite substantially. In the earlier years, we would see that the Q1, because orders were normally earlier placed on a year-to-year basis, now orders are placed on a three-year basis. So, in the earlier years, orders in the Q1 were hardly available, as a result of which the Q1 used to be a poor one. But now, I would say that it will only be a marginal improvement apart from improvement in capacities and performances in going from Q1 to the other quarters.

**Bala Subramanian**

Okay sir. Sir, is there any possibility to share break-up for India railway volumes and private volumes with realizations?

**Umesh Chowdhary**

We do not give that data because these are competitive in nature, but I would only like to say that we still have a very healthy order book in the private sector segment also. We are perhaps the leaders in terms of order books in the private wagon space also in the country and of course the leader in the railway wagon orders also. In terms of realization, the price at which it is sold to the private sector is slightly higher, but then there is a higher risk because these orders are, a, smaller in quantity but more importantly fixed price in nature. But beyond that, specific details, we would, I mean, be unable to share at this time.

**Bala Subramanian**

Okay, sir. We have finalized a private wagon for INR 443 crores. Could you please share more details about these orders, which are the industries we are witnessing on this private sector side?

**Umesh Chowdhary**

Apologies. I didn't get your question.

**Bala Subramanian**

Sir, we have finalized private wagons INR 443 crores. So, like, which are the industries we are witnessing traction for these private wagons? Whether it is steel-

**Umesh Chowdhary**

All core sector of the industry, whether it is steel, whether it's mining, whether it's containers, logistics, so we always have that.

**Bala Subramanian**

Okay, sir. Sir, on that Passenger Rolling Stock side, like how much cars per month we're doing right now? Is there any ramp up plan we have next couple of months? And margins also have been slowed down on the Passenger Rolling Stock side. Is there any specific reason for that?

**Umesh Chowdhary**

The ramp-up plan, we are hardly utilizing. Our current capacity is about 20 cars per month, which we have announced that we will be ramping up to 70 cars per month. As of now the capacity utilization is very small. We are hardly doing maybe 20%, 25% capacity utilization. But we will be ramping up now going from Q2 onwards, the ramp up will be visible more in Q3 then, and then it will every quarter continue to increase. And the margins, right now since we are at very low level of capacity utilization, a couple of percentage of margins here and there is not really relevant because the denominator and the factor of the revenue itself is very small. So, in terms of a few areas of fixed costs going here or there or other costs going here and there, the margin of 1% or 2% changes in a quarter because of the base being so small.

**Bala Subramanian**

Okay, sir. Got it. Sir, my next question-

**Moderator**

Sorry to interrupt you, sir. Sir, could you please join back the queue for more questions, sir?

**Bala Subramanian**

Fair one. Thank you.

**Moderator**

Thank you, sir. I request the participants to restrict with two questions in the initial round and join back the queue for next question. Next question comes from Bhavin Chedda from Enam Holdings. Please go ahead.

**Bhavin Chedda**

Yes, good afternoon, sir. Congrats on very good set of numbers and continuous margin expansion. So, few questions on the order book. So, if I see the Passenger Rolling Stock order book, you have declared INR 13,612 crores and if I exclude [Inaudible 00:10:40]- Hello, can you hear me?

**Umesh Chowdhary**

Yes.

**Bhavin Chedda**

I was coming to the order books. So, Passenger Rolling Stock of order book of INR 13,612 crore includes Vande Bharat of INR 12,716 crores. So, if I exclude that, pure metro orders is INR 896 crores. So, this INR 896 crores break-up would be how much now? How much is Pune Metro pending and whether you have included the recently one Surat Metro also in this order? I just wanted a few clarifications on this balance INR 896 crores.

**Umesh Chowdhary**

I'm sorry, we will not be able to disclose contract-wise value. We can only give you segmental values which has already been given. The INR 857 crores value, but-- I mean, if you just look at the presentation, INR 857 crores value is of Surat Metro alone, plus we have the Bangalore Metro subcontracting of CRRC plus the Pune Metro. So, definitely, we have a larger than the amount that we just mentioned in terms of the contract.

**Bhavin Chedda**

No, sir. I was looking at your order book only. What I did was, excluded Vande Bharat, then the balance comes to INR 896 crore, and the Surat Metro one itself is INR 857 crores. So, if that INR 857 crores is included in INR 896 crores, that I wanted the clarification because-

**Umesh Chowdhary**

That's what, I just gave a clarification, sir, that the numbers that, whatever is the calculation that is being performed of exclusion of Vande Bharat et cetera, probably, there is an error in that calculation, because if the Surat Metro in itself is INR 857 crores, then obviously the others will be there, the Bangalore as well as the Pune. So, I would not be able to break down this INR 14,278 crores on the total order book for you contract-wise. But I would only like to state that the metro order is larger than the number that you just mentioned.

**Bhavin Chedda**

Okay, but the Surat is already included in the order. That's what I wanted to confirm. That's fine, okay. Again, on the private sector order, if I see the Indian Railways wagon offtake, there was substantial increase in wagon sales to the private sector in last two quarters and you have received new order of INR 443 crores also. So, you expect the last two quarters momentum to continue going forward in this fiscal? So, particularly this fiscal the sales to the private sector will also be substantially higher?

**Umesh Chowdhary**

So, the orders from the railways has been placed last year and those orders are for long term. They will continue till August 2025. So, definitely, we expect that the visibility is there, so, the momentum should continue.

**Bhavin Chedda**

Okay, thank you.

**Moderator**

Thank you. Next question comes from Akash Vora from Dalal and Brocha. Please go ahead.

**Akash Vora**

Yes. Hi, Sir. Great set of numbers in this quarter. So, my question comes more from an execution point of view. So, how do you are planning to execute in the metro orders in the coming quarters, I mean, so, what has been the production of coaches in this quarter and how will it shape up in the coming few quarters and let's say by next year as well?

**Umesh Chowdhary**

Sure. As far as the-- Thank you very much, firstly. As far as the execution is concerned, wagon, the Freight Rolling Stock is now stabilized at 650, 700 wagons per month, and we believe we will be able to take it to 1,000 wagons per month by the end of this year or within this financial year. As far as the Passenger Rolling Stock is concerned, we are still at a very low number. We are still at about, on an average if you look at it, it's about 20%, 25% of our current capacity utilization. But the challenge is only in the beginning, where to set up the lines and to stabilize production, there are many teething troubles. We are fairly confident that by third quarter and fourth quarter, we will be able to stabilize the Metro production also. The facilities are coming up very well both for Metro and for Vande Bharat.

**Akash Vora**

Got it, sir. So, just to clarify what you said, so, let's say 650 to 700 run rate of wagon production per month. So, you must have produced around, let's say 1,800 to somewhere between 2,000 wagons this quarter.

**Umesh Chowdhary**

That's right.



**Akash Vora**

Yes. So, but just-- I had one question. So, why in the Freight Rail segment is the total revenue falling, like dipping from our sequential basis, on a QoQ basis? Like, if we have ramped up on the production, then why is the total revenue falling?

**Umesh Chowdhary**

As I explained in the previous question, there is always, Q1 always tends to be a little softer than the other quarters in terms of offtake and in terms of production and all those things. Of course, the seasonality used to be much more profound in earlier years because order placements used to be delayed. Now, the seasonality is much lesser than before. But nevertheless, this first quarter to second or third or fourth quarter seasonality to some extent would always be there. So, I would not say that it's a fair comparison to see the growth only from Q1 of last year to Q1 of this year, but it will not be also an equal apple-to-apple comparison to compare Q4 of last year to Q1 of this year.

**Akash Vora**

Okay, sir, and that 20-25% capacity utilization that you said for passenger coach. So currently, our capacity for passenger coach sits at around 20 to 25 coaches per month. So, are you saying-- yes, so are you saying that we are producing around five to six coaches per month currently? Is it?

**Umesh Chowdhary**

That's right.

**Akash Vora**

Okay. And so, by what time do we plan to ramp this up to-- the capacity to be ramped up to 70 to 75 coaches?

**Umesh Chowdhary**

So, the complete capacity utilization will come in another one year, but we will ramp up from Q2 itself. We will start the ramp-up in the next--

**Akash Vora**

So, let's say by the end of this year, we'll be at 20 to 25 coaches per month car rate.

**Umesh Chowdhary**

Yes, we should be able to get to [Inaudible 17:55]. Yes.

**Akash Vora**

And, eventually, our target is to reach that 75 per month, right?

**Umesh Chowdhary**

That 70 cars per month, that will be when we start Vande Bharat in full swing. So, that is going to take at least another two-and-half, three years.

**Akash Vora**

Got it. And this year for the Metro we are planning to execute these two orders Pune and the Bangalore one, right?

**Umesh Chowdhary**

Yes, part of that. So, there is a schedule for all the contracts, and we are going to be pretty much as per the schedule.

**Akash Vora**

Okay. Just last question from my side. So, Pune Metro will be done this year itself. If I am not wrong.

**Umesh Chowdhary**

That's right.

**Akash Vora**

And the Bangalore Metro will be like how much percentage? Ideally will be completed by this end of year?

**Umesh Chowdhary**

We will be doing it as per the contractual term. We started this year, and we'll be finishing it over the next year or maybe a little bit to the following year.

**Ashok Vora**

Okay. So, it's almost 30 months total execution?

**Umesh Chowdhary**

I will not be able to give the exact number of months, but I will say that there is a contractual delivery period based on which we will be pretty much on track.

**Ashok Vora**

No problem, sir. Thanks a lot.

**Umesh Chowdhary**

Thank you.

**Moderator**

Thank you. Next question comes from Ashwani Sharma from ICICI Securities Limited. Please go ahead.

**Ashwani Sharma**

Yes, good afternoon, sir, and congratulations for the strong performance. Sir, my first question is on the tender pipeline, in the Vande Bharat. How's the tender pipeline looking like now? And the second question is on the opportunities that you see on the traction motor side. Yes.

**Umesh Chowdhary**

So, as far as the Vande Bharat is concerned, whatever one reads from the media, so there is announcement for additional Vande Bharat, the Vande metro, and all of that. So, of course, now we have the existing order which we are focusing on executing, but we believe that there will be a very healthy pipeline as I always believe that Vande Bharat is a symbol of aspirational India and of new India. So, there should be the transformation from the old coaches to the Vande Bharat coaches. So, we feel that there should be adequate business in the future. As of now, of course, we have these 80 trains to produce. So that in itself is a hand full. We will be concentrating on executing that.

As regards the traction motor is concerned, I think that's another important event that happened in the last quarter that trial period for the first set of traction motors that we had supplied to the railways was over, and we've been able to start the limited series supply. There are three phases of supplies for traction motors, the first is the prototype, the second is the limited series and the third is the bulk. So, we are

graduated from the prototype to the limited series supplies, and it's a matter of time that we will be able to graduate to the bulk supplies. The capacity that we have created for traction motors is about 180 traction motors per month, and we believe that the demand is enough to be able to manufacture as per capacity.

**Ashwani Sharma**

Is it possible to put a number to in, or just to do the modelling as far as overall demand is concerned in the industry?

**Umesh Chowdhary**

So, the traction motors are required in different things; locomotive, EMU, Vande Bharat, Metro. So, each locomotive requires eight traction motors, then each metro coach is required. So, if there are replacement demands, so, I would not be able to, for lack of, I would say ready reference or ready reckoning answer, be able to give you complete market size, but in terms of the overall demand perception and that overall demand visibility, there seems to be enough demand, and we will also be producing a lot of traction motor for our own consumption in our own coaches.

**Ashwani Sharma**

Right. So, also, if we can just speak on Metro, Metro ordering, Metro tendering, how is the tender pipeline looking like?

**Umesh Chowdhary**

Very strong. There are already many tenders in the pipeline. There is the Chennai Metro, there are Mumbai Metro. So, there should be other metros also coming up. Metro, a lot of metro projects have already been announced and have already been taken up. Rolling Stock is always the last end of the spectrum. So, now that a number of civil infrastructure work has already started, the Rolling Stock tenders are the next to follow.

**Ashwani Sharma**

Sir, what was the wagon volume during the quarter?

**Umesh Chowdhary**

We've been able to produce around 600 to-- 650 to 700 wagons per month and that run rate we are maintaining.

**Ashwani Sharma**

Okay, yes, that's all from my side, sir. All the best.

**Moderator**

Thank you. Next question comes from Srinidhi Karlekar from HSBC. Please go ahead.

**Srinidhi Karlekar**

Yes. Hi, thank you for the opportunity, and congratulations on good set of numbers. Sir, couple of questions on the payment terms and the price variation clause in your Metro business. Can you help us understand how does it compare with your freight business as in both receivable day cycle as well as how comprehensive is the price variation clause in your order?

**Umesh Chowdhary**

Sure, sir. So, as far as the Metro orders are concerned, some of them have a price variation. Some of them are fixed costs. It's not a standard kind of a formula that is followed across the Metro corporations. As regard payment terms are concerned, Metro corporations normally give an advance varying between 10% and 20%, and the balance is paid on supply of the metro coaches. Normally the Metro tenders are funded through multilateral funding agencies or through the government equity funding, and therefore payments for the supplies can be expected in a period of three to six weeks of the supply.

**Srinidhi Karlekar**

Yes, and do these contracts, sir, have a milestones or it is like shipments on car basis? Like if you ship a set of coaches, you will get the payment or you need to complete it like it's 20%, 40%, 80%. Do they have like milestones?

**Umesh Chowdhary**

No, it's on a per-car basis.

**Srinidhi Karlekar**

Okay, fair enough. And second, sir, on this incremental order you won from the private wagon market. Would it be fair to say that they have come at significantly better pricing as well as payment terms?

**Umesh Chowdhary**

So, we would not be able to say better or worse pricing. We would say that they have come at market pricing and normally market pricing is a factor of risk and reward. So, each contract is dealt by us and priced by us on the merits of that particular contract. So, we would not be able to speak on a contract-by-contract basis as you can appreciate, but they are pretty much in line with market pricing.

**Srinidhi Karlekar**

And last one, sir, if I may. Would it be possible to comment on Firema's performance this quarter and how is it likely to be outlook for the rest of the financial year?

**Umesh Chowdhary**

Firema results are no longer consolidated as it is on the equity accounting method. And the company is no longer a subsidiary of Titagarh Rail systems. But Firema performance has been picking up. I mean, I can only share that much that the ramp up of production is happening. But to give detailed numbers at this point of time may not be possible.

**Srinidhi Karlekar**

Fair enough. Thank you for answering my questions, and all the best.

**Umesh Chowdhary**

Thank you.

**Moderator**

Thank you. Next question comes from Parvez Qazi from Nuvama. Please go ahead.

**Parvez Qazi**

Hi, good afternoon, and thanks for taking my question. Congratulations for a great set of numbers. My question is regarding the propulsion system while you did comment on the traction motor part. But just wanted to get your views on propulsion system and how do we see our development trajectory there?

**Umesh Chowdhary**

So, propulsion system is going to be a very important part of our strategy. It is a long station development. So, to be able to be fully in the propulsion business is going to take at least another two years for us. But

this is going to be a very important part of our strategy going forward and we are focusing a lot on the propulsion business.

**Parvez Qazi**

Sure. And media reports do say that we expect, I mean, Indian Railways is likely to come up with significantly large wagon going ahead. Just wanted to get your views on that.

**Umesh Chowdhary**

So, as far as the media reports are concerned, we have also seen that, but we would not like to comment on media report. All we can say that whether the tenders come out month, year or four months there, it doesn't really make a difference because the overall demand is very healthy, and as of now we already have order books single proof for the next couple of years. So, the tender pipeline, or the demand pipeline, I would say looks very healthy. So, the tender pipeline will have to follow the demand pipeline.

**Parvez Qazi**

Thanks for taking my questions, and all the best for the future.

**Umesh Chowdhary**

Thank you, sir.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. Next question comes from Jay Bathija from JV Investments. Please go ahead.

**Jay Bathija**

Good evening, sir. I have a question regarding the margin point of view. How do we expect the margins to be maintained overall in a period of years from like two, three years from now?

**Umesh Chowdhary**

Thank you. Good afternoon, sir. The Margins, as I've always mentioned that, in our business, a sustainable level of margin for EBITDA is between 8% to 10%. Let us say, with the volume that we have been able to achieve, we would be targeting to keep at least 10%. The current quarter has been better margins. But the margin assessment on a QoQ basis may not be very relevant in our business. It's a capital goods sector. Most of our contracts are backed with price variation clauses, and the way the commodity price and

wholesale price index goes, it is not completely on a day-by-day tandem, but sometimes can take a month or two months to catch up. Then, also the difference in terms of the customer profile and the contract executed changes the quarter-by-quarter margin.

So, as a guidance, I would still say that 10% EBITDA margin is a fair EBITDA margin to, kind of model over a period of say six, eight quarter. As far as the improvement of margin that is likely to take place will take place once we are fully done with our component business which is an important part of our strategy, that includes the propulsion and other components that we are trying to develop for backward integration.

**Jay Bathija**

Okay. Thanks a lot. That's all from my side.

**Moderator**

Thank you. Next question comes from Pankaj Gupta from Ratnabali Investments. Please go ahead.

**Pankaj Gupta**

Congratulations sir, for the excellent set of numbers and historic order well. Sir, I have a couple of questions. Sir, can you just give us any status on the progress of the wheel factory? Have we identified any locations or when are we planning to start and finish this factory capacity?

**Umesh Chowdhary**

Sure. Good afternoon. The wheel production as per the contracts that we have signed has to start in three years from the signing of the contract, which means by 2026 April or May, and we are pretty much on track to be able to achieve that or even better that timeline slightly. In terms of the location, in terms of the details as and when things are finalized, they would be announced to the market and we would definitely be sharing at an appropriate time.

**Pankaj Gupta**

Okay. Sir, and one more thing. Sir, is there any difference in the wagon design or structures for the dedicated freight corridor, the double stack and normal, or is the same wagon is being used?



**Umesh Chowdhary**

Again, it depends on a wagon-to-wagon basis. There are different types of wagons. Many of the wagons are common, some of the wagons are special. But there is nothing fundamentally different in the wagon design. They are by and large the same. Our company is doing all the designs of wagon.

**Pankaj Gupta**

Okay. And sir, last question from my side. Sir, there are some media article regarding two tenders of Vande Bharat, 100 times each being more floated maybe on the aluminum side. Are we in those tenders also?

**Umesh Chowdhary**

The new tenders are you saying that the new tenders will be floated?

**Pankaj Gupta**

So, sir, media article says about it, we have seen-

**Umesh Chowdhary**

So, I am not sure about the media articles that you are referring to, but, if you're talking about new tenders that will be floated, definitely we will evaluate and we will decide based on the merits of the tender and our suitability for the product. As regards the earlier tender, one of the major tenders that was floated, we have already got the contract. The other one which was an aluminum one that was floated, we did not participate in that.

**Pankaj Gupta**

Okay, sir. Thank you, sir. Thank you.

**Moderator**

Thank you. Next question comes from Siddharth Purohit from InvesQ Investment Advisors Private Limited. Please go ahead.

**Siddharth Purohit**

Yes. Hi, sir. Sir, just one data point. In the recent quarters and years, particularly the number of wagons procured has gone up. Sir, any data points and like what percentage is going for replacing the old wagons and what is the actual addition to the fleet of wagons by the railway?

**Umesh Chowdhary**

Good afternoon. No, sir. There is no way to figure that out because it is like an ocean of wagons out there. So, you cannot really calculate what wagons has gone for replacement and what for additional traffic, because it all gets into the common pool.

**Siddharth Purohit**

Okay. And sir, with regards to the new contract that we received for Vande Bharat, we are supposed to start the contract in a specific time period and deliver it. Is there any clause where or any penalty clauses there if there is a substantial delay in delivery from our side? Or how is it?

**Umesh Chowdhary**

Every government contract has the delivery period and consequential damages and penalties in the event of delays. So, this is not for Vande Bharat alone, but every single contract that we have has similar clause.

**Siddharth Purohit**

Okay, sir. Okay. Thank you.

**Moderator**

Thank you. Next question comes from Manish Maheshwari from Manu family office. Please go ahead.

**Manish Maheshwari**

Hello. Sir, I would like to understand how are you going to scale your passenger rail system business because your mainstream business is set rail systems, right?

**Umesh Chowdhary**

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

**Manish Maheshwari**

I'm saying, how are you going to scale your passenger rail system business? Passenger rail system is about INR 13,600 crores order book, right?

**Umesh Chowdhary**

That's right.

**Manish Maheshwari**

So, how are you going to scale this business because you are extremely gung-ho on this particular business and you are envisaging that the next leg of growth is going to come from this particular business. I heard you talking about this in the media channel today morning.

**Umesh Chowdhary**

That's right. So, I didn't get your question, sir.

**Manish Maheshwari**

So, how are you going to scale it?

**Umesh Chowdhary**

No, I mean, how am I-- so, I have mentioned that we are putting up the facility. We already have a capacity to make 20 cars a month, which we are enhancing. So, we started delivering the Pune Metro. We will start delivering Bangalore Metro et cetera. And we are further adding on to capacity to get the 70 cars per month. So, that is the way we will scale it up.

**Manish Maheshwari**

And this INR 13,600 crores order book that you're carrying as on in your books right now. What is the timeline for the execution of the order?

**Umesh Chowdhary**

Different orders have different timelines for execution. The Vande Bharat execution is over the first prototype in two years and then four-and-a-half years for supplies, then there is 35 years of maintenance. Surat, that we have already announced in the markets, the deliveries in about 170 weeks, if my memory serves me correct or subject to correction. So, there are different contracts having a different delivery period and that is how our capacity utilization is being planned.

**Manish Maheshwari**

So, what is the capacity utilization in Passenger right now?

**Umesh Chowdhary**

As I mentioned a few minutes ago, right now, we are in the initial stage, at the beginning stage. So, we are at about 20% capacity utilization of the current capacity. On one side we are adding the capacity, on the other side we are using or we are increasing the capacity utilization.

**Manish Maheshwari**

No, I heard you saying that the capacity utilization would increase from Q2 and Q3. I mean, Q2 and during Q3-

**Umesh Chowdhary**

Every quarter we will increase. Every quarter subsequent we will be improving upon the capacity utilization, sir, and we will be able to reach our capacity up to the current storage capacity of 20 cars a month by end of this year or beginning of the coming year.

**Manish Maheshwar**

20 cars a month by end of this year?

**Umesh Chowdhary**

Yes. Yes, please.

**Manish Maheshwar**

And your-- I mean, the current contribution from your Passenger business is about 18%, 19% of the total top line, right?

**Management Speaker**

Yes, it's 18-19% as of the current quarter.

**Manish Maheshwar**

Can you give us some, I mean, can you-- is there any guidance that you can give us in terms of-

**Umesh Chowdhary**

We don't give any guidance as a matter of policy, but we've already disclosed the capacity and our plans with the presentation and also in the remarks. But as far as the future numbers are concerned, the policy we will not give any guidance as of now.

**Manish Maheshwar**

So, you said that the current capacity is about 20-25% and you hope to reach about 20 cars a month by the end of this particular calendar year. So, what is it that you are-

**Umesh Chowdhary**

Sorry, Sir. This particular financial year.

**Manish Maheshwar**

This particular financial year. Got it. So now, I mean, at this juncture, what is the capacity that we are producing right now?

**Umesh Chowdhary**

I already mentioned to you sir, 20-25%.

**Manish Maheshwar**

Okay, fine. Alright. Okay. Thank you. Thank you so much.

**Moderator**

Thank you. Next question comes from Kunal Sheth from B and K Securities. Please go ahead.

**Kunal Sheth**

Yes. Hi, sir. Congratulations on a great set of numbers. Sir, am I audible, sir?

**Umesh Chowdhary**

Yes, absolutely Kunal. Please go ahead. Good afternoon.

**Kunal Sheth**

Yes. Sir, my first question was relating to gross margin. We've seen some dip in gross margins this quarter. So, is it more related to mix or anything that we can talk about?

**Umesh Chowdhary**

It is relating to mix and also the, as I mentioned Kunal, about the price variation. The commodity prices have been soft in the first quarter, whereas the PVC always follows. So, quarter-by-quarter margin assessment is probably not going to be very relevant in our sector. But, this trend might continue for a couple of quarters or three quarters, but when we look at overall 8 to 12 quarter a period or two-to-three-year period margins are about 10%.

**Kunal Sheth**

Yes, sir. That is for the segment. I was more talking about the gross margin. So, okay, it could be probably mix of these two things, sure. Sir, in the Passenger car segments, sir, and this is slightly medium-term-ish. You did mentioned that we are currently running at 20-25% utilization. So, once we, probably by the end of this year, start of next year, reach 20 cars per month kind of a target. Would it be fair to assume that the margins will meaningfully scale up? And probably there are two levers to margin one is scale and another is the equipment strategy that you have in terms of propulsion systems and traction motors. So, would you believe that large part of the margin uptake will come post the equipment strategy or leverage will also pay equally important part?

**Umesh Chowdhary**

So, as far as the normalization of the margin, as you can see that the margin, I just mentioned, that the normal margin for our business is about 10% of an EBITDA. Now, the margins are much lesser than 10%, that is primarily on account of the volumes. Once we are able to reach the normal volumes, we should be able to beat 8-10% of EBITDA levels. And in order to go to a higher EBITDA level, which the passenger rail system business can give us, that is going to come through the strategy of the components. So, once we are able to develop backward integrate into more of components, whether it is propulsion, traction motors or others, that is going to enhance the margin because the wallet share of the train in terms of the make or buy will increase.

**Kunal Sheth**

Sure. So, thank you so much sir and best of luck for future quarters.

**Umesh Chowdhary**

Thank you, sir.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions please press \* and 1 on your telephone keypad. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Next question comes from Mayank Bhandari from SBI Capital Securities. Please go ahead. I'm sorry Sir. He has withdrawn his questions. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Next question comes from Rahul Maheshwary from Ambit Asset Management. Please go ahead.

**Rahul Maheshwary**

Good evening. Am I audible?

**Umesh Chowdhary**

Yes, you are. Please.

**Rahul Maheshwary**

Thank you so much for the opportunity and congratulations for good set of numbers. Just one question in the current quarter, as you have highlighted in your presentation that you have signed the order for the forged wheels order. Apart from the Freight Rolling Stocks and Passenger Rolling Stocks, what else opportunity in next two, three years the company can tap like they have tapped for the forged wheels? Any big opportunity size, if you can highlight that would be very helpful.

**Umesh Chowdhary**

So, there are several opportunities in relation to the forged wheels. Today we are importing wheels for the, to be used for the Passenger segment, and also for the private wagons as well, we are importing these. So, there is in fact this initiative which has been taken by the Indian Railways to have like an Atmanirbhar wheel set factory in India. So, being a net importer, we are planning to be net exporter. So, even the factory that we are planning to put up is for in the capacity which is much more than the mandatory offtake that is required by the Indian Railway. So, I believe there's going to be a huge export opportunity that we foresee from this particular opportunity that we have.

**Rahul Maheshwary**

How big is the size, for forged wheels market currently, what we are importing currently and we are expecting to export?

**Management Team**

As per the media reports, the current import of wheels in the last year was about INR 500-odd-crores in India. In terms of the total size of the project that we are setting up, the potential revenue is going to be approximately INR 2000 crores per year. And we believe that because forged wheel is something which is used all over the world primarily in the passenger train, for sure, but also in the freight train in Europe et cetera. The cast wheel which is the other technology is not prevalent in many countries except for America, China, slightly in China and slightly in India. So, we believe that the forged wheel market is going to grow and there should not be demand challenge to cover up this capacity of 200,000 wheels, which is ballpark of INR 2,000 crores a year.

**Rahul Maheshwary**

And apart from the wheels what other components the company can tap into by following the government's larger program flagship scheme of Atmanirbhar Bharat, when we look at in terms of wheels, wagons et cetera, what else are the opportunity is in the pipeline, which you can look for?

**Umesh Chowdhary**

So, we can, we are always in the lookout and evaluating new options for enhancing our product offering as we call ourselves Titagarh Rail Systems. So, whatever is in the rail system arena is something we evaluate. In terms of disclosing them, we would definitely disclose them once they are mature and ready. But the work in progress for evaluation is something that we continuously do on our ongoing basis.

**Rahul Maheshwary**

Thank you so much. Thank you.

**Moderator**

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



## **Umesh Chowdhary**

So, I would like to-- so I think this quarter has been very good in terms of the performance. The numbers are as it is where we have seen. And the questions that has been raised by all the participants were very insightful and we take note of some of the suggestions also which has been given by the analysts and investors. So, we look forward for the good set of numbers going forward as well. And with this, we close the earnings call. Thank you so much.

## **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.

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