



“Titagarh Rail Systems Limited  
Q3 FY '26 Earnings Conference Call”

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**MODERATOR:** **MS. PRACHI AMBRE – MUFG INTIME**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Titagarh Rail Systems Limited Q3 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prachi Ambre from MUFG Intime Investor Relations team. Thank you, and over to you, ma'am.

**Prachi Ambre:** Thank you, Anushka. On behalf of Titagarh Rail Systems Limited, I extend a very warm welcome to all the participants on Q3 and 9 months FY '26 financial results discussion call. Today on the call, we have Mr. Umesh Chowdhary, Vice Chairman and Managing Director; Mr. Anil Agarwal, Deputy Managing Director; Mr. Prithish Chowdhary, Deputy Managing Director; and Mr. Saurav Singhanian, Chief Financial Officer, to provide the operational and financial insights.

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

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

**Umesh Chowdhary:** Thank you, Prachi, and very good afternoon, everybody, and thank you for joining the Q3 FY '26 Earnings Call. Before I get into the questions, which I'd be very happy to answer along with my team, I would just like to give you certain perspective highlights of the quarter. The quarter in terms of the 2 businesses of the company, the Freight Rail Systems and the Passenger Rail Systems.

The Freight Rail Systems, if you see on a year-on-year basis, as the overall revenue has been muted from INR800 crores to around INR600-odd crores has been the overall revenue for the Freight Rail Systems. This was primarily because of the wheel set problem that was sorted out, but has been a little bit of a seesaw in the sense in the last month of the quarter, again, there was a problem of the wheel set. So overall industry production has been impacted...

**Moderator:** It seems like the line for the management has been disconnected. Please stay connected till I rejoin the management. Thank you for waiting patiently, the management's line has been connected. Sir, you may proceed.

**Umesh Chowdhary:** My deep apologies, the line got disconnected. So I was mentioning about the overall situation on the Freight Rail Systems. In the Q3, again, there was a little bit of a seesaw on the wheel set and supply chain of the freight business. Overall industry performance has been impacted, and we were no exceptions.

There was a type-wise mismatch between the 840 dia wheel and the 1,000 dia wheel between production and requirement of the industry. Of course, it has again normalized from the current quarter, but this is a bit of a seesaw which is going on.

And we see that going forward, by March, we are expecting to start trial production of our joint venture for the wheel sets. And maybe in another quarter or so or a couple of quarters, our internal wheel sets is going to get fully available to us. So we should not have problems on wheel sets.

But having said that, now the wheel set production has again normalized. And for the private wagon, we have also started importing some of the wheel sets. So we should be able to recover to an extent the lost production of the last quarter.

The silver lining for the quarter has been that the Passenger Rail Systems, which constitutes on a standalone basis at almost 75%-plus of our order book has shown a huge jump. We have grown our revenue from INR40-odd crores to INR160-odd crores. And the EBITDA has also jumped from about less than INR5 crores to about INR22 crores, which is very reflective of our strategy of growing the passenger business. We are continuing to ensure that we stabilize and grow this business.

And going forward, maybe in about a year or 2 years' time, we clearly see that the passenger business will be the dominating part dominant part of our overall business between the two , which is the passenger and the rail and which is quite well supported not only by the order book, but also the tailwind in the industry.

Some of the highlights of the quarter, we were able to flag off the first train for Ahmedabad Metro by the Honourable Chief Minister of Gujarat, who visited our plant to flag off this rake, very well received.

Now the series production of Ahmedabad Metro has started. The other highlight of the quarter is we have been awarded the wagon leasing license. So this will further strengthen our presence in the private sector wagon market. So we'll be able to offer wagons on lease to some of the important customers.

This also would mean that we would be able to make an entry into the wagon maintenance market which effectively would be, as we understand based on our interactions and based on the reports that will be initially open for the private wagons, which are offered on lease or owned by the private customers. So in this case, through the leasing license, we will be able to own and maintain the wagons as well.

The demerger of the shipbuilding business has been completed, and we have we had already announced the order that we received for the Coastal Research Vessel. But that business is picking up very well, and we expect that although it's a 100% subsidiary now, but that business is going to pick up very well, and there is a lot of tailwind available in that business.

And the first propulsion set for EMU has also been approved by RDSO and the company has an order book of about close to INR500 crores on propulsion, and this also is going to start kicking in into the revenue from FY '27 onwards.

The other highlight that I would be happy to share is the agreement that we signed with ABB. As we had reported a couple of years ago, we had signed an agreement with ABB to get the transfer of technology for the 750 kVA TCMS system, which has been used in the Gujarat Metro. This agreement further expands and gives us the transfer of technology for the 25 kVA.

There are only 2 type of metros that operate in India, which will complete our ownership range of the TCMS. So this is another very important building block in our overall business, which we are being able to complete. So that the idea is that on the Passenger Rail Systems business, like we did in the past for the Freight Rail Systems business, we should be very integrated.

We should have a complete grip over the value chain right from the critical components up to the service. So this gives us a big leverage on having a grip over the value chain. This also includes that we will be producing some of the traction motors and traction converters in our own plant.

We already have the production setup where we are producing the traction motors for the locomotives and also for the EMUs, which I mentioned a little while ago, but this will also have a transfer of manufacturing from ABB for their production standards and production technologies for the traction converter and traction motor for the metro business.

The last but not the least is that the aluminium metro line is being established. The project is already on way, and we should be able to complete it by Q2 of FY '27. This line will then earlier, we used to get flat packs or subassemblies from Europe and then do the final metro coach manufacturing assembly in India.

But this again will give us a backward integration, and we'll be able to manufacture end-to-end aluminium metro coaches right from the raw material or extrusions upwards to the complete metro coach. This would also enable us to make car bodies and the coaches for aluminium coaches for high-speed or semi high-speed trains, and we are preparing ourselves for the massive investment that the Government of India has announced under the high-speed network. And the idea is to also use this line to further expand and progress ourselves to be able to do high-speed trains in the future.

So this is overall picture, and then I'm happy to take any questions that may be there. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. We take the first question from the line of Balasubramanian from Arihant Capital Markets Limited. Please go ahead.

**Balasubramanian:**

Sir, my first question, in passenger coaches side, we have seen significant improvement on the execution side. In this quarter, we did nearly 18 metro cars compared to last Q3 around 3 metro

cars. Overall, in this 9 months FY '26, we did 39 metro cars, but we have guided 100 to 120 metro cars as our aspirational target by FY '26?

So I'm trying to understand whether in Q4, we can make it 20, 25 additional metros, we can end up 60, 65 kind of range. And if you could share more details because we are running multiple projects, running concurrently, especially Pune aluminium, Gujarat, Mumbai, Bangalore and Vande Bharat. So could you please share a detailed time line of the production ramp-up of each major program?

**Umesh Chowdhary:**

Sure, absolutely. Thank you for your question. Now let me explain this to you that the target that we had set for ourselves this quarter this year was between 100 to 120 cars. And there is a significant improvement that we have made, as you have already noted.

And we may not be able to get to 100 or 120, but we'll be pretty close to that, which in itself will be a very can I request to go on mute, please, because I'm listening to myself. Yes. There will be a significant improvement that we will see in the Q4. We have already started ramping up. In January, we were much higher than what we were in December, and we are looking at continuing the trend in February and March as well.

As far as the Pune is concerned, Pune is an aluminium metro coach. And as I mentioned that the production of that will start only after completion of the project or the line that we are setting up for the aluminium coach, which will be somewhere in Q3 of this the car body production will start in Q3 or Q4 of this financial year of the coming financial year.

And Vande Bharat production has already started. We expect by the end of this financial year, that is March 2026, to be able to complete the car bodies of the first rake, which is 16 cars. We are already in production, which will be again a milestone. And the first train is likely to be ready in the Q3 of this financial of the coming financial year, I'm sorry.

**Balsubramanian:**

Sir, the Gujarat, Mumbai and Bangalore, that update?

**Umesh Chowdhary:**

Bangalore is continuously being executed, and Gujarat now has started execution. And Mumbai will start execution from Q3 of the next financial year.

**Balsubramanian:**

Okay, sir. Sir, my next question, I think we have received approval for wagon leasing company. So I'm trying to understand like what is the initial fleet size target? And what is the expected leasing yield on wagons under this scheme? And whether this will be the asset-heavy model requiring significant debt funding? Or is there any different capital structure? And like how do you look at in this business in terms of revenue and margins over the next 3 to 5 years?

**Umesh Chowdhary:**

So this is a business which will be a part of our existing company itself. And we are looking at this as expanding our offering to the customer. Primary business would continue to remain sale of or offering of wagons. This is only an enabler to increase our market share in the private sector wagon business.

As far as the other details that you have mentioned, this will be blended along with our overall margin, and we'll not be looking at it as a separate business in the sense of buying wagons and then leasing them. This is only an extension for our own product offering and maybe a stronger bridge between us and our potential customers existing and potential customers.

**Balasubramanian:** Okay, sir. Sir, my last question, defence and bridges order book nearly INR38 crores. So I'm trying to understand what kind of order book is this? And like how do you take this business over the next 3 to 5 years, whether we have opportunities of INR500-plus crores kind of revenue maybe next 3 to 5 years? What kind of opportunity size we have? And secondly, Titagarh Naval Systems Limited, are you planning to list separately once it reaches on sizable scale?

**Umesh Chowdhary:** As far as the defence is concerned, we have already announced that this is something which is under evaluation of a Board committee. And we will then, at an appropriate stage, once the Board has decided on the way forward, we would definitely announce that to the market. And for the Titagarh Naval Systems, also we had already I had already mentioned in the interactions over media and otherwise, we are going to build this business.

And yes, the idea would be to separately list this company at an appropriate stage. When that will happen, the timing is something which is not yet clear, but we will definitely build the business before we take that step.

**Balasubramanian:** Sir, you can also elaborate more specific opportunities on Defence and Bridges segment side?

**Umesh Chowdhary:** I already mentioned, sir, that we it is a Board-level committee, which has been constituted. And once the deliberation is finalized and once we have a clear approval of the Board, we will definitely announce that to the market.

**Moderator:** We take the next question from the line of Aniket Madhwani from Steptrade Capital.

**Aniket Madhwani:** So my question was with regards to the new facility for components. So when it will be commissioned and in the line for backward integration you are planning?

**Umesh Chowdhary:** So it is already going on, sir, both the expansion in terms of the aluminium that I mentioned, the backward integration for all the car body components and also the test track, which is going to be a big game changer for us, even for our ambitions to get into the high speed or the bullet train segment, the 1.6 kilometre test track. So all of that work is going on at full pace, and we expect all of these projects to be completed in the first half of the next financial year.

**Aniket Madhwani:** First half of the next financial year. Okay. And the orders from Vande Bharat will contribute from next financial year or you're expecting some of these to start by this quarter?

**Umesh Chowdhary:** No. Some of them the dispatches will start only next financial year, but the production has already started. As I mentioned, that we would have completed the car bodies almost completed the entire car bodies for the first rake within this financial year. So to that extent, being a percentage of completion accounting, some revenue will likely flow in this quarter as well in this year itself also.

**Aniket Madhwani:** And as you mentioned, the bills shortages are now normalized. So can we expect to see a significant jump in top line as well as bottom line considering the low base effect due to these separately?

**Umesh Chowdhary:** So we would not like to give a forward-looking statement. But definitely, you see the capacity of the wagon as far as Freight Rail Systems is concerned. The company is not limited by capacity. We have proven ourselves to and we have set the backward facility also, the foundry facility to be able to produce 1,000 wagons a month. The only constraining factor is the wheel set. And of course, then now we are hoping that the future orders or future tenders come in, which we hope should come out in the early part of next financial year.

I had mentioned that we are having workload till about first half of the next financial year. But beyond that, we are hoping the new tenders to come in. And on the new tenders, I may I'm sure that this question would also come up, so maybe I'll answer it in advance. The railways target of achieving the 3 billion tons of freight loading by 2030 remains intact. And so does the target of attaining 40% market share in the overall logistics of the country, which is currently about 25%, 26%.

So while there may be some blips in the requirement over 1 or 2 quarters, but on the midterm basis, I would say that the demand for wagons, we do not see them to become a challenge. And we are fully ready to be able to cater to that demand at the rate of 1,000 wagons if there is enough business in the market.

The growth in terms of the ramp-up will really start coming in from the Passenger segment, which has already started seeing a ramp-up, but we will now next year, FY '27 and FY '28 are going to be the defining years wherein the real ramp-up of the Passenger Rail Systems is going to happen, both in terms of the Metro segment, in the Vande Bharat segment as well as in the Propulsion segment.

**Aniket Madhwani:** What's your current order book?

**Umesh Chowdhary:** It is there in the presentation, yes.

**Moderator:** Mr. Aniket, I would request you to join back the queue as there are several participants waiting for their turn.

**Aniket Madhwani:** Sure.

**Moderator:** We take the next question from the line of Anand Kulkarni from Front Wave Research.

**Anand Kulkarni:** I have a couple of questions. First, how much is the backlog of CRRC, the Bangalore Metro? And when are we expecting it to be clear? Do we see any spill over in FY '28? That's my first. And second, what is your current production run rate for metros specifically?

**Umesh Chowdhary:** So the backlog of CRRC is likely to be over in FY '27. At most, if it does, then it may be spilling over to the first month or first 1.5 months of the FY '28. But bulk of it will be over in FY '27. As far as the run rate of metro is concerned, we just spoke about it that last quarter, we improved.

And this quarter, we are further likely to improve. Our target is to get to 20 cars per month, which is what we will get within the next few months.

So it is a process. It is a new business line, which we are ramping up. And there are always teething troubles that are there when you go for such a steep ramp-up. Most of them, we have been able to overcome. And the result is already in front of us that the ramp-up is already visible, and we will continue to pursue this ramp-up and get to 20 cars per month within the next few months.

**Moderator:** The next question is from the line of Viren Sameer Deshpande from Alphapeak Investments.

**Viren Deshpande:** Sir, the execution has improved to some extent with the availability of the wheel set. And last time, you had mentioned that the imports have been permitted. So still, are we not in a position to execute to the fullest extent?

**Umesh Chowdhary:** So import of wheel set takes a little bit of time once we get the orders, and this is only permitted for the NRC or the private sector wagon requirement, not for the wagons that we produce for the Indian Railways. So therefore, the even when we start import process, from the day we place the order till the time we receive the wheels and we are able to use, it takes between 4 to 5 months. So that's the reason we were unable to ramp up the production to the desired level.

But right now, till we receive the new tenders to be able to produce around about 800 wagons is what we are targeting per month, and we should be able to get there. As I said, this was an unexpected blip that we faced from the rail wheel factory. The production had normalized, but then again, there were some problems. But this is a very short-lived one.

**Viren Deshpande:** But our production in the joint venture is expected to start from the next year Q1?

**Umesh Chowdhary:** Yes. The trial production is expected to start by March or April and then stabilize in another couple of quarters.

**Viren Deshpande:** So it may be after Q2?

**Umesh Chowdhary:** It's premature to say. As I said, the trial production will start now and then to stabilize whatever time it takes. So it generally takes anything between it can happen in anything between 1 to 2 quarters.

**Viren Deshpande:** And regarding this Titagarh Firema joint venture, where they held about 41% stake. And I think the balance 59% was held by Titagarh, can you explain what is the situation now?

**Umesh Chowdhary:** So our share Titagarh's share in Firema was minority. It was not 50 or whatever percent you were mentioning, sir. It was a minority shareholding and then there were other partners also in this. As far as the what we have already reported, the company had run into difficulties.

And as there were two objectives of investing into Firema. One was to set up our business in India for the Passenger Rail Systems. And as you can very clearly see, that has met with thumping success. We have an order book of INR11,000 crores directly and about another

INR7,000 crores indirectly through our joint venture with BHEL that is all in the passenger segment. So that has paid very rich dividends.

The second one was to produce in Europe for Europe. That unfortunately could not succeed and the company continued to make losses. And considering the opportunities available in India and the difficulties prevalent in Europe, we had decided not to take further exposure. And therefore, now the company the Italian State Railways have made an offer to buy out that company, and that is a deal which is under progress.

So once it is done, then we will be able to ascertain exactly what will be the status of the losses. But mostly, the entire worst-case scenario or the losses that can happen to the company have been disclosed in our results. And most of it is noncash. So the cash is already spent. It does not impact if I may just complete, it does not impact our business in India. So therefore, it is not so much synergistic anymore. Yes, please go ahead, sir.

**Viren Deshpande:** Actually, when I saw the balance sheet of 31st March '25, it shows that the net worth of the company was some INR158-odd crores. And maybe in these 9 months, whatever losses will come, netting out those losses, will there be a positive net worth? And will we realize something after because you had given a guarantee of the land parcel, etcetera. So that impact, we are not in a position to understand what will happen?

**Umesh Chowdhary:** So as I just mentioned, sir, that the total worst-case scenario, now the company has been offered by the State Railways of Italy to be acquired. We do not expect very large equity payback, if at all, from the Italian railways. And what will be the final impact of that? The worst case has been disclosed in our balance sheet. So whatever happens will be better than the worst case.

**Viren Deshpande:** So we are not expecting any charges significant charges of impairments, etcetera, happening in our books?

**Umesh Chowdhary:** Apart from what has been mentioned in our balance sheet or in the results.

**Viren Deshpande:** They have been already provided, no?

**Umesh Chowdhary:** So it is there as a part of the results. So there is some part of it has been provided and some part of it has been disclosed. So if you go through the details of the financials, you will be able to find that.

**Viren Deshpande:** Okay. In the notes. Okay. And all the best to you. Hope we are in a position to have a very good next year, '26-'27 because this year has been a very stormy one for us because of the factors beyond our control also. Though we have been on track, we are not in a position to deliver because of certain things beyond our control. Hope this year and the next '26-'27 and '27-'28 will be very good years for us.

**Umesh Chowdhary:** We are also very hopeful and optimistic about that, sir. Thank you.

**Viren Deshpande:** All the best. All the best. Thank you.

- Moderator:** Thank you. We take the next question from the line of Rajesh Bhandari from Nakoda Engineers. Please proceed.
- Rajesh Bhandari:** Good afternoon, sir. Sir, we have a total order book of around INR28,000 crores, INR27,755, crores in which we have for wagons 3,126. How much is the monthly load of the wagons?
- Umesh Chowdhary:** Sir, this is almost like I said, for half of next financial year, we should be able to cater to with the existing orders. And to go beyond, we are looking at the new tenders, including the new orders that we will be able to receive on account of this wagon leasing license that we have obtained.
- Rajesh Bhandari:** Till when are the government's wagon inquiries coming, sir?
- Umesh Chowdhary:** This is not in our hands, but we are expecting it to come in Q1, as I said in the beginning that the railway had set its target of carrying 3 billion tons of traffic. The railway has not done any downgrade anywhere in that. The railway is still determined that it will carry 3 billion tons of traffic by 2030. The vision that the Prime Minister said in the national rail plan, 40% market share will be in logistics.
- Even today, there is an article in a newspaper that under Gati Shakti, the railway has to increase its share and increase its loading. For that, the terminals and the rail network that they have to invest in, the cabinet is clearing them one by one. So I believe that the wagon demand should be very healthy to load 3 billion tons of traffic for the next few years.
- Rajesh Bhandari:** Sir, what is the positive effect of this budget? And what will be the positive impact of the trade agreements that we can expect in as far?
- Umesh Chowdhary:** As the question of the budget is concerned, the budget is very positive. I will divide it into two parts. The first is for our business on the passenger rail system. In the passenger rail system, the budget document says that new Vande Bharat trains will be installed and their services will be enhanced.
- And the biggest thing that our company is working on and will continue to work on, and we are working on it with great focus, is additional high-speed corridors. 7 new high-speed corridors have been announced. Because Titagarh is the only self-reliant company, which can be called a make-in-India company, which has the capacity to build high-speed trains.
- And the aluminium coach that we are setting up now, which will be productionized before September, we will have the full possibility of building high-speed trains in it. And plus the land that we have taken and are building a test track, we can move forward towards a high-speed train.
- So under this budget, our future roadmap of the passenger rail system has been established in a very good way. As far as freight is concerned, there have been some media reports about some wagon procurement, which is there, which is about 30,000-32,000 wagons. But the railways have not officially confirmed that to us as of now.

Having said that, as I mentioned that today the railway carries about 1.5 billion tons of traffic and they have about 4 lakh wagons. So if they have to go from 1.5 billion to 3 billion tons, then they need wagons.

**Rajesh Bhandari:** We will definitely need that many wagons.

**Umesh Chowdhary:** I will not be able to comment on the detailed calculation, but this is the overall...

**Moderator:** Sorry to interrupt. Mr. Rajesh. I would invite you to join back the queue as there are...

**Rajesh Bhandari:** No, no. My question has not been fully replied, ma'am. It was budgets and trade agreement also.

**Umesh Chowdhary:** Neither positive nor negative. Trade agreement has no direct impact on our business, sir. There is no direct impact of the trade agreement in our business.

**Rajesh Bhandari:** Neither positive nor negative?

**Umesh Chowdhary:** Neither positive nor negative. Of course, it does improve the general sentiment. And you see the indirect advantage that we will get is that if there is higher GDP growth, which is definitely going to be the case because of these trade agreements, it is going to enhance the GDP growth and the size of the economy. So therefore, there will be an impact on the overall freight loading and thereby on our business.

As far as the turnover growth is concerned, we have already given the order book that is available. We have also given in our strategic plan, which you can download from the website, the way we are looking at moving forward. So while we cannot give you any forward-looking projections as a matter of policy, we have given you the directional framework of how the company intends to go in the next couple of financial years.

On the trade agreement, I just mentioned that probably in terms of our if the overall logistics and all of those procurement costs come down, then there will be some cascading impact or advantages, but there is no meaningful direct impact to us.

**Rajesh Bhandari:** Sir, I have a small question. What is the approximate cost of the aluminum coaches and SS coaches?

**Umesh Chowdhary:** Metro coaches are sold for approximately INR10 crores to INR12 crores.

**Rajesh Bhandari:** Aluminum?

**Umesh Chowdhary:** It depends on the specifications. That will become hypertechnical. I would avoid getting into that, right?

**Rajesh Bhandari:** But it will be more than metro?

**Umesh Chowdhary:** Yes, sir.

**Rajesh Bhandari:** Okay, sir. Thank you, sir. Thank you very much.

- Umesh Chowdhary:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Parvez Qazi from Nuvama Group. Please proceed.
- Parvez Qazi:** Hi. Good afternoon, sir. Thanks for taking my question. So my first question is on the passenger business. I mean, we have multiple orders now. Based on your commentary, production on most of them will start at some point in FY'27. So are we looking for more orders in this segment? Or do we first want to stabilize and start work on the existing orders?
- Umesh Chowdhary:** So, Parvez, we are absolutely looking at more orders. In the last 6 months or less than 6 months, I would say, we have booked orders of about INR4,000 crores for metros, as you are aware, Mumbai Line 5 and Line 6. And we are looking at participating in a spate of tenders that are in the offing. So in terms we are doing both simultaneously.
- And since you have seen the facility, you have seen the kind of expansion that is continuously going on. On one side, we are continuing to build up our order book and participating in new tenders, and riding the wave of opportunity that this sector presents. And simultaneously, as we keep on building up our order book, we are also enhancing capacities.
- Parvez Qazi:** Sure. And the second and the last question is in terms of numbers, what kind of order book will we have in the wagon segment now? Would it be closer to about 8,000 wagons?
- Umesh Chowdhary:** We have not disclosed that number, so I'm not sure. I can't give you that number right now. But, I will definitely in terms of the details, we will try to share in the presentation or by way of further addendum to presentations as far as possible.
- Parvez Qazi:** Sure, sir. Thanks and all the best.
- Umesh Chowdhary:** Thank you so much.
- Moderator:** We take the next question from the line of Devang Shah from Allvest Investment Managers Private Limited.
- Devang Shah:** Sir, as you have mentioned, that there is a growth that is coming from the Passenger Rail segment, and there is still uncertainty prevailing as far as freight wagon is concerned. By considering all this facts, what kind of just as a not a number, but the growth as far as top line we can expect over the next 2 years? And second question, sir, what kind of margin that we expect from over the next 2 years in general?
- Umesh Chowdhary:** So in general, what I can answer your question is what is the potential of the business that is there? As far as the freight is concerned, I do not see uncertainties in the midterm. As I mentioned to you that we have orders till first half of the next financial year. And we are pretty hopeful that orders should start flowing in by that time. And considering that the overall freight loading targets are intact, they have not been scaled down by the government.

Considering that the Indian economy is still growing at a very healthy pace, and considering that the logistics cost of the country has to be brought down, and the railways have continued to invest in building up capacity in terms of tracks, signaling capacity, locomotives and all of that, we believe that the wagon demand has to follow.

On a metaphoric basis, wagon always follows the locomotives, both physically and business-wise. So the locomotive production has been ramped up. You have seen the production numbers. Railways have ordered new locomotives on Siemens and stuff like that. So the wagon demand, we do not see that it will plummet over a longer period of time.

There can be blips over a quarter or a couple of quarters, but not more than that. That is our expectation. So having said that, the overall potential that we have for the freight wagon of 1,000 wagons a month remains intact or 12,000 wagons a year remains intact. And we believe that the demand sooner or later will come in, and we will be able to cater to that demand.

As far as the passenger segment is concerned, we have very clearly and very explicitly elaborated the growth trajectory that we are envisaging, and how we are envisaging that growth trajectory in our strategic plan. So I would request you to refer to that.

That will give you an overall view of where the potential lies for this business also. I can only sum it up by saying that considering even the full potential of the wagons or the freight business, the Passenger Systems business still has the potential of overtaking substantively the freight business in a few years' time from now.

**Devang Shah:**

And yes, sir. And as far as margin?

**Umesh Chowdhary:**

The margin freight wagon margins remain stable at 11%, 12%, 12.5% like we have always done. And as far as the passenger business is concerned, again, because of the scales, we have always maintained that once we achieve the basic economies of scale, we should be at about 11%, 12%, which is what we are at this quarter.

And going forward, once we have our own propulsion, and we are able to fully backward integrate, which is a process that should take us another 2 years or so, we will be able to enhance that margin by additional maybe 3%, 4%. So our ultimate target on the passenger side is to be able to get to about 15% EBITDA levels, which will take us, maybe another couple of financial years to get there.

**Devang Shah:**

Okay. And sir, my second question that as far as your other vertical is concerned, that is your shipbuilding and maritime system and some of the defence related that's sort of showing in your current order book. So any kind of opportunity you are looking and growth prospects on these 2 segments?

**Umesh Chowdhary:**

The shipbuilding business, I mentioned to somebody just a few minutes ago. This is a very large opportunity. The Government of India is also identified as a key growth sector. And we will be focusing on that in the new company that has been formed to take the business of the shipbuilding forward. The defence, we have constituted a Board level committee, which the

strategy for the defence is something which is still under deliberation. Once the decision is taken, we will definitely report back.

**Devang Shah:** Okay. Thank you, sir.

**Umesh Chowdhary:** Thank you.

**Moderator:** We take the next question from the line of Devanshi Shah from HUF Capital.

**Devanshi Shah:** Hi. Thank you for the opportunity. So, I had a couple of questions to ask. First one being, what is the planned capacity capex allocation for FY'27? And how will it be funded, say, through internal accruals or debt?

**Moderator:** Hello, sir. Are you on the line? Sir, we are not able to hear you. Hello, Devanshi ma'am, are you on the line?

**Devanshi Shah:** Yes, I'm on the line, but I cannot hear the management.

**Umesh Chowdhary:** Hello.

**Moderator:** Hello. Yes, sir, are you on the line?

**Umesh Chowdhary:** Yes, I'm sorry, I'm sorry. It was there was a connection problem. I was mentioning sorry, ma'am, I don't know at what point I lost you or do you hear me at all or not, but I'll start from the beginning.

**Devanshi Shah:** I didn't hear you at all, sir.

**Umesh Chowdhary:** Okay. So I'll start from the beginning. The overall capex that we had announced for the Passenger Rail Systems to achieve the capacity or the production that we have projected right now was about INR1,000 crores. And the capex that we are envisaging to make within FY'27 is within that amount. Part of it was funded through the equity raise that we had done and the internal accruals, and part of it through the funding, through the debt. So there is no new capital requirement per se that will be there, apart from the further expansions if we take up.

So if there are, for example, the expansions for opportunities like high-speed or MRVCs or some other additional large projects that come up, that may take up new capex requirements. But outside that, the current levels that we have, the current orders that we have will be catered to by the capex that was already announced, which is underway and will be completed in the first half of FY'27.

**Devanshi Shah:** Got it. Also, you mentioned about the MRVC tender. So wanted to understand what additional capex needs to be done in the coming years for the timely execution of Vande Bharat and MRVC simultaneously?

**Umesh Chowdhary:** We will not be able to speculate on that right now, and it is too premature to say about MRVC or any new tenders that we are participating. These are all opportunities that are there in the market, and there will be competitive biddings in each one of them.

So we would only come up with financial estimates of what is the opportunity for us and what is the capex requirement, etcetera, if and when we have been able to successfully win the project. What we can mention is about the Vande Bharat, which is already included in the capex, which, I just explained to you about.

**Devanshi Shah:** Right. Also, are we looking to bid with some strategic partner or we have the required credentials now to bid individually for the MRVC tender?

**Umesh Chowdhary:** We are open to every option. We are evaluating. These are all complex tenders. There are many aspects that need to be studied. The tender is still in the pre-bid query stage. Once this is finalized, only then, we will be able to say whether we are able to qualify ourselves or qualify with somebody else and whether we would like to go by ourselves or with somebody else.

So these are things that will be getting clearer over a period of time. The prebid queries are still not being answered by the customer, and it is still when it's in the prebid stage, it would be almost like the tender document discussion stage.

**Devanshi Shah:** Got it. That answers my question. Thank you. That's it from my side.

**Umesh Chowdhary:** Thank you so much ma'am.

**Prachi Ambre:** Ladies and gentlemen, due to time constraints, we take that as the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Umesh Chowdhary:** Thank you very much, Prachi, and thank you for the very insightful questions that were put forward. I hope we were able to answer them. If there are any further questions that anybody any of the investors would like to have, please feel free to reach out to our Investor Relations teams, and we would be most happy to answer all of your questions that may be there. And my team and myself are always available to do so.

Just at the cost of repetition, we believe FY'27 and FY'28 for the Passenger Rail Systems is going to be a very important year. It is going to be a very exciting year. So we will be working on building up the ramping up the production in the Passenger Rail Systems. And we are hoping that the Freight Rail Systems business also continues to get ramped up by way of the new orders coming in by the railways in the first half of next year.

So with that hope and expectation, I once again thank everybody for joining this earnings call, and I hope to interact again soon. Thank you.

**Management:** Thank you.

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