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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 Conference 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 Conference Call of Titagarh Wagons Limited ('the Company') held on Wednesday, 17th August, 2022 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 WAGONS LIMITED

Ravi Prakash Mundhra
Company Secretary



Encl.: As above.

TITAGARH WAGONS LIMITED

CIN: L27320WB1997PLC084819

Registered & Corporate Office: Titagarh Towers, 756 Anandapur, E. M. Bypass, Kolkata - 700 107, India
Phone : +91 33 4019 0800 | Fax: + 91 33 4019 0823 | Email : corp@titagarh.in | Web: www.titagarh.in



“Titagarh Wagons Limited
Q1 FY2023 Results Conference Call”

August 17, 2022



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MANAGEMENT: MR. UMESH CHOWDHARY – VICE CHAIRMAN & MANAGING DIRECTOR - TITAGARH WAGONS LIMITED
MR. ANIL AGARWAL - DIRECTOR FINANCE - TITAGARH WAGONS LIMITED
MR. SAURAV SINGHANIA - GROUP FINANCIAL CONTROLLER - TITAGARH WAGONS LIMITED

ANALYST: MS. AASHNA MANAKTALA - ICICI SECURITIES LIMITED



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Moderator: Good day, ladies and gentlemen and welcome to Q1 FY2023 Earnings Conference Call of Titagarh Wagons Limited hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Aashna from ICICI Securities. Thank you and over to you Ms. Aashna!

Aashna: Thank you Mitchell and good day everyone. On behalf of ICICI securities I would now like to welcome you all for the Q1 FY2023 Earnings conference call of Titagarh Wagons. The management today is being represented by Mr. Umesh Chowdhary - Vice Chairman and Managing Director and Mr. Anil Agarwal, Director Finance and Mr. Saurav Singhania, Group Financial Controller. We will start the call with the opening remarks on the results and the outlook by the management post that we will have the Q&A session. I would now like to hand over the call to Mr. Chowdhary for his opening remarks. Thank you and Over to you Sir!

Umesh Chowdhary: Thank you very much, very good afternoon to everybody, thank you for joining in Q1 FY2023 results conference call. The quarter has been pretty much in line with what we had expected. The company bagged its single ever largest contract from the Indian Railway during the quarter, which is in fact the largest wagon contract placed by the Indian Railway for 24,177 wagons. I am happy to inform that we have already started execution against that contract and the contract has to be executed over 39 months from May 2022 when we received the contract, and we are well on our way to ramp up production in being able to achieve this target.

In terms of the results, the presentation has already been circulated but just to give the highlights, we did on a standalone basis a revenue of Rs. 437 Crores, which is about 27% higher on a quarter-to-quarter basis. In terms of EBITDA, we did EBITDA of Rs. 48.8 Crores which is at 11% EBITDA margin. As I have maintained in the past that our company targets to keep an EBITDA of between 8% to 10%. On quarterly basis there can be fluctuation but on a blended basis going forward we expect to continue to be able to maintain 8% to 10% EBITDA margin but drive the revenue further towards growth in the other segment which is the passenger rolling stock for the transit and the propulsion segment. The company has started executing the contract for Pune metro and is continuously supplying trains to Pune metro which has been put into passenger service. An important milestone was reached by the company when we signed a contract with CRRC, which is the Chinese Railway Rolling Stock Corporation and Bangalore metro. The genesis



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of the contract is Bangalore metro had placed the contract on CRRC to supply 200 odd coaches but because of China CRRC not able to fulfill the Make in India condition the contract was not moving forward. We were able to step in and sign a tripartite contract to produce these coaches entirely in our plant in Titagarh. Apart from acquiring the contract the advantage that we get is that this will also bring us into the stainless-steel coach manufacturing arena. We will be able to get the technical expertise know how from CRRC and also the credentials to be able to manufacture stainless steel coaches and this would make us as the first and only company in the passenger rolling stock to have facilities and capabilities to produce every type of passenger coach which is carbon steel as we have done in the case of EMU and MEMU, aluminum which we are doing now for the Pune project and stainless steel which we will start with Bangalore metro.

On the third segment which is the ship building bridges and defense, we have already started executing the contracts for the shipbuilding which we had acquired over the last few quarters. We successfully launched our first warship for the Indian coast guard in cooperation with GRSE, we were subcontracting manufacturing for GRSE for that and it was successfully launched during the quarter. Apart from that, we also launched the first export vessel which was for Guyana again with GRSE being in the front, so all the three verticals have been contributing this time to our topline and bottom line. In terms of our overall order book on standalone basis, it is at about Rs. 10,000 odd Crores which is a healthy order book and going forward as I said, we would continue to a focus on building on this order book and ramping up execution. On the overseas subsidiary that is Titagarh Firema, there has been a very important development milestone that we have been able to achieve in terms of signing an agreement with the government of Italy, wherein the government of Italy would acquire a minority stake into Titagarh Firema. This is going to have a very important strategic advantage for the company to have the government on our side of the table as an equity partner in the company. Apart from that, we have been able to come out of the COVID aftermath, of course there have been a lot of challenges in Europe in terms of supply chain disruptions, unprecedented increase in cost on account of the Ukraine war but we have been able to address most of them and we are still hopeful that we should be able to stay with our target of trying to achieve an EBITDA break even this year and a net break even in the following year.

The order book in Italy stands at about €500 million. In terms of the legacy contracts which we had expected to be completed within the first quarter, there is a spillover for one or two months but very small quantities are left and within the current quarter we will be done and dusted with the entire legacy contract following which we will be focusing on building new trains against the newly signed contract for Rome that is Lazio region as well as Catania or



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Sicily metro. From our side that is the opening comments for the quarter gone by and I am most happy to take any questions and answer them best possible. Thank you

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chetan Vora from Abakkus Asset Managers. Please go ahead.

Chetan Vora: Good afternoon sir, would wanted to understand how many wagons we would have manufactured during the quarter?

Umesh Chowdhary: During the quarter the total number of wagons we produced was 800.

Chetan Vora: Okay and for the passenger coaches?

Umesh Chowdhary: We have delivered up to date about 8 trains and now the production is being ramped up we are targeting to reach 3 trains per month in the next two or three months.

Chetan Vora: And these 800 wagons what we did this quarter, what was the number last quarter, June in the preceding quarter?

Umesh Chowdhary: I would be unable to give you the exact number. We will come back to you with the exact number, but it was about the same.

Chetan Vora: Okay, so would you mention why there was a flattish growth because we got the order from the railway of nearly about 8000 wagons, so by when this should start picking up?

Umesh Chowdhary: The order was awarded at the end of May, May 29, 2022 if my memory serves me right and normally it takes 3 months for the execution to begin that is how the contracts are structured. We have been able to start execution before that so we have already as I said within the first quarter itself yes started execution of the part of this contract. So, we will be ramping up to reach the desired level, I would say within the next couple of months. The contracted rate of delivery is about 700 wagons a month and we should be able to get there in the next two to three months.

Chetan Vora: 700 wagons per month to start coming in from by the end of Q2, is it fair to assume?

Umesh Chowdhary: End of Q2 or beginning of Q3 I would say. Beginning of Q3 would be more likely.



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Chetan Vora: Okay Sir, I was just looking at EBIT margins for the wagons rolling stock the margins have declined from 14% to nearly about 10% on Y-o-Y level despite the number of wagons being the flattish, could you throw some light on that?

Umesh Chowdhary: Well I have always maintained that, on a quarter-to-quarter basis, the margins can vary because of the type of wagon the customer makes etc., but on a blended basis, if we look at the average of several quarters and that is how we typically finalize our business strategy. While bidding for contracts, we have to strike the balance between volume and margin. In our industry in our segments, blended EBITDA margin of 8% to 10% is what is sustainable, so our request would be not to compare with one quarter or the other but compare it with the benchmark guidance that we are providing which is an EBITDA margin of 8% to 10%.

Chetan Vora: On annualized basis, freight rolling stock last year was 14% so would it be fair to assume that on an annualized basis the EBIT margin on the freight rolling stock should be in the range of plus or minus 10%?

Umesh Chowdhary: No on annualized basis as I said the EBIT margin would be around 10%, between 8% to 10%. Last year the volume was less and there is always the trade-off between achieving higher market share or maintaining higher margins and in order to grow the market share and volumes, we would continue to target and achieve with around 10% of EBITDA margin. Having said that in case there are tailwinds to support, obviously the EBITDA margins could be better but on a long-term basis the guidance I would give would be about 10% of EBITDA margin.

Chetan Vora: This is the overall margin right you will say?

Umesh Chowdhary: That is right.

Chetan Vora: Overall 10% margin.

Umesh Chowdhary: That is right.

Chetan Vora: Okay Sir and Sir lastly what are the number of wagons we are guiding out for FY2023 and 2024?

Umesh Chowdhary: We are not giving any guidance in terms of the topline but what we have shared in public domain is the quantity of order that we have received and the targeted execution schedule which is there for the orders.



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Chetan Vora: All right and Sir lastly on the Italian business, the legacy orders will be done say in a month or two, so going forward the order that you have received in the month of January, would be at what margins on a ballpark number Rs. 4000 Crores of order book of that, how much is the legacy order and the balance part of the order which is the high margin order as you have stated in your presentation, so what would be the margin range on those next of legacy?

Umesh Chowdhary: In European territory normally the business that the segment we operate in delivers about 5% - 6% EBITDA in the European context. so in terms of the legacy contracts that in the order book would be hardly 5% even less than 5%. 95% plus is the new contracts which would be able to deliver us positive EBITDA margins.

Chetan Vora: Right and what were the debt levels at the standalone and the consol level of the Italian business?

Umesh Chowdhary: On standalone we have long-term net debt is zero. However, there is working capital utilization of about Rs. 140 Crores, this keeps on fluctuating because this is on a particular moment of time and depending upon the cycle of the execution of the contract. Typically in the beginning of the cycle of the execution the debt level goes up or the utilization of working capital goes up. so, the debt level I would say in India is pretty low on a standalone basis and on consolidate and overseas, we have a total net debt of about €80 million.

Chetan Vora: Okay and lastly Sir our final question for my end, what would be the margin profile on annualized steady state for the passenger coaches? because now we will start getting the benefit of the economy of scale also right? on annualized basis what should be the margin profile on the passenger coaches in the standalone?

Umesh Chowdhary: It would be almost similar to the freight as we have always said that blended basis margin guidance is what we have been providing of 8% to 10%. In the transit business we are new entrants, our pricing strategy is a little more aggressive so maybe in the initial years we will have lesser margins but that would be essential in order for us to establish ourselves as an important player in the segment. We are already market leaders in the freight wagon segment, now we are targeting to become at least substantial players if not market leaders in India in the other segment as well.

Chetan Vora: Right, that is it for mine. Thank you.

Moderator: Thank you. The next question is from the line of course of Kaustav Bubna from BMSPL Capital. Please go ahead.



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Kaustav Bubna: Hi, is there a shortage of wheel sets in the industry and if so how come our company has not been affected by that materially?

Umesh Chowdhary: Hi good afternoon, we have not faced shortage of wheel sets in the recent past, the Rail Wheel factory has been able to ramp-up production. of course from time to time, in case there are supply chain issues or some manufacturing issues with the Rail Wheel factory, the supply does get disrupted but by and large I would say over the last few months the supply of wheel sets from the rail wheel factory has been normalized.

Kaustav Bubna: Is it true that the government has instructed that wheel sets be used for public orders over private orders?

Umesh Chowdhary: These are policies that keep on coming from time to time and we would not be able to comment on individual policies or directions of the government because that is not correct for us to do so but I can only say that the railways have given adequate time to the industry the railways have been very transparent with their policies and as we understand that the railways have also made a very strong supply chain plan in order to ensure that the wagons that have been projected or ordered on the industry are not stranded for want of wheel sets so of course we will have to see how the story unfolds in the future. I do not know at what stage I was not audible but I will just mention that we will have to see the how the story unfolds going forward but as we understand based on our interaction with the railways that the railways have made a very strong backup plan for ensuring that the orders that have been placed for wagons are not stranded for want of wheel sets, they have a plan to increase their capacity or sourcing of wheel sets and make it available to the wagon manufacturers.

Kaustav Bubna: Okay great just last question, what is the company's exposure for wagon orders to the private sector? do we have an order book over there or are we mainly catering to the public sector like how we got this big order recently?

Umesh Chowdhary: We have always had a healthy balance of private sector and government orders, but of course we are having got these very large orders from the railways. Our focus now is to stabilize our production for the wagon orders that we have signed with the Indian railways but definitely we do have an order book and we are executing orders for private sector as well.

Kaustav Bubna: So there is no shortage of wheel sets for those private sector orders basically in short?

Umesh Chowdhary: We have been able to organize wheel sets and deliver wagons as per commitments or agreements with our clients.



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- Kaustav Bubna:** Great thank you so much.
- Moderator:** Thank you. The next question is from the line of Panjul Agrawal from Green Portfolio. Please go ahead.
- Panjul Agrawal:** Good afternoon sir, I have a few questions regarding our Italian subsidiary. so first of all, what is the rationale behind equity investment of Italian government in the subsidiary and how it will help in the Italian operations?
- Umesh Chowdhary:** Sure, the rationale is that we are operating in a foreign territory where most of our customers are the government entities and we have been discussing with the government of Italy for quite some time and if the government of Italy comes in as an equity partner it definitely has brings in a huge amount of strategic advantage also positioning advantage. Apart from the liquidity that gets infused by way of this equity contribution. so, it is a very strong strategic move for us to get the government of Italy as an equity partner into the company.
- Panjul Agrawal:** All right Sir and Sir what is our exposure in the Italian subsidiary I need the direct as well as the indirect exposure?
- Umesh Chowdhary:** Our exposure in terms of the Italian company subsidiary is the equity that we have infused we do not have any indirect exposure in terms of guarantees etc., so total investment that we have made is by way of the equity investment.
- Panjul Agrawal:** Alright Sir now a few questions on the contract so first of all....
- Umesh Chowdhary:** I would like to correct myself we have also given lien on one land of Bharatpur which is our indirect exposure to the lenders of the Italian subsidiary.
- Panjul Agrawal:** Okay all right. Sir I want an update on the project like the Catania project metro, have the supply started?
- Umesh Chowdhary:** Yes, the supplies have started the trains have already been put into passenger service and it has been very well received by the population and the market at large.
- Panjul Agrawal:** So, what is the duration of this project like when will it end?
- Umesh Chowdhary:** It is a framework contract of 54 trains and till now our company has got the execution clearance for 25 trains typically the way the market works is that the execution clearance is



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issued in batches based on the infrastructure progress or building of the infrastructure by the client.

Panjul Agrawal: Okay so how much duration is left on this contract?

Umesh Chowdhary: It is still about four or five years, they have time for another for three or four years to execute or to issue the execution contract for the balance trains.

Panjul Agrawal: Okay and Sir we have received another contract in the Lazio region for like €280 million, Sir has the delivery started for that?

Umesh Chowdhary: Yes, it's a Lazio region that is the region of Rome. we have got this contract for €280 odd million and out of this the customer has already issued the execution for about €220 to €230 and balance €40- €50 million is similar to what I explained on Catania we have already started the engineering work for the trains and we will start the physical production of the trains by end of this calendar year.

Panjul Agrawal: Okay and Sir for the Bangalore metro project, when will the delivery begin?

Umesh Chowdhary: For which project?

Panjul Agrawal: The Bangalore project the one with the Chinese Company?

Umesh Chowdhary: So that will start in the next financial year in the first quarter of FY2024 we will be able to start the production on and we will start productively maybe end of this financial year, but it will be substantially done in the first quarter of next year.

Panjul Agrawal: Okay Sir and one more question, regarding the Pune metro project so how many trains have been delivered and what is the schedule for complete delivery for all the trains?

Umesh Chowdhary: As I just mentioned a few minutes ago we have delivered eight trains till now and we are ramping up production to be able to deliver at the rate of three trains per month. We should be able to achieve this target over the next two to three months time.

Panjul Agrawal: Okay Sir one more question, Sir we have acquired a new shipyard I think which was on the south side of Howrah bridge. so when will the commercial operation begin on that and how will it change our shipbuilding business?



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Umesh Chowdhary: As we explained in the press release that we had issued when we acquired the shipyard, Our existing ship building activity is done in Titagarh which is on the north side of Howrah bridge. This limits the type of ships that we can directly undertake because of two reasons one is the water draft and the second is the air draft because there are two bridges the old Howrah bridge and the new Howrah bridge which the ship has to sail under in order to reach the open sea. With this shipyard that we have acquired we will be able to synergize our existing and the new shipyard, which will enable us to partially construct the ship in Titagarh and partially completed in the new shipyard in Falta. It will take some time for us to be able to complete this shipyard, it will take about a year and a half or so this was basically an infrastructure that we acquired from a bank under SARFAESI and another one and a half to two years we will continue to produce the ships in Titagarh but after that the advantage from the shipyard will start getting available to us.

Panjul Agrawal: All right thank you Sir.

Moderator: Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: Thanks for the opportunity, sir I missed in the opening comments. this Bangalore metro project which we have received from CRRC right?

Umesh Chowdhary: That is right.

Akshay Kothari: I could not understand like what is the role of CRRC in this project like could we not directly get it from Bangalore metro?

Umesh Chowdhary: So this was a contract that was awarded to CRRC quite some time ago and this was under dispute between CRRC and Bangalore metro because the contract indicated local production under the Make in India scheme. CRRC, Bangalore metro and ourselves were able to finalize and we have got the approval from the Bangalore metro to be able to produce these metro coaches in our facility on subcontracting so CRRC is providing us with the material and we are manufacturing the coaches as per their design. This will entail us to set up a stainless-steel coach manufacturing facility the technology or the know-how for that will be provided by CRRC to us and it will not only set up apart from getting the business for production of these 200 coaches, this will also enable us to set up a stainless steel production line and get the know-how expertise and credentials to produce stainless steel coaches.



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Akshay Kothari: Okay and just a follow-up, when originally this project was awarded to CRRC, did we bid for it, or we were not qualified to bid for it?

Umesh Chowdhary: This was awarded prior to our entering into the metro manufacturing space in India so we were not eligible to qualify, and we had not bid for this.

Akshay Kothari: Okay and Sir second question is do we have some sort of stage financing like when we get the project, we would get around 10% some sort of advances from our customers and then which projects do we have then?

Umesh Chowdhary: It depends on project to project, tender to tender some contracts we get an advance some contracts we do not get in advance. I would not be able to for competitive reasons disclose contract wise payment terms but many of the railway's contracts there are no advances whereas certain other contracts there are advances. so, we are able to manage our working capital with the blend of the advances that we collect and the banking facilities that the company has to its availability.

Akshay Kothari: Okay and Sir any improvement in our debt which we can see going forward?

Umesh Chowdhary: We have already improved our debt position on a standalone basis quite substantially. From a peak debt of almost Rs. 500 Crores we were able to achieve a net zero debt level in March this year. The current debt that we have, we do not have any long-term debt but we have primarily non-fund-based facilities and cash credit facilities which is an ongoing kind of facility and keeps on wearing or fluctuating based on the execution cycle of the project.

Akshay Kothari: Okay thanks a lot and all of the best.

Moderator: Thank you. The next question is from the line of Ankush Mahajan from Axis Securities. Please go ahead.

Ankush Mahajan: Good afternoon Sir, my question is related to what is our strategy to grab opportunity in Vande Bharat and then give us a detail of the upcoming orders in metro coaches in different cities? Majorly what is the strategy for Vande Bharat to grab the opportunity?

Umesh Chowdhary: As far as Vande Bharat opportunity is concerned, it is an important opportunity, I am happy to share that our company has already got an order for developing the propulsion for the Vande Bharat train a few months ago and we have already started of course it is going to take time, it is going to take at least a couple of years to be able to do that because it is a complete Greenfield development. Having said that, for the Vande Bharat train, there are



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three tenders in the offering. There is a tender for 200 and there are two aluminum coach tenders for 100 each. These are very large value tenders including several complexities and challenges at the same time offering a great opportunity. so we are very carefully examining the tender and will definitely take suitable steps towards what is in the best interest of the company going forward so I would not be able to discuss or disclose more strategy because it is the tender which is ongoing and there is competition involved but I can only say that the company is very well seized of this opportunity and is working very closely in order to take the right steps for this opportunity.

Ankush Mahajan: Sir we already have participated for these 200 trains in Vande Bharat?

Umesh Chowdhary: It not yet finalized, the tender is still not been closed in the sense. The tender is still open, and we will definitely share with you once the tender is closed as to what the company has finally done.

Ankush Mahajan: And Sir new orders in the metro coaches from different cities?

Umesh Chowdhary: There are several metro projects which are ongoing, there are a couple of metro projects that the company has already bid, and we will be waiting for the results of those to come out. Apart from that there are new tenders which have been floated and new tenders which are in the pipeline and are expected to be floated during the current financial year. On the whole we believe that the urban mobility in India is going to continue to be a focus of the government and thanks to the wonderful initiatives of the honorable Prime Minister and the Government which is the make in India and Aatma Nirbhar which we truly believe are one of the most important policy decisions to support Indian industry in the independent India. We believe that this opens up great opportunities for companies like us which are completely dedicated towards this Aatma Nirbhar and make in India initiative. Incidentally I may allowed to add here that ours is the only Indian company which owns its own design technology and manufacturing for producing these kind of metro trains in India.

Ankush Mahajan: Sir if we quantify 'Vande Bharat' that is a Rs. 50,000-60,000 Crores of opportunity, how do we see ordering flow in the next three to four years?

Umesh Chowdhary: To answer this would be a little speculative and as I said I would rather wait for the tenders to be concluded before speaking more in details about this.

Ankush Mahajan: Sir, last quarter we have an EBITDA loss in the foreign subsidies so your outlook on it?



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- Company Speaker:** I already mentioned a little while ago that as far as the Italian subsidiary is concerned, we are working on optimizing costs. we have taken several initiatives to optimize costs our target is to get the company to become EBITDA break even or EBITDA positive in the current financial year and to be able to target to get to net positive in the next financial year. Having said that there are many headwinds that Europe is facing in terms of increase in energy prices supply chain disruptions, but we are still maintaining this target however up till it may be.
- Ankush Mahajan:** Thank you Sir that is from my side.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Thank you for the opportunity, Sir how much equity infusion will be there from Italian government and for what state?
- Umesh Chowdhary:** We have not disclosed the numbers for competitive reasons and for confidentiality reasons as it's a part of our agreement and we are awaiting certain statutory and regulatory approvals. Once those are done and the transaction is concluded we will definitely inform the market about the details of the transaction.
- Anurag Patil:** Okay and Sir out of €80 million debt there, how much would be working capital related and what will be the cost of debt there for working capital?
- Umesh Chowdhary:** The cost of debt is so about I would say 35% to 40% of the debt there is working capital related and both the term and the working capital debt is on approximate ballpark of about 3 or 3.5% per annum.
- Anurag Patil:** Sir what will be the India business cost of debt?
- Umesh Chowdhary:** We are A- positive outlook company and we have very good credit worthiness with the banks, so we are borrowing at very competitive prices wherever required in India.
- Anurag Patil:** Sir with the new contracts in Italian business, can we say the working capital will go down or it will remain at the similar levels?
- Umesh Chowdhary:** You are talking of Italy?
- Anurag Patil:** Yes, Italian business?



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Umesh Chowdhary: Italian business of course the current working capital that was there was also on account of the legacy contract but going forward I would say the working capital would remain on similar levels at higher volumes. So in terms of number of days per working capital, definitely we expect optimization but in terms of absolute values we expect the working capital levels to remain similar.

Anurag Patil: And just one last clarification so this 8% to 10% EBITDA margin guidance you mentioned is it including the other income too?

Umesh Chowdhary: 8% to 10% of EBITDA margin that I mentioned is on an overall basis but we do not see much of other income because most of the other income in terms of management fee etc., we have been cleaned up the structure so a lot of subsidiaries have been merged into the company so several other income head which used to be in the company other income have been eliminated by way of consolidation of the structure.

Anurag Patil: Okay Sir that is it.

Moderator: Thank you. The next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Thanks for taking my question. so, couple of questions from my side for the stainless-steel order that we will be doing for CRRC, what is the kind of effects that we will need to incur to set up the line?

Umesh Chowdhary: Well, it's not only the stainless steel for CRRC but this is setting up stainless steel line of coaches for beginning with CRRC but as I mentioned a little while ago this will enable us to be the only manufacturer in India which has the capability, credentials and facilities to produce all sorts of coaches which is carbon steel, stainless-steel and aluminum. We are still working on all the detailed capex and will definitely come back to the market when we announce the exact capex number but having said that it is going to be a balancing additional facility. so, it is not likely to be entailing very large capexes for which we will have to go for new large-scale borrowing or anything of that sort.

Parvez Akhtar Qazi: And what would be a broad split offer wagon order book between public sector and those from private sector?

Umesh Chowdhary: We have not disclosed that for competitive reasons but bulk of the order because the denominator of the railway order has been very large, we have got a Rs. 8,000 Crores order from the railway so obviously the bulk of the order is from the railways private sector



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however largely might be never match with the demand of the railways which has been of a record level.

Parvez Akhtar Qazi: Thanks, and all the best Sir.

Moderator: Thank you. The next question is from the line of Ankur Agrawal from RC Wealth Solutions Private Limited. Please go ahead.

Ankur Agrawal: The Bengaluru metro order, when will it get done.

Umesh Chowdhary: The execution will take place in Q1 of next financial year and in two years it will get over.

Ankur Agrawal: Is it a job work, here also we get 8% to 10% margin or more?

Umesh Chowdhary: Because the turnover is less the margins percentage wise will improve but if we look at per coach just like we get in normal coaches we get it.

Ankur Agrawal: Is there any timeframe for being debt free.

Umesh Chowdhary: It is hard to say we are coming from a hard situation, for two years we had losses because of COVID, plus we had to do a legacy contract for ₹500 million we have to do them and there were negative margins. So once these contracts get over and normalization comes to the company, and we get new contracts then we will schedule a reduction on debt.

Ankur Agrawal: Is there any turnover guidance over the two to three years, which we will attain in 2025 or something like that.

Umesh Chowdhary: Turnover guidance we are not providing but we have given the indication of the order book that is available and the timelines of execution which we have contracted with the government or with the customers. So we will obviously try to ramp up, do everything in our control to ramp up production in order to be able to achieve that.

Ankur Agrawal: what will be the capex requirement for the next two to three years?

Umesh Chowdhary: As we recently announced that the capex which we had incurred over last two to three years, and which has been planned for the next 4 - 5 years for our verticals like freight, transit and ship building will be around Rs. 800- 1000 Crores, out of which most portion we have already spent to ramp-up our production capacity for both metro coaches and wagons. going forward we are looking at ramping it further both for wagons and for metro coaches



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and for foundry and of course we need some capex for the development of our new ship building yard .

Ankur Agrawal: Will it be through internal accruals or through borrowings?

Umesh Chowdhary: We have always follows conservative debt policy, so it's hard to comment right now but mostly it will be through internal accruals.

Moderator: Thank you. The next question is from the line of Amit Mehta from Sunidhi Securities. Please go ahead.

Amit Mehta: Good evening sir, thank you for the opportunity. Your presentation mentioned that you have a capacity to produce 8400 wagons per year, correct?

Umesh Chowdhary: That is right Sir.

Amit Mehta: And you have done the capex in last two years and you will be further doing in next two years and mainly increase the capacity of metro coaches and wagons. so what capacity which is already done not utilized and which you are planning to add?

Umesh Chowdhary: If I understood your question correctly sir please excuse me if I didn't but I will answer it to what I understood, we now have a capacity to produce 8400 wagons which is 700 wagons per month and that for that all the expenditure that was already required apart from some balancing has already been done. Going forward considering the growth of the Indian economy and the very fact that India is on its way to become a \$5 trillion economy in the future, we believe that the demand for rolling stock in the railways which is green transportation is going to be always healthy and strong, so we are looking at further building up capacity both for freight wagons as well as for passenger trains and propulsion.

Amit Mehta: So, what will be your capacity after the expansion which you have planned?

Umesh Chowdhary: We are still working out the details, but we will definitely look at the next jump and probably would be targeting up to a 700 a month.

Amit Mehta: Okay and you just mentioned that last two years capex and the next two three years capex would be roughly Rs. 800 - 1,000 Crores and the partly the capex has already been done. so, can we assume that have more than half of the capex has already been done as per your capex plan?



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Umesh Chowdhary: I would not assume anything but the capex that has already been done is available in the balance sheet. So, I would say that the overall capex that we have identified in order to let me answer this the other way out our planning is not based on the amount of capex but on the capacity that we intend to achieve. So, if we are able to save on that on capex and achieve the same results, we would obviously do that. we have been very frugal in our approach at the same time very innovative to be able to increase capacity at the minimum possible capex required. Having said that this is an estimate that we had given that in order to achieve the targets that we have internally set for ourselves. for the amount that we have already spent added with the amount that we intend to spend over the next three to five years, should be around Rs. 800 to 1,000 Crores.

Amit Mehta: And you have mentioned the order book is about Rs.10,000 Crores and you have already participated in the metro projects bids and other projects also, and your normal timeline is two to three years to deliver the large project. if I am correct your current annual revenue is about Rs. 2000 Crores? is that the correct amount?

Umesh Chowdhary: If you calculate if you just do a simple multiplication of the current quarter's revenue then it becomes about Rs. 1,700 Crores.

Amit Mehta: Okay so what is the peak revenue knowing what is our current capacity and the capacity we are expanding, what is our capacity to do business is it Rs. 2500-3000 Crores if we get an order?

Umesh Chowdhary: The order that we have got Sir and the execution that we have already mentioned, obviously that we should be able to enhance the current revenue incidentally I must also mention that the quarterly revenue that we have achieved in this quarter is the highest ever revenue that the company has achieved in the 25 year history and I am sorry I must mention here that the other very important milestone that we did achieve is that in July this year we completed 25 years of the company so in the 25 years of the company, the highest ever revenue that we have which achieved Indian operations was in the Q1 of FY2023. Going forward in order to be able to comply with the contracted conditions with our customers, we will have to ramp up this revenue further.

Amit Mehta: Sir congratulations for achieving this highest rate of revenue for the current quarter. My last question you have mentioned the overall EBITDA margin of about 8% to 10% and you also mentioned that your overseas subsidiary where you have a \$500 million order book where your approximately EBITDA is about 5%, so does that mean that because of the lower EBITDA margin in the overseas contract your domestic contract will be having 12% or



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13% plus kind of EBITDA margin so that average comes to about 8% to 10% is that assessment is right sir?

Umesh Chowdhary: No Sir, I have given the numbers on both on independent basis the EBITDA margin for the Indian operations is what I mentioned as 8% to 10% not a blended EBITDA between Indian and overseas operations. The order book of Rs. 10,000 Crores that is there is for the Indian operations and the order book of €500 million that is there is for the overseas operation so we are talking about both of them independently.

Amit Mehta: Okay thank you Sir.

Moderator: Thank you. The next question is from the line of Ravi, an individual investor. Please go ahead.

Ravi: Sir only risk for Titagarh today is the Italian operation, so do you see anything happening wrong with current Indian operation with Italy if the operation is not servicing debt or what impact it will have on Titagarh wagons?

Umesh Chowdhary: See as far as the risks that we are talking about the Italian operations this is also I mean every business has its own risks but its own opportunities. As an entrepreneur I would see the glass half full not half empty, so we would look at the opportunities and capitalize upon that. Having said that the Indian operation is stable I already mentioned about the direct indirect exposures that India has towards the Italian subsidiary and I don't see that the risks are very high but having said that I would not even venture the path to kind of say that the risks are high or the opportunities are higher I would say that both risks and opportunities exist on the Italian venture and we will continue to work towards in catching the opportunity and mitigating the risks to the best possible extent.

Ravi: And Sir Italy government picking up stake in business, what is the timeframe?

Umesh Chowdhary: We did not know exactly but this should not take too much long time because these are regulatory and statutory approvals. so August is a holiday month and very little happens in Europe in the month of August. We are working towards expediting the closing of this transaction and infusion of capital, but it is very difficult because there are external third parties involved very difficult to give a precise timeline.

Ravi: And Sir any new contract you have made for Italian subsidiary?



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Umesh Chowdhary: It is ongoing process it is like a flowing river, so in a company both India and Italy we keep on participating in new opportunities. we generally only speak about the opportunities if and when they culminate into a winning contract.

Ravi: You said Italian subsidiary will be EBITDA positive, so it will be serving debt from this year?

Umesh Chowdhary: It has already been servicing its debt so we will continue to service its debt.

Ravi: Okay Sir thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today I would now like to hand the conference over to the management for closing comments.

Umesh Chowdhary: Thank you very much for the very detailed and insightful questions that came up. Once again, I believe that the company is in a very good position in terms of his positioning vis-a-vis the Indian growth story. It is evident that the government is extremely progressive is growth oriented particularly on the infrastructure and is encouraging and supporting Indian manufacturing. All the business verticals the companies presented are all offering a very good future possibility. I had mentioned three or four years ago or even less than that maybe three years ago that our focus is going to be to achieve an order book which is close to Rs. 5,000 Crores very fact is that because of this tailwind that the government of India is providing by way of its policies, we have been able to double that achievement. Going forward all our business verticals are ready, they are set and they are roaring to go. We hope that the India growth story will continue, and we will continue to ride this way with the India growth story. Thank you very much for your support and I look forward to interacting with all of you when we declare the Q2 results.

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

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