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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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of Investor Conference Call of Titagarh Wagons Limited ("the Company") held on Tuesday, the 7th day of June 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

Sumit Jaiswal

Sumit Jaiswal
Company Secretary

TITAGARH WAGONS LIMITED

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“Titagarh Wagons Limited
Q4 FY2022 Results Conference Call”

June 07, 2022



**MANAGEMENT: MR. UMESH CHOWDHARY – VICE CHAIRMAN &
MANAGING DIRECTOR - TITAGARH WAGONS LIMITED**

**MR. SAURAV SINGHANIA - GROUP FINANCIAL
CONTROLLER - TITAGARH WAGONS LIMITED**

ANALYST: MS. AASHNA - ICICI SECURITIES LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to Titagarh Wagons Limited Q4 FY2022 conference call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Aashna of ICICI Securities. Thank you and over to you Madam!

Aashna: Thank you Peter and good day everyone. On behalf of ICICI securities I would now like to welcome you all for the Q4 FY2022 Earnings conference call of Titagarh Wagons. The management today is being represented by Mr. Umesh Chowdhary - Vice Chairman and Managing Director and Mr. Saurav Singhanian, Group Financial Controller. We will start the call with the opening remarks on the results and the outlook by the management post that we can have the Q&A session. I would now like to hand over the call to Mr. Chowdhary for his opening remarks. Thank you Sir! Over to you!

Umesh Chowdhary: Thank you very much, very good afternoon everybody, and thank you very much for joining the earnings call of Titagarh Wagons Limited for FY2022. The presentation has already been uploaded and would be available to you, you have seen the performance of the company. I believe that whatever was discussed, projected, or aimed for in terms of items discussed during the earlier conference call the company has been able to more or less be on track on all of the aspects. The major highlight for the year has been that standalone revenue of the company has been the highest ever in the history of the company. The Indian operations has done reasonably well. Of course, the big development that has happened in post results of March which is the company has bagged the highest ever wagon order placed in the history of Indian railways for a basic value of around Rs. 7800 Crores and a total value of Rs. 9000+ Crores which take the order backlog to Rs. 10000 Crores for the Indian operation in itself and gives the good visibility for the future. The other highlight has been that the first metro coach produced in India for Pune metro was dispatched from its factory in Uttarpara and the production has now begun for the metro coaches.

As far as the European operation is concerned, the year has been challenging but a few of their implementation of strategy that has been put into place. one is that the thrust was on execution of the legacy contracts while the target was to complete legacy contracts by March 2022 there has been a little bit of a spillover and by June 2022 i.e. Q1 of FY2023 all the legacy contracts would be over. The working results of Italy has also been marred by couple of one-off exceptional items, one is relating to certain relocation cost in terms of closure of one site. The company had multiple sites which was continuously uneconomical



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and they have merged the operation site from Tito to Caserta and one-off cost has been incurred for that is about 1 million. The other is a provision has been created for the claims or extra cost of the end-of-life contracts which has been completed or are being completed, so out of the losses the total of about 4 million relate to this one-off items including the extraordinary item.

So in a nutshell otherwise the company in Italy is also picking up, the new orders has started execution, the first train of Catania was put into passenger service and the company signed the contract for the Rome or the Latvia region for about €280 million. With this pipeline of the order in Italy is also healthy and once the legacy contract is removed and the extra cost in terms of multiplicity of sites, etc., is done away with, we believe that this year we should be able to definitely reach EBITDA breakeven. this is an overview as an opening remark from my side and happy to take questions. Thank you.

Moderator: Thank you very much. We will now begin the QnA session. Our first question is from the line of Abhijeet Dey from Equentis Portfolio Advisors. Please go ahead.

Abhijeet Dey: Good evening Sir. Few things Sir, first of all congratulations on getting the order from the Indian Railways and it has been a long time coming and finally I think the railways have bite the bullet and they are now perhaps more serious about awarding wagon contracts. I just wanted to know in terms of this is a very large order, the Texmaco similarly has also got a large order a few days back. so I just wanted to know in terms of the margins on this order because there are no free issue items so what in your estimate would be the average blended margins over the three year contract I guess which you have got?

Umesh Chowdhary: As I have always maintained that the average blended margin in our business on EBITDA level is 8% to 10% and even with this order I would say I would maintain the same guidance that in our business and EBITDA margin of between 8% and 10% is something that we would be able to achieve and sustain, some quarters can be lower, some quarters can be higher in terms of the mix of execution or temporary factors, but on a sustained basis that is the margin that we will be able to achieve.

Abhijeet Dey: No, I was specifically asking about this order, and it is a very large order in the sense because you will also have some advantage of scale here for this particular order so do not you think it can be better than your average 8% to 10% margin?

Umesh Chowdhary: No, I would still say it would be around the same because in the wagon business the scale is important. in order to get the scale one has to be competitive so these are matters which are factored into while making the bid and while doing the pricing strategy and all of that. on



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one side one has to keep into mind that this is not a monopoly business there are competitors and we have been able to get the larger share and this in fact establishes that last several years in a row we have been having a market share of about 30% which is a very good market share in a competitive industry like this while maintaining our EBITDA margin. so I would not revise either upward or downward EBITDA margin guidances.

- Abhijeet Dey:** Right, thank you and all the best.
- Moderator:** Thank you very much. Our next question is from the line of Rajesh Bhandari an investor. Please go ahead.
- Rajesh Bhandari:** Sir good afternoon, congratulations for the big order. Sir you have mentioned that you have asked the railways for some change of wagon type. what exactly is that?
- Umesh Chowdhary:** We have got two types of wagons and the two types of wagons that we have got we are executing both of them.
- Rajesh Bhandari:** But you said you have asked for the change of type?
- Umesh Chowdhary:** We had asked them for balancing the two. we have got one wagon type of certain quantity and the other wagon type of a certain quantity.
- Rajesh Bhandari:** Rota and roto.
- Umesh Chowdhary:** No, this is BOXN and BCN but we have accepted the mix that the railways wanted to allot to us. so that is already done. we have already signed the contract and we have already started production and dispatches.
- Rajesh Bhandari:** There will be no price implication for that?
- Umesh Chowdhary:** No there will not be.
- Rajesh Bhandari:** You have received order for 24117 wagons for 7800 basic, so it is working out to 32.34 lakhs per wagon so for this 32.34 lakhs per wagon the EBITDA margin you said approximately 8% to 10% what will be the net margin?
- Umesh Chowdhary:** We give the guidance in terms of the EBITDA margins and that is what I have been able to share with you. In terms of debt, we do not have any long-term debt so the working capital debt is something that of course is on ongoing basis, so normally if you look at our trend we



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have been doing EBITDA margins of about 8% to 10%, some years there have been a couple of percentages plus or minus or I would say some quarters rather some years may, but on a blended basis we would still maintain 8% to 10% of EBITDA margin.

Rajesh Bhandari: That is EBITDA and here because normally your quarterly turnover in standalone has been Rs. 400 Crores approximately which works out to approximately Rs. 1500 Crores last year you did, but with this big order you will be executing something about Rs. 2400 Crores per year for the wagon itself with this new order so by increasing the turnover the other cost should come down?

Umesh Chowdhary: That is what I explained to the gentleman before you that while pricing the wagons we take the advantage of the volume and the advantage of scales and everything because at the end of the day in a tender business you also have to be the competitive bidder in order to get the volume. so while doing the pricing strategy and doing the sales strategy this aspect is already taken into consideration to stay at 8% to 10% EBITDA margin.

Rajesh Bhandari: Do we have any PVC clause Sir?

Umesh Chowdhary: Yes, the contracts come with the price variation clause upward and downward.

Rajesh Bhandari: If the steel prices go down it may go down also if it goes up it may go up also?

Umesh Chowdhary: That is right.

Rajesh Bhandari: Your standalone is very good, but consolidated is always volatile, so how to improve upon that?

Umesh Chowdhary: That is what I have just explained, we need to see the Italian subsidiary in two aspects. first aspect is the strategic aspect of the company, the company has been strategically a game changer for the growth because it has enabled us to enter into the metro, to the high technology propulsion and all of the other above businesses. In terms of the losses which the company has been incurring, these are losses because of the acquisition of some of the legacy contracts or the initial contracts which were loss making, but there is no cash impact on the standalone because the standalone is operating on an independent basis, so while on the consolidated P&L the losses are impacting but there is no cash impact on the standalone in terms of the initial losses that the subsidiary is incurring. There are no guarantees or nothing of that sort.



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Rajesh Bhandari: Can we expect increase of something about 40% to 50% in the profits in the next three years?

Umesh Chowdhary: I would not like to comment on that. I have given you the basis and then the results is something that we would not be able to give any forward-looking numbers.

Rajesh Bhandari: Thank you Sir. All the best for the future prospects also.

Moderator: Thank you. Our next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: Thanks for the opportunity and congratulations for good set of numbers. I have couple of questions, in terms of these metro coaches what are our order pipeline apart from what we are doing right now this Uttarpara and Pune, what are the bidding pipeline that we have?

Umesh Chowdhary: We have a very healthy tender pipeline; we have bid for many contracts and they are in the pipeline. The demand for the metro coaches is very healthy in the country, the Honorable Prime Minister while inaugurating the Pune Metro had also announced that all the Tier-1 and Tier-2 cities are being planned to be connected in by metro so I would say that while the orders that we have on hand is only the Pune right now the tender pipeline is strong and healthy.

Subhankar Ojha: This Pune is that a profitable order, are we going to make 8% to 10% tender margin that we make is that project also going to do a similar sort of margin?

Umesh Chowdhary: We do not comment on contract-by-contract profitability because of obvious competitive reason, but as I have always maintained that the tendering strategy, pricing strategy everything is done keeping into mind that the company should be profitable to the level of 8% to 10% EBITDA.

Subhankar Ojha: Coming to your overseas operation, so basically, we did acquire this company back in 2015-2016, so how much have we totally invested so far in this company and what are the basically kind of a return, kind of ROCE we generated and what are the potential earnings for this company for the next two, three years?

Umesh Chowdhary: The investments that have been made are disclosed as a part of the balance sheet. there is no other investments or guarantee which is prevalent which is not disclosed in the balance sheet. As far as the earning is concerned, the order book of the company is about €500



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million as of now and we expect that in 2022-2023 we should be EBITDA positive and 2023-2024 we should be able to turn net positive.

Subhankar Ojha: Can you share a similar timeline of execution of this 500 million of order that you have like the way you share for the Indian operations?

Umesh Chowdhary: In a transit business in a passenger coach business it is quite different. these are framework contracts, so the execution timelines are more spread out not like wagon contracts where we have got the contract and we started the execution immediately, so I may not be able to give you an exact schedule but on a thumb rule basis we have contracts for passenger trains are normally executed over three-to-five-year period any contract.

Subhankar Ojha: Just to crosscheck this number your Italian operations had a roughly Rs. 500 Crores of revenue with Rs. 40 Crores of EBITDA loss and kind of I think Rs. 80 Crores of net loss is that roughly the ballpark number?

Umesh Chowdhary: Saurav would you like to give the exact number that will be helpful?

Saurav Singhania: For the foreign operations are you talking about the annual numbers?

Umesh Chowdhary: Annual yes FY2022 that is correct.

Saurav Singhania: In terms of the total revenue for operations was almost like €76 million from the foreign operations for the year and the EBITDA if I remove the impact of the exceptional item, was 1.8 million negative and also if I remove the onetime loss of 3.9 million it will be positive at 1.2 million and the loss at PBT level, almost at €9 million which is almost like you are paying Rs. 72 Crores.

Subhankar Ojha: So, the reported EBITDA loss would be 1.8 plus I think you had some 4 million of execution delays provision that you created right so that is about €5.8- €6 million right?

Saurav Singhania: The reported EBITDA in the financial statement as I said before exceptional is 1.8 million negative which includes the impact of 3.9 million of one time provision that we have done and if I include the exceptional item then the reported EBITDA loss would be almost 3.2 million negative which is almost like Rs. 25 - 26 Crores.

Umesh Chowdhary: In our investor presentation I think all of this has been clearly covered and if there are specific numbers then we can always be available offline.



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- Subhankar Ojha:** So basically, we are going to make that reversal of that margin at the EBITDA level and that is what I was trying to get what will be the added number to your next year EBITDA from the overseas operations. Thank you so much obviously I will be in touch for any detailed numbers.
- Moderator:** Thank you. Our next question is from the line of Vasudev from Edelweiss. Please go ahead.
- Vasudev:** Thank you for the opportunity Sir and congratulations on winning the largest ever order from the Indian railways, on the same order can you elaborate on the delivery terms?
- Umesh Chowdhary:** Sure, it is to be delivered over 39 months.
- Vasudev:** So how much then will it be like in FY2023 and how much in FY2024 and beyond?
- Umesh Chowdhary:** Related with the contract but more or less it will be I would say a little less than equal in the first year and then the rest will be over the next two years, so more or less I would say 25% to 30% in the first year and the balance in the next two years.
- Vasudev:** The billing would be done based on the number of wagons dispatched or after like some money given in advance or how is the billing cycle for the contract?
- Umesh Chowdhary:** It is the standard billing cycle of the railways that has been followed ever; there is no advance in the contract.
- Vasudev:** On the Pune contract, we are on track or there could be any delays expected?
- Umesh Chowdhary:** No, barring the COVID delays etc., we are by and large on track.
- Vasudev:** So, by when will we executing the full Pune contract the Pune metro one?
- Umesh Chowdhary:** FY2023 the contract will be fully executed.
- Vasudev:** On the demand outlook, how is the demand looking from the private sector and also how is the demand outlook from the DFC wagon ordering perspective?
- Umesh Chowdhary:** The wagon orders that have been placed by the railway includes for the DFC and as far as private wagon outlook is concerned it continues to be strong after the recent move of the government to put some export duty on steel and steel related commodities. there has been a little slowdown on the offtake of private wagon, but we believe that is temporary and the private wagon demand continues to be healthy.



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- Vasudev:** Would it be possible to give the split of the order book in private and public sector?
- Umesh Chowdhary:** Beyond what has been said in the presentation, we will not be able to give further information.
- Vasudev:** No problem. just a few data related points. If you can tell me how many wagons has been dispatched in FY2022?
- Umesh Chowdhary:** Once again the numbers that have been given in the presentation are the ones that we can disclose in public domain. so that is already there as a part of the presentation that has been uploaded on the website of the company.
- Vasudev:** No problem. On the bid pipeline you said that the bid pipeline is healthy, would it be possible to quantify like how much of orders have we already bid for, what is our target for FY2023 and are we L1 currently in any order?
- Umesh Chowdhary:** We shall be making those announcements only when we win a contract. as a matter of policy and in order to avoid speculation, we do not talk about any contract unless it is awarded.
- Vasudev:** What is the capex that we have done in FY2022?
- Umesh Chowdhary:** We have done a capex of about close to Rs. 100 Crores which has been primarily funded out of internal accruals.
- Vasudev:** That is it from my side. Thank you and all the best.
- Moderator:** Thank you very much. Our next question is from the line of Hari Kumar an investor. Please go ahead.
- Hari Kumar :** Congratulations to the management for a good set of Indian numbers. Sir my first question will be regarding the international operations. why is the parent company not supporting the Italian subsidiary and bringing in minority investors because it is in a loss and it is in the default of loans why is it not supporting the Italian subsidiary? and my second question is regarding the international operation piece what are the orders in pipeline for the Italian operations?
- Umesh Chowdhary:** The two points that you had mentioned first part is that regarding support of the Italian subsidiary, the Indian parent is fully supporting the Italian subsidiary but as far as financial



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support is concerned Indian subsidiary has to also take care of there has not been almost a 4x or if you look at in the last three years, three years ago the average order book size of the company used to be in the vicinity of Rs. 600 to 700 Crores today it is Rs. 10600 Crores. so obviously the capital allocation of the parent company has to be made accordingly so as to ensure that the parent company is also executing the orders that it has with themselves. The second is as far as the minority shareholding is concerned, the minority shareholding is more strategic and would be very useful for the future of the Italian company. Both the companies the Indian and the Italian company work independently while utilizing the synergy of each other, but both of them have a complete autonomous and independent working. The other is you said about the pipeline of business in Italy, so the pipeline of business in Italy is very strong. there is something called the program of national reconstruction and resilience which has been launched by the Government of Italy and the European Union which entails spending €180 billion in infrastructure out of which almost €40 odd billion will come to our sector. since Titagarh Firema is a company based out of the south, recently announcements that were made by the senior government officials clearly said that the company is based out of in the south of Italy will be the bigger beneficiary of the PNRR. (The Program Of National Reconstruction And Resilience) so we believe that there will be a very optimistic market scenario, the very fact that Titagarh Firema was able to develop and deliver two brand new trains in less than 24 months in spite of the COVID period clearly demonstrate its technical prowess. So with that we think that the company is in a good position to be a part of the PNRR and railway upgradation process of the Italian Railways.

Hari Kumar S: Regarding this Indian operation, are we eligible to bid for this Navy Corvettes Defence Department has opened up recently, Navy Corvettes Rs. 36000 Crores order?

Umesh Chowdhary: I am not sure about this whether specifically on this or not, but we have done recently the fast patrol vessel for the coast guard which is in the category of our warship we did this via the GRSE. This was launched by the Director General of Coast Guard last month and with the acquisition of the new shipyard which we have done on the south side of Howrah Bridge we believe that shipbuilding capabilities of the company would increase in order to do more of sophisticated vessels for the Indian Navy. With regard to the Corvette, I would not be able to give you an answer but if we can get your details and if we are able to share this, we will definitely share this with you.

Hari Kumar S: About the wheelsets problem Sir is the company facing any problem?

Umesh Chowdhary: Wheelsets has been continued to be a problem but the railways have taken necessary action because the Railway Board has to effectively deliver the wheelsets to us, we have to buy the



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wheelsets from them so the railway has placed some orders for importing wheelsets, etc., so we believe that the railways have been very proactive in the planning exercise the very fact that they placed an order for three years at one go for freight wagon is the testimony to the forward looking planning that the railway has started doing.

Hari Kumar S: Thank you Sir, I will join in the queue for any more questions. Thank you Sir.

Moderator: Thank you. Our next question is from the line of Panjul Agrawal from Green Portfolio. Please go ahead.

Panjul Agrawal: Good afternoon Sir. I understand that company is trying to reduce debt but in the consolidated cash flow statement, there are short-term borrowings for Rs. 95 Crores and repayment of long-term borrowing for Rs. 103 Crores the company seems to have repaid its long-term loans with short-term borrowing, what are we doing here, what is the strategy?

Umesh Chowdhary: Absolutely not, the company is never repaying long-term borrowing with the short-term loans both are dealt with in completely separate and isolated bucket. The long-term borrowing has reduced over the year and that has been reduced only out of the working cash flow. The short-term borrowing is basically cash credit limit and this can be very kind of a moment of time event because invoicing typically in the month of March can happen at the later part, there are certain customers they do not pay up in March because they would like to move their payables in April so the company is very very cautious about ensuring that there should not be any long-term usage of short-term fund and you can be sure that, that is not the case.

Panjul Agrawal: Also, I can see that other expenses have gone up by 55% on year-to-year basis so can you tell me the nature of these expenses and the reason for the spike?

Umesh Chowdhary: So other expenses I would include certain settlements of claims that has happened. unfortunately, the Director Finance of the company could not join in because his flight got delayed, he could not land in time. I do not know Saurav if you are able to give more breakup or otherwise, we can provide the breakup.

Saurav Singhania: In the consolidated the other expenses have gone up because of the justification that we have given in the opening speech of Mr. Chowdhary that it includes €4 million of almost like Rs. 35 Crores of onetime provision that we have done for the end of life the legacy contracts for the extra cost of films from the customer so that is the major impact from the consolidated perspective from the European Operations. For the Indian operations, I need to



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check for the standalone maybe we can come back. For the consolidation, the major increase is €4 million of the provision that we have done.

Panjul Agrawal: Apart from this I wanted to ask that inventory has also increased by 25% so what is the nature of the inventory and the reason for being stocked up and similarly trade receivables are double in standalone capex from Rs. 14 Crores to Rs. 28 Crores, so the quality of the trade receivables and have we already received that amount in the month of April and May?

Saurav Singhania: Madam these are very routine statements Rs. 14 Crores or Rs. 28 Crores is not a big amount considering the size of the company and if we look at the turnover of the standalone it is in terms of number of days not at all a very high amount as we are talking about I am not very sure on which number that we are talking but the provisioning norms and the way of recognizing these amounts is very strict and we meticulously follow them. so, if there was anything which was doubtful that would not be appearing in the book yet.

Panjul Agrawal: Just one more question have we started with the regular production of propulsion system, and have we received any orders yet?

Umesh Chowdhary: We have received orders and we have started the trial production.

Panjul Agrawal: Thank you Sir.

Moderator: Thank you. Our next question is from the line of Sreeram Ramdas from Green Portfolio PMS. Please go ahead.

Sreeram Ramdas: Good evening. Sir about these other expenses that the previous candidate has asked I will send an e-mail and I will request for the details because I need further explanation on this if you do not mind. Secondly, we have started the Catania project right initially the metro.

Umesh Chowdhary: Yes, we have already delivered for train.

Sreeram Ramdas: The legacy contracts should be finished by June end hopefully EPC contract?

Umesh Chowdhary: I already mentioned that it is with government.

Sreeram Ramdas: Last question, our Italian order book has been increasing but our revenues when I look at consolidated passenger stock versus the standalone passenger stock, I am getting a revenue of only Rs. 60 Crores for this quarter for the Italian subsidiary so the revenues have fallen



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by 60% year-on-year basis so what is the reason for Italian subsidiary to report lower revenues?

Umesh Chowdhary: The contracts that we have been signed recently and typically in a passenger train business, first designing and the production of the first train takes between 18 to 24 months that is one. The second is that the focus of the company in the last quarter and in the June quarter is to complete the legacy contracts where the revenues are much lesser because these are primarily revamping contracts not new trains, so therefore that takes an impact but unless we are able to complete those contracts, we will not be able to streamline the situation of the company.

Sreeram Ramdas: Lastly, we recently won an award for 24000 wagons now do we have the current capacity to execute all these orders within the next three to four years or do we need to spend anything on capex at the moment?

Umesh Chowdhary: We by and large have the capacity some balancing capacity that will need to be created it is being created.

Sreeram Ramdas: Alright, and the major figure that we are expecting for capex?

Umesh Chowdhary: We are not talking about very large amounts at this point of time. So, whatever capex will be there will be for the wagon business will be done from the routine maintenance.

Sreeram Ramdas: Thank you so much.

Moderator: Thank you. Our next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: Thanks for providing the opportunity and sorry I was late to join the call so you can escape if this question has been asked by somebody else. I just wanted to understand on the new large railway order that we have received how is the raw material risk, the pass-through work, with the steel price rise, who bear the risk and if you can just explain those content that would be helpful?

Umesh Chowdhary: I was mentioning that there is a price variation clause in the contract which takes care of both upward and downward movement of steel prices.

Vaibhav Badjatya: But is it like with some time lag that is there and for some three to six months we retain the benefits and we bear the risk or is it like immediate pass through how does it work?



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- Umesh Chowdhary:** Normally the time lag is always there by a quarter or so because the wholesale price index takes time to move, but again that is why I always mention that there is possibility of a quarter-to-quarter kind of a movement on EBITDA margin but on a blended basis that kind of matches up.
- Vaibhav Badjatya:** Got it and just broadly on the new order, what kind of margins are we expecting in this order itself if you can share that what is the EBITDA margin that can be expected?
- Umesh Chowdhary:** Again, this was discussed that as a company we work with the pricing strategy which gives us about 8% to 10% of EBITDA and we would continue to work with the same price strategy.
- Vaibhav Badjatya:** Got it Sir, these were the two questions from my side. Thank you. That is it from my side.
- Moderator:** Thank you. Our next question is from the line of Karan Mehta from Nirzar Securities. Please go ahead.
- Karan Mehta:** Thank you Sir for the opportunity. I have got two questions. First, we are undergoing some rescheduling of payment with our creditors in our Italian subsidiary so if you can throw some light on that and the status of this rescheduling?
- Umesh Chowdhary:** This is basically the unsecured creditor in the Italian system. if there is a renegotiation of the payment terms of the sundry creditors it is classified under this head, this is not a reschedulement of the secured debtors.
- Karan Mehta:** By what time do we expect this renegotiation, if you can just give a broad timeline as to when this matter will get solved?
- Umesh Chowdhary:** These are ongoing these are not long-term, maybe by the next quarter itself it will be done.
- Karan Mehta:** Second is our promoters had infused around €20 million in Italian subsidiary in exchange of OFCD. So, how much dilution of the holding company can be caused by this OFCD?
- Umesh Chowdhary:** No there is no OFCD infusion; there will be an equity infusion which will include the equity infusion from the Government of Italy.
- Karan Mehta:** So, there would be some dilution caused by this right?



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- Umesh Chowdhary:** That is right the dilution will be caused by that but that is something which once the final equity structure is defined how much money will the Italian government put in and third parties put in it will be defined.
- Karan Mehta:** Fine thank you Sir. These were the two questions from my end.
- Moderator:** Thank you. Our next question is from the line of Hari Kumar, an investor. Please go ahead.
- Hari Kumar:** Thank you Sir. Can we expect any more orders from these 90000 wagon orders opened by the railways department?
- Saurav Singhania:** We have already got 32% of the order placed by the railways, so I think we should be happy with that.
- Hari Kumar:** Anyway, strategy for the export of wagons after the current order tapers off?
- Saurav Singhania:** We are definitely working on export market that is something which is our focus and we would continue to focus on building. If you look at the company's overall strategy, I had mentioned in the calls earlier that my focus is to build up an order book in fact our target was to build up an order book of Rs. 5000 Crores. We have been able to build that reasonably well before time and that took twice of the target. now the next target will be to do geographical diversification and for that purpose we have also opened a small office in the North American market. So we would continue to do geographical diversification of our markets.
- Hari Kumar:** Lastly about this industry core how ahead are we in implementing this strategy industry 4.0?
- Saurav Singhania:** We are continuously upgrading ourselves and we keep on putting whatever IT enablement that we can, our coach plan that has been made with utilizing industry for 4.0 standards and practices.
- Hari Kumar:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Rajesh Bhandari an investor. Please go ahead.
- Rajesh Bhandari:** Sir good afternoon. With this new order worth Rs. 7800 Crores our turnover for the three years would also be more than doubling up?



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- Saurav Singhania:** Sir, again we would not be able to give you forward looking number statements or projections, but we have shared the numbers and the timeline for execution.
- Rajesh Bhandari:** Yes, it is the timeline you have given so yearly it works out to something about Rs. 2400 Crores which is in addition to say Rs. 1500 Crores which we did the just gone by year.
- Saurav Singhania:** It will not be in addition because these are orders that are placed by the railways instead of getting a smaller order, we have got a larger order this time.
- Rajesh Bhandari:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Premal Shah from Pratik Heat Products. Please go ahead.
- Premal Shah:** Good evening Sir. I just have a couple of questions. The value of the legacy contracts which are pending what is the value of those contracts?
- Umesh Chowdhary:** The total value of the legacy contract that was residual on April 1, 2022, was something around €20 - €30 million which we will target to complete in the current quarter that is the June quarter.
- Premal Shah:** So, after that there would not be any legacy contract bleeding?
- Umesh Chowdhary:** Thereafter there would be no legacy contract.
- Premal Shah:** What kind of margins would the new contracts in Italian operations will be after the legacy contract?
- Umesh Chowdhary:** The Italian railway business operates on a smaller EBITDA margin. normally the EBITDA target margin in Europe is at about 6%-7%, so the new contracts have been booked by us under the normal circumstances so we would expect to be around that percentage of EBITDA margins.
- Premal Shah:** The factory shifting that you have done one of the facilities that you have closed down and moved to the other facility, what kind of an impact would that have overall on the operations?
- Umesh Chowdhary:** That will bring about a lot of efficiency in the operation and reduce costs by almost I would say the cost that we have incurred the payback would be less than one year.



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- Premal Shah:** Alright. Thank you Sir. That is about it from my side.
- Moderator:** Thank you. Our next question is from the line of Ashwani Sharma from ICICI Securities. Please go ahead.
- Ashwani Sharma:** Good evening and thanks for the opportunity. Sir I have got a couple of questions first is Sir on the metro, while macro looks very good in terms of opportunity but if you could give us some ballpark numbers as well as opportunity is concerned over the next two to three years that will be helpful that is my first question?
- Umesh Chowdhary:** So as far as metros are concerned, these are all tender based businesses. So, to give an order visibility will be difficult but I can only give you tender visibility. The tender visibility is very high a lot of metros have already come up and they are continuing to come up. Our company has already bid in a couple of tenders which are ongoing and would continue to bid in the tenders that are going to come up in the future itself.
- Ashwani Sharma:** So, which are the states which are highly active in these tenders?
- Umesh Chowdhary:** All states, if you look at the Delhi metro, Chennai, Ahmedabad, Bengaluru so there are different states coming up, so Gorakhpur has been sanctioned so there would be number of them that would continue to come up.
- Ashwani Sharma:** My second question is on your traction motor business, if you can update us what is happening over there?
- Umesh Chowdhary:** I have already mentioned is that the trial production in our plant has already started and we would be into regular production in the next three to six months.
- Ashwani Sharma:** We have not got any order?
- Umesh Chowdhary:** Yes, we already have orders and for that the plant approval and the trial production has already started.
- Ashwani Sharma:** My last question is on the large wagon order that we have received, what kind of advance we will get from the railway for this?
- Umesh Chowdhary:** There is no advance for the railway contract.
- Ashwani Sharma:** Thanks a lot Sir. Those were my questions.



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Umesh Chowdhary: Thank you. Our next question is from the line of Premal Shah from Pratik Heat Products. Please go ahead.

Premal Shah: I would just like to know what is this Pune metro contract and what kind of margins is that going to be running at?

Umesh Chowdhary: I just mentioned it to one of the participants, we do not disclose contract-by-contract margin for competitive reason but what I can share with you is that whenever we are calculating our overall contract or the product mix and execution mix we ensure that we stay with our targeted margins that we have projected to the investors.

Premal Shah: That is the only reason I was asking is because in the presentation I could see that the passenger rolling stock in spite of having a good topline the margins are negative so I was just wondering what would be happening going down the line in the next three, four quarters.

Umesh Chowdhary: There are fixed costs which are obviously there which will be continuing and as I said that on a overall contract basis it is not a onerous contract otherwise we would have declared that it is an onerous contract, but then pricing is also strategic so this is a business that we will have to kind of follow a strategy in order to achieve the larger picture that the larger objectives that we are set up to achieve.

Premal Shah: Thank you Sir. Thank you very much.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Umesh Chowdhary: Thank you very much for all the very insightful questions. I hope I have been able to answer whatever I could keep into view the competitive and regulatory framework. I think that on a nutshell this closing remarks what I would like to share is that it seems that the company is all set to enter into a different trajectory, incidentally this will be the 25th year of the company's incorporation the company was incorporated in 1997, so it is a very important landmark year for the company and for it to be having a number of landmark achievements on this year is also very fortuitous, the first metro coach was rolled out this year, the first large contract has been received this year and also the first warship was launched, so all the three businesses have something to contribute to the 25th year of the company's incorporation. Going forward we believe that all the three verticals of the business which have shaped up well, which have their independent management teams are picking up and they would continue to deliver as drivers for the growth of the overall



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company. So, I would like to convey my sincere gratitude to everybody, to the employees, to the bankers and all to the investors who have been with the company, who have supported the company and we really are sure and we hope that we will be able to take this company to a much different and a much greater height in the year to come. Thank you very much.

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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