Frontier Springs Ltd.

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CIN No. : L17119UP1981PLC005212

November 13, 2023

To
The BSE Limited
Corporate Relationship Department
1st Floor, New Trading Wing
Rotunda Building, PJ Towers
Dalal Street Fort, Mumbai-400001
Phone: - 022-22723121, 22722037
(Script Code: - 522195)

Subject: Transcript of Conference Call with reference to the Un-Audited Financial Results for the quarter and half year ended September 30, 2023.

Dear Sir/Madam

Pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed herewith a copy of the transcript of conference call conducted on November 7, 2023 to discuss the Un-Audited Financial Results of the Company for the quarter and half year ended September 30, 2023.

The above information is also available on the website of the company at www.frontiersprings.co.in

Kindly take the above on record and oblige.

Thanking You
Yours Faithfully,
For Frontier Springs Limited

Dhruv
Bhasin

Digitally signed by Dhruv Bhasin
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Dhruv Bhasin
(Company Secretary & Compliance Officer)
Encl's: As above

Frontier Springs Limited

Q2FY24 Earnings Conference Call

7th November, 2023

Management Participants

Mr. Kapil Bhatia – Managing Director

Mr. Dhruv Bhasin – Company Secretary

Investor Relations Advisor

Abhishek Mehra – TIL Advisors

Frontier Spring Limited
Q2 FY24 Earning Conference Call
7th November 2023

Moderator: Ladies and gentlemen, good day and welcome to Frontier Springs Limited Q2FY24 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 this 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 Mr Abhishek Mehra from TIL Advisors. Thank you and over to you Sir

Abhishek Mehra: Welcome everyone and thanks for joining this Q2 and H1FY24 earnings conference Call of Frontier Springs Limited. The investor updates have already been uploaded on the Stock Exchange company website and already emailed to you. In case you do not have a copy of the same, please feel free to reach out to us to take us through the discussion we have with us from the management team, Mr Kapil Bhatia, Managing Director and Mr Dhruv Bhasin Company secretary.

We'll be starting the call with a brief overview of the business and the financial performance in Q2FY24 which will be followed by the Q&A session. I would like to remind you all that everything said in this call, reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that the company faces. These risks and uncertainties have been mentioned in our annual report with that said I would now like to hand over the call to Mr Kapil Bhatia over to you Sir.

Kapil Bhatia: Good afternoon, ladies and gentlemen, and a very warm welcome to Frontier Springs Limited's maiden earnings conference call. We are delighted to have you join us today.

As this is our very first conference call, I would like to take a moment to underscore our commitment to increasing openness with our stakeholders. In our endeavour to keep you informed, we have taken the initiative to provide quarterly updates and convene half yearly conference calls. These sessions will serve as platforms to discuss our company's performance, strategic direction, future outlook, and, importantly, address any queries you may have.

Recognising that many of you might be new to Frontier Springs Limited, I shall provide a brief overview of our business before delving into our performance for the quarter.

Frontier Springs limited is one of the leading manufacturers of hot coiled compression springs, air springs and forging for wagons, railways, carriages and locomotives. We have two state-of-the-art manufacturing facilities located in Kanpur, Uttar Pradesh and Poanta Sahib, Himachal Pradesh.

For the last 30 years, we are registered with RDSO (Research Designs & Standards Organization) for the supply of springs and other components to Indian Railways. We have developed a large number of products as per the latest specification of the RDSO and we are also certified by the International Rail Industry Standard (IRIS).

While the Indian Railways remains our primary customer, our extensive portfolio also caters to other prominent companies who are vendors to the railways, such as BHEL, Texmaco Titagarh, amongst others.

We categorise our operations into three principal verticals:

Coil Springs: Since transitioning from leaf springs to hot coiled springs in 1991, we've been supplying the Indian Railways with a variety of springs that optimize space, reduce fatigue, and minimize weight.

Forging: Our foray into forging in 2011 saw us setting up a facility in Kanpur, where we manufacture critical train components. With hammers ranging from 1 to 6 tonnes, and our comprehensive in-house workshop, we can handle materials ranging from 100 grams to 80 kg.

Air Springs: Our newest venture involves a collaboration with Contitech Germany to provide air springs for LHB coaches. Notably, our air springs are also utilized in India's fastest train, the Vande Bharat Express.

Turning to the industry landscape,

The Indian railways, which is our primary customer and a significant contributor to the Indian economy, registered record revenue figures of ₹ 2.40 lakh crore for FY2023, reflecting a jump of nearly 25% over the previous year. The Railways invested heavily in new infrastructure such as tracks, locomotives and coaches during the year.

It also launched a number of new initiatives such as the Vande Bharat Express and the Gatimaan Express. The Ministry of Railways invested ₹1 lakh crore in augmenting the capacity of the network. Thus, FY2023 witnessed the highest- ever commissioning of new lines and doubling/multi-tracking of 5,243 km. Additionally, the higher investments in Dedicated Freight Corridor and Mumbai-Ahmedabad bullet trains have ensured rapid progress in wagon procurement.

In the Union Budget 2022-23, the railways was allocated ₹1.4 trillion. The funds will be spent on building railway tracks, wagons, trains, electrification, signalling and developing facilities at stations while focusing on safety.

Our fortunes our directly linked to the growth of Indian Railways, and given the massive investments we are witnessing, I can confidently say, that our future looks very promising.

Our role in the wagon industry, where demand is exceeding the cumulative capacity of manufacturers, is pivotal. With our products finding their place within these wagons, the opportunities are abundant. This magnitude of opportunity extends beyond wagons alone; similar demand trends are evident in the locomotives and passenger coaches segment, where volumes are notably higher.

To capitalise on this opportunity we have been making a lot of strategic investments. We are also diversifying our horizons by supplying products to OEMs for Metros and are in active discussion with a lot of big players for the same. We are also positioning ourselves to fulfill the Indian Government's 'Make in India' initiative, aiming for at least 70% indigenisation in our products to secure government contracts.

Now coming to the performance of Q2FY24.

In Q2FY24 we delivered a robust performance with a 28% growth in top-line on a Year on Year basis. Both our core verticals – Springs and Forging – have sustained their momentum, contributing significantly to our performance during the period.

The margins we have witnessed this quarter are indicative of our business's true potential. In a significant development for our Air Springs vertical, we have been approved as a "Developmental Source" by the Indian Railways. This accreditation empowers us to participate in tenders comprising 20% of the Indian Railways' requirements for Air Springs. We are optimistic about the vertical's contribution to our business, with substantial order execution anticipated in the next financial year.

We are in anticipation of the final nod as a "Regular source" for the supply of Air Springs to Indian Railways, which we expect to secure by Q1FY25. In light of the strong demand for Air Springs, we have decided to enhance our manufacturing capabilities, committing an additional capital expenditure of ₹ 5 crores. This investment will expand our production from 120 coach sets per month to 200, thereby aligning the Air Springs vertical's capacity with the combined top-line potential of our Coil Springs and Forging Division.

Our expansion plans are well underway, and we aim to conclude these enhancements by the end of this fiscal year. With the completion of this initiative, we will be poised for strong growth. Furthermore, the arrival and ongoing installation of the 6-tonne hammer at our facility will augment our operational capacity and is a clear indicator of our commitment to growth.

These strategic investments are set to be reflected in our financials from the subsequent year. As we continue to fortify our position within the industry, the outlook for our products, with the Indian Railways, is exceptionally promising. Our focus on investment and innovation positions us well to achieve a top-line of ₹ 500 crores by 2027, as we capitalise on the opportunities that lie ahead.

With that, I will now open the floor for any questions that you might have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I'm trying to understand that, Sir, what gives you confidence that you will be able to touch 500 crore revenue by 2027 which is only 3-4 years from now. Considering that in the past three years there has been hardly any growth in the top line which is flattish at around 100 crore and our EBITDA has actually fallen from around Rs. 20 crore to 15 crore over the past 12 months. So what gives you that confidence and also how much CapEx do we need to incur to reach that target?

Management: My confidence to reach 500 crore is that this year we are planning to touch almost 160 crore and by adding Air Spring, which is a very high value added item and a good margin, we are hoping to get almost the same as coil spring turnover for the next year which will be around 50 crores and forging also after the installing of 6 tonne hammer. So I am very confident that this financial year we will be closing around 150 to 160 crore and next year will be 200 plus crore business. So 2027 is not that far and we are quite confident that we will achieve because forging industry has other than railway there is a lot of scope.

We are discussing few components with the defence also from the BML where we are going to have add some components for the defence through BML, Bangalore and other components also. So we are quite hopeful and quite confident that by FY27 we'll be touching a turnover of around 500 crores and the CapEx which we are doing or expansion is required another almost Rs. 5 to 6 crore in air spring and around Rs. 4-5 crore in forgings so almost Rs. 11-12 crore CapEx which we are going to do with from the internal accruals. We are not taking any loan from the bank or any financial institution and we are capable enough to do this through our internal accruals. So there will be no debt load on the company and we'll able to do this CapEx by this year-end or maybe the first quarter of next financial year.

Keshav Garg: So this 11-12 crore CapEx is enough for us to reach 500 crore revenue.

Management: Yes. It is quite sufficient for us.

Keshav Garg: Did you mention that FY25, our revenue target is 200 crore or 250 crore?

Management: It is 200 crores.

Keshav Garg: Also lastly, Sir, if you could give us some idea about the product make what is it currently in terms of between springs and forging components? As well as with your 500 crore target, what is the expected revenue mix which is premium percent?

Management: By 2027 you are asking.

Keshav Garg: Yes, but.

Management: We at the moment I can give by the next year that we'll be doing around 50 crores of air springs and 60 to 70 crore of coil springs and around 70 crores of forgings. So that would be for the next year and then subsequently around 20 to 25% growth for the next financial year coming up.

Keshav Garg: And if you could give us some idea about the margins that I am assuming some operating leverage will should kick in because last time in FY20 when we hit 100 crore revenue then our operating margins were 20% which came down to 12% last year. So now we will ramp up our production then what kind of margins? Can we expect for this financial year and when we reach 500 crore revenue?

Management: By this year, we are targeting EBITDA of around 15% for this year, which will be more than the last year and we will try to maintain between 15 to 18% for the next years coming up.

Moderator: Thank you. Our next question is from the line of Ayush Agarwal from MAPL Value Investing fund. Please go ahead Sir.

Ayush Agarwal: Sir, my first question is that we see all the listed companies like Titagarh wagon and Jupiter wagon doing very well. Is our growth not linked to them? And how should we understand that because they have been reported 50-60% growth year on year and our growth has finally come this quarter. So what where have we been either lagging or what is happening that suddenly this growth is coming and we are confident about this 500 crore revenue?

Management: Actually, if you compare our company with Titagarh and Jupiter, they are a wagon manufacturer and we are the component supplier to Titagarh and Jupiter. We are supplying springs and some coaching component to them, so as far as their revenue other concerned, they are selling 1 wagon to Indian Railways around Rs. 25 lakhs and we are selling in one wagon. We are selling around Rs. 40 to 50 thousand component to wagon manufacturer whether it is Titagarh, Jupiter, Texmaco or any other wagon manufacturer. And before last year it was a stable market like Indian Railway used to procure 12 to 14 thousand wagons per year and last year they have suddenly procured 80,000 wagon tender they have done and they have given order to Jupiter and Titagarh majorly to other manufacturer also, so suddenly there is an increase in demand and before that the wagon springs were not very profitable.

So we were doing less but as the demand came and there was a scarcity of supply, we are able to increase our prices and now the prices are good enough to supply to the wagon manufacturers. So we have started doing more wagon spring before that we were doing less wagon springs depending upon the passenger spring than the locomotive springs. So as the wagon industry demand grows and the price has also increased because of the less supplier to the wagon into the industry. So now the prices are also climbed and we are able to do that and we are quite confident that in future because this year again Indian Railways are planning to buy another 50,000 wagon, so demand remains very high and we are trying to reach our optimum capacity utilisation by this year and at the moment we are doing around 70% to 80% in our coil spring division and we have a good margin and forging we are at the moment we are doing 50%, so we have good margin to increase our capacity there also. We have capacity and the prices will be good. So we are quite confident that we are able to get good prices and able to achieve the required turnover.

Ayush Agarwal: All right. So that is good to know. So first you mentioned that in the presentation air spring will be 120 crores and let's say in that 500 crores, we are accounting for that 120 crores. So remaining is 380 crores from the traditional spring business and our forging division. So after 380, what can be the rough split between forging and the non-air spring business?

Management: This is the year 2027 you are asking where we are able to touch around 500 it will be correct. It will be around 30% from the air spring and the balance is from the forging and the coil spring.

Ayush Agarwal: So that is what I'm asking that between forging and cold spring, what can be the rough split that we can resume because we are already 70-80% utilisation in coil spring.

Management: Yeah. So coil spring will be around 120 to 130 crores and the rest is forging.

Ayush Agarwal: what would be forging revenues in FY23, if I may ask?

Management: FY23 will be around Rs. 50 crores.

Ayush Agarwal: First, which means that we are expecting a very big growth in forging division and what is giving us our confidence.

Management: We are increasing our forging capacity from 3 to 6 tonnes also. And we are also planning to get into the defence sector other than railway. And like coil spring plant is just a dedicated plant where we can produce only coil springs. And forging industry such where we can do any component for any industry. At the moment we are doing railways, we are entering into defence because those plant and machinery can be used for any industry. Coil spring is a dedicated plant which can be used for coil springs. Air Spring is a plant which we can do the air spring only but forging is an open type of industry where we can do bake or dye for the component and can forge anything up to 80 to 100 KG. So we have lot of scope in forging. As at the moment we are not trying it but there is a tractor industry and automotive we are not doing that at the moment, but second we are going for the defence.

Ayush Agarwal: Understood. And what can be the rough margins at 150 odd crores of forging revenues in the forging division?

Management: Well, it will be around 12 to 14%.

Ayush Agarwal: Understood. For my final question is on the Air springs business. Given the partnership with Conti Tech, is there an export opportunity in the Air Springs business as well?

Management: It is to like we are in negotiation with companies called Siemens, Bombardier and other those who are making a metro coaches in India and they are exporting it to the other country. So we are already in talks with Siemens, Bombardier, Alstom. So they are approving our facility and they might give order like we are quite confident they will get order and the metro coaches which they are supplying to Indian railway as well as to the other countries through them we are able to do their exports.

Moderator: Thank you. Our next question is from the line of Garvit Goyal from Invest Analytics. Please go ahead.

Garvit Goyal: My first question is on the order books. So what is the size of order book do we have right now? And what is the expected execution timeline for the same?

Management: Order Book is full for this financial year. That's why we are quite confident that we are touching almost 150 to 160 crore this year and the system in Indian Railways every day there are tenders from the railways, from the wagon builders, from the other things. So it is by the time we'll execute this financial year, it is a journey. So every day there are tender. It's not like that there is a one tender and then we are sitting all over the year. So every day there are tenders and we are getting orders and by the time these orders will be executed for this financial year, we'll have order for the next quarter or maybe next six months. And that is a procedure getting orders from the Railways.

Garvit Goyal: Can't you disclose the amount of order book do we have that is to be executed in let's say six months?

Management: By this financial year, like yesterday we have already disclosed the quarterly result for this financial year we have already tied around 59 crores this 6 months, so we are quite confident that we will be touching for another 80 crores for this financial year.

Garvit Goyal: And Sir, you mentioned you have 20% total supplies of railways. So can you help me to understand the competitive landscape of your business like who are the competitors? What kind of share do they have? Are we the number one player or anyone else is like you mentioned you will be approved in Q1FY25? So who is the flying right now to Vande Bharat? Kindly put some colour on that.

Management: Vande Bharat is one of the train where they are using air spring but the traditional LHB spring they have now also converting coil spring and air spring both. There will be 1 coil spring and started using the air spring in the regular passenger LHB coach. When they violate at the moment they are importing but as back in India they have also pressured that to convert into the Indian manufacturers and like we are new into the fields. So we are only allowed till January. Till next April that will be able to quote only for 20% of the tender quantity required by Indian Railway, 80% will go to the already existing manufacturer to get order, but by April onwards we'll also be into the same foray and will be able to get 100% order after reducing a minimum quantity of 200 coach sets to the railways by the time we're able to do that, so we're also able to get that and it is not only for Vande Bharat, it will be for the regular LHB coaches.

Garvit Goyal: And you mentioned 80% of the existing and manufacturers. So who are those manufacturers?

Management: One is Avadh Rubbers and another is Tayal which they are already approved this last 2-3 years. So I am the third one or fourth one to get approval.

Garvit Goyal: And so like, if you look at your PPE, which is somewhere around 43 crore and you mentioned we are doing CapEx of 12 crore for air spring and that will help us to get 120 crore additional revenue. So even if I exclude that 7 crore CapEx that we did earlier for air spring, we are at 120 crore revenue on net block of 35 crore and you are saying that for that 12 crore CapEx we will do somewhere around 120 crore additional revenue. So how is that possible? Can you please help me to understand?

Management: At the moment, because it's a new plant we have set up a capacity of 120 coach set for air springs. 120 coach set means around 1 coach set required 4 air strings. So 100 coach set required a 400 air spring. We are doubling our capacity to the 200 coach set that will be around 800 springs per month, so 800 springs per month will be around 12 crores to 13 crore per month revenue will be there since after this financial year, this is the scenario.

Garvit Goyal: And right now we are getting, I think zero kind of revenue from air spring, right?

Management: Like this year we have already executed around 3 to 5 crore business till second quarter.

Garvit Goyal: From Air Spring?

Management: Yes, and by this year end, we'll be able to touch around 15 to 20 crore.

Garvit Goyal: Understood. And who are those customers like? We are not yet approved for Air spring by Indian Railways.

Management: It is ICF and ECF RCF, all the regular coaches.

Moderator: Thank you. Our next question is from the line of Harsh M from Kriis PMS. Please go ahead.

Harsh: I think I had five questions. 4 have been already answered. I'll just ask the couple of months which are pending. One, I just wanted to understand the 6 tonne hammer by when do we expect commercial production? And by when do we expect to get the orders from the defence or from these new industries which you are targeting? Any timeline which you have set internally.

Management: Yeah, our target is to start trial production by February and till from the next financial year that is 24-25. We are able to start the commercial production. We are already in talks with the BML for the trial orders for their defence purpose, so we'll be getting that trial orders very soon.

Harsh: And just one more question I had was in terms of forging division, like you said, you will be able to reach out to multiple industries, defence being one of them. Any other industry which is there on your mind where you think you'll be able to add value basis your credentials? Which is there on your mind?

Management: That is the tractor industry basically. The Mahindra, the Swaraj all these tractor industries required a good number of forgings.

Harsh: And what would be your USP to cater to tractors because already there are multiple players catering to?

Management: That's why it is down my list but just to utilise the full capacity. So we may cater a certain part of certain tractor to us, but we are trying to get more and more the railway things so that we end the defence where the margins are.

Moderator: Thank you. Our next question is from the line of Kush Gangar from Care PMS. Please go ahead.

Kush Gangar: Hi my most of my questions also have been answered. Just one question, what would be our revenue mix between Indian Railways and private companies like wagon manufacturers and venture of Broadway.

Management: Actually we I don't treat them as a private because they are in turn to supply to the Indian Railways. So I treat them, they might be private, but they are ultimately supplying to railway. So I called them as a railway industry basically and the wagon springs which we are going to do is almost 20-25% of our supply that goes to the private regional manufacturer, but internally it is all the railway things.

Moderator: Thank you. Our next question is from the line of Anirudh Shetty from Solidarity Investment Managers. Please go ahead.

Anirudh: Sir, I'm a bit new to your business. So just wanted to understand the spring products that will make the forging products. Why is it an exciting business to be? What is so difficult to make these products? Just wanted to understand the business a little better, so could you just explain the challenges in making this product, the entry barriers that are there?

Management: Basically all the other product, whether it is forging the coil spring or the air springs, these are highly in the Indian Railways. This thing these are called as a highly safety products because you can understand while the train is moving around 130-140 kilometres large speed. So spring which take all the loads the air spring takes all the load and the forging components also used in a place where required all the safety factors.

So these are all are the safety components listed in the Indian Railways approval list and the approval to get that approval, Indian Railway as a RD which is approving source that is research design standard organisation normally called RDSO they have they have the they have the minimum requirements for manufacturing these components so they have a minimum plant and machinery requirement minimum period of trial to get order so it is a lengthy procedure of almost 2 to 2 and a half years to set a plan and then you get only a trial order for next two years to run your springs for next 2 years to the Indian Railway.

And after that you will be able to get 20% order and then 80%. So it's total setting up a unit supplying a trial order and then get 20% order and then to the regular store price total 4 year if you are doing very good. Otherwise, it may take five or five and a half years. So entering into this business for a new supplier, it takes a lot of courage time because you have to invest lot of money as per their requirement.

You just can't say they have made the coil spring. They have a minimum plant. And machinery required by the RDSO. So you have to invest a lot of money and then wait for two years to just get a trial order and then the trial run period for two years to Indian Railways.

So by that time you don't get any order and because we are into field from last 30-35 years. So whenever we set up any new plan for Indian railway, we have a backup products to support that like recently we have added air spring. It took me almost 1 and half to 2 years to get into the element source and then it will take another four or five months to get me into the regular.

So 2, 2 and half years, 3 years, is required to get into any regular business or Indian railway, so any new entrant has to have lot of patience money because they have to serve to the financial who have financed the thing, and if you are not able to get that, so it's a difficult line to get into it.

Anirudh: Got it. And we've classified our products into 3 segments. So when we say there is forging and there is the spring, what is the manufacturing process to make the spring? Is it different from forging or that want to understand the reason for this classification?

Management: It's absolutely different. The coil spring making is absolutely different plant and the forging industry is absolutely different. Both have the different and different planted machinery.

Anirudh: Got it. And as we look to gain more market share from mix, 20% to a higher number over time. So what post 2024, what market share do we think we can achieve in this product?

Management: Like coil spring and I think we are into 100% business. Air Spring is a new entrance. So we are stuck with 20% of the tender quantity for the next six months. But after that we are able to do that 100%.

Anirudh: Got it. So you had mentioned that there are some of our competitors that was basically for air spring today it was coil spring. We are the only guys is that a fair understanding?

Management: Not the only guys there are other Wagon Spring manufactured in Calcutta. Those are the small manufacturers, but for the locomotives and the for the carriage spring that passenger coaches spring we are only two people we are those who are supplier to the railways.

Moderator: Thank you. Our next question is from the line of Pradeep Choudhary from Samarthya Capital. Please go ahead.

Pradeep Choudhary: So what could be the potential margins in the Air spring segment?

Management: It will be around 23-24%.

Pradeep Choudhary: These are EBITDA margins you're talking about or are these gross margins?

Management: EBITDA margins.

Pradeep Choudhary: So if we look at the overall market, so I am trying to understand in terms of will, will air springs cannibalise or affect sales of our coil springs. So how is the market shifting or how's the market shift happening?

Management: In the in the normal LHB coaches before the year spring, there are secondary suspension and the primary suspension. So secondary suspension required per coach around 8 springs. But now primary will be the coil spring and secondly they are removing the coil spring for the comfortable ride. They are adding the air springs. So removing 8 coil spring and putting the 4 air springs into the coaches and the rest the spring which they were using is still they will be used so it is like that. The coil spring which are removed from the one coach is valued around 2.5 lakhs and which costs around 2.5 lakhs to the railways. But the adding air spring will cost them around Rs. 5 lakh, so removing 2.5 lakh business from the coaches and adding the Rs. 5 lakh Air springs that will increase our revenue from Rs. 2.5 lakh to Rs. 5 lakh.

Pradeep Choudhary: And will it correspondingly reduce our coil spring business?

Management: That is the one suspension springs are going and the rest of will be there, but that will be compensated by the increasing number of coaches by Indian railway every year, like two years ago they used to manufacture around 2000 passenger coaches this year they are doing around 5000. And they have a requirement of around 8000, coaches from the next year onwards, so this is like that. So they are increasing their requirement of this thing coaches.

Pradeep Choudhary: Is this also so this is used in a passenger coach, a metro and is this also used in a wagon?

Management: No. But again, they don't use any air spring wagon is only coil spring. It is only in metros and the passenger coaches. Because it is for basically comfortable ride. So you don't require any comfortable ride on the wagons where they are just choosing the freight wagons.

Pradeep Choudhary: And what would be the so has the shift completely in terms of the passenger trains that are being produced as of now are all of them being fitted with the air springs.

Management: The new one will be with the air spring and the coil spring. And the old ones, which are already running with the coil spring that will remain run for the coil spring for next 20 years. And we have a replacement market for those things.

Pradeep Choudhary: In so in the next two years. What sort of market size do you envisage for air springs, the total market?

Management: Total market size of Air Spring will be around 700 to 800 crores.

Pradeep Choudhary: In the next two years.

Management: Yes

Pradeep Choudhary: And we are in the next year and we are hoping to get 150 to 200 crores out of the same. Given that you said the margins are very high, 23-24% EBITDA margins. What is your view on new competition entering this space?

Management: At the moment there are nobody coming in, if anybody will come, he will take another two years, as I have already explained earlier, if anybody comes, it takes another two 2 and half years to come to our level till that time we'll be doing a lot of business, so it is a continuous process and people start coming in then by that time become you are able to get good margins and good turnover. So like that keep on continuing in Indian Railway

Pradeep Choudhary: So in your information are there players similar to yours who are currently undergoing the approval process?

Management: I don't think so anybody is there if there might be anyone. It might be another one not even 2.

Pradeep Choudhary: And how many players are already supplying, who are approved by suppliers and supplying.

Management: 3 people.

Pradeep Choudhary: We are already supplying as of now.

Management: Yeah.

Moderator: Thank you. Our next question is from the line of Deepak Podar from Sapphire Capital. Please go ahead.

Deepak: Just few clarification. First up, you did mention that our order book is currently at 150 to 160 crores currently, right?

Management: Yes.

Deepak: And what is the execution timeline in there?

Management: So this is a continuous process as I've told this year we are targeting 150 to 160 crore in which we have already touched around 70 crores. So that we'll able to achieve what we are saying and by the time we execute we complete this financial year, the next quarter order will be with us. So it's a continuous process with the Indian Railways.

Deepak: And in terms of segmental margin, I think Air Spring and forging EBITDA margin you mentioned, what is the coil spring EBITDA margin?

Management: At least already there around 15%.

Deepak: 15% right now I mean you did mention that for forging will be about 45% of our revenue at 500 crores, right?

Management: Yes

Deepak: And what is that share currently from forging, I mean currently when we did about 100 crores last year.

Management: Yeah. So it was around 30%

Deepak: So ideally forging is growing at a much faster rate, right?

Management: Yeah, because it is the open industry. I've explained you earlier.

Deepak: Yeah, so ideally it's the lowest margin product, right. But still you are expecting EBITDA margin to improve. So how will that happen because its 12-13-14% kind of EBITDA margin and it's growing at a much faster rate and still you are expecting, your consolidated with EBITDA margin to improve to about what, 18% you mentioned in coming years.

Management: Forging industry we have added. The forging into our business have already explained because it is open type of industry and the coil spring air spring it's a fixed type of industry where we can produce only those product and forging margin will be less but it will keep on adding into our revenues with the less margin.

If there is any problem into the coil listing business in future or maybe here is the I don't see for the next 20 years, there will be any problem, but we are still into the forging so that we can any time we wanted to add maybe much further lower margin product but we are able to continue our business with forging, because it's an open type of industry, we can add the customer anytime- automotive, open market, exports, tractor industry, defence railway. So that's where we have added the forging into our company so that we have one unit where we can do N number of products with the might be less margin. Then we have an industry where we can do anytime any product.

Deepak: And air spring segment you said about 50 crores revenue, we're targeting FY25, I mean any miniscule revenue coming in FY24 as well from Air spring division?

Management: Yeah. It will be around 15 crores.

Deepak: 15 crores revenue from air spring.

Management: Yeah, in current financial year.

Deepak: And what's the order inflow we are targeting this year FY24? As a whole.

Management: This is already explained. This is a continuous process we keep on getting orders.

Deepak: Okay, fair enough.

Management: You are asking for air spring or you asking for the.

Deepak: As a whole entire company as a whole.

Management: I have already explained you we are doing 150 crore this year. So by the time we complete this financial, we have order of another 70-80 crores in our hands by first week of April. So it is a continuous process.

Moderator: Thank you. Our next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh: Most of the questions have been answered. Just two questions from my end. In terms of air springs. So how many air springs are required for a Vande Bharat or in a normal passengers? Does Vande Bharat require more air spring compared to the normal train?

Management: No, as far as the coach configuration is concerned, it is only four like the normal passenger coaches has this four air springs for one coach. So it is the same in the Vande Bharat four air springs and 16 coil spring is required in Vande Bharat as well as in the normal passenger coaches.

Yogansh: And Sir, in terms of the opportunities in the metro, development source that we have as an authorization, so are we also supplying to any of the metro projects?

Management: At the moment, no. But we are in talks with the Siemens air storm and Bombardier for their metro coaches, because we have recently got approval for Air Springs, so they have already visited our facility, one of the air storm has already visited. Siemens and Bombardier that you so we have and they required these all air springs because they are producing these metro coaches in India and they also have a pressure to use making India components. So, the 70% of their manufacturing products like Metro coaches at the moment they are using around 30-40% Indian thing and rest they are importing and assembling in India but they have pressure from the Indian government as they are from the Indian Railways to use more than 70% product make in India so they have also they also want a good quality products from India. So I'm quite confident that we get into metro coaches builder within.

Yogansh: And Sir, in terms of our air spring also, if I understand correctly, because of our partnership with the foreign company, there is some parts that we import from this. So in terms of the indigenization of this product. How much is in and going forward? Is there any target or any such thing where we want to bring in more and more Indian parts in the air spring also?

Management: Air spring we are already doing more than 70% indigenization product and just 30% we are using imported components. So we are already into making India definition required by Indian Railways or Indian government and so there is no problem at all.

Yogansh: Just one last question from my end. So in terms of the replacement cycle, if you could talk about both coil spring and for air spring. So what is a typical replacement cycle of it? And also suppose our competitor has supplied some air spring to one of the coaches and now which is coming in for replacement. So is there any reference given to the old supplier because of the existing part that gets supplied or in that tender it is competitively built irrespective of who the previous supplier was.

Management: Indian Railways normally used one coach or one wagon or one locomotives for 20 to 23 years of service and our components are used guaranteed for five years. So every five years they have to replace all the coil springs, air springs and other components to that new. So we keep on getting requested from the zonal railway.

So and the part of your second question that other manufacturers use this spring. We will be there for competitive thing. So they can use our springs also because the dimensions are the same. Where the springs are fitted, where there is our or our competitor. So we'll be there for offering our springs to the railway. And so every coach required at least minimum of three replacement cycle of coil spring or air spring replacement every five years.

Yogansh: So that is a definitive business opportunity for all the players who are there coil spring or air spring. Just one thing I don't know if you calculate this data or maintain this data, but maybe if you can share even a ballpark figure number around it. So over the years of you suppling coil spring, what has been the rejection rate of failure rate of your parts and also in this air spring that was supplied so far 4-5 crore in the trial phase? What has been the rejection rate of it and is there a trajectory in terms of getting reduce? If you could share a little bit more on those softer points as well.

Management: Next time I will see whatever but it is as far as air spring is concerned there are no rejections what we have supplied till today and because if there is any rejection, we would not have got the approved developmental source because that is the requirement of our RDSO, not even a single failure, if there is a single failure, we would not have got. So with our quality and things, the things are moved well since last almost one year. So we are good, we got this development source and as far as rejection of coil springs are concerned, it is less than 1% of our supply which is in their acceptance range of RDSO.

Yogansh: Thank you for the patient answers and this is a very good initiative that the company has taken and I hope to see more such communications and thank you so much and all the best to you.

Moderator: Thank you. Our next question is from the line of Garvit Goyal from Invest Analytics. Please go ahead.

Goyal: You mentioned by 2027, the total market size for air spring will be 700 crore. So what is the current market size for them?

Management: It is around Rs. 300 to 350 cores.

Goyal: And you are mentioning that there are only two players. One is the Kyle Engineering and 2nd is the Avadh rubber right. So what is the exact edge that we are having or we will be having against Tayal and Avadh rubber?

Management: Avadh name is that the collaborator, which is Continental Conti Tech, which is from the Germany and their products are quite reputed all over the world and both of the other approved sources are using the Chinese product, the rubber products. And there is a lot of problem, quality faced by Indian Railways is 2 years. So Avadh a quite repetitive company continental. You must have heard Continental Tyre company from Germany. And their railway part is called Continental Conti tech and they are already reputed all over the Europe and America. They are products are accepted since last more than 50 years. So we are having that collaboration and that technical now. So railways are quite happy with our product and this last one year in the trial then there is not a single year. So that will be the edge from our side to the competitor.

Goyal: So, despite that act you mentioned with the collaboration with Germany, but you people are targeting only 20 to 25% of the market that you are expecting by FY27. So what is the reason for that?

Management: I couldn't get you.

Goyal: Actually, you were saying by FY 27 we will reach to 120 crore revenues for air spring and the total market will be 700 crore. So what is taking us to aim for high because we are having the quality against the peer that means we should be able to get the market share in the incremental market as well?

Management: Sir, you are quite right, but I am a little over cautious question, so I'll always give little less numbers what we are going to get. I know we are getting more but I am little cautious and conservative to tell the numbers. Let the time change.

Goyal: And lastly on the CapEx side, like you mentioned in forging we did 50 crore in FY23 and we are at a capacity utilisation of 50 to 60%, so in order to achieve that 250 we are kind of revenue by FY27, are we people in need of further CapEx on this site?

Management: I don't think much is required, but yes there are requirements but not going to the major ones. There might be a requirement of few crores by

2-5-10 crores but that will be from the internal request not a major thing which is required

Goyal: And right now the CapEx that is going on is only for the Air Spring Division for which we already did 7 crore and yet to be done is 5 crore, right?

Management: As well as setting up a new hammer of 6 tonne in the forging, so it will be around 10 crores, yeah.

Moderator: Thank you. Our next question is from the line of Sriram R, who is an. Investor, please go ahead.

Sriram: I just have one question. The components which are supplied in our forging division or supplied to passenger coaches or wagons.

Management: It is, for wagon as well as for the passenger coaches and for some locomotive also.

Sriram: And so how much would be the split between margins and professional coaching?

Management: At the moment it is around 50% in the passenger as well as for the wagon.

Sriram: OK, so four years from now how will that change?

Management: I already mentioned that we are adding our new customer defence and other things. So that will add to this thing and so it will be 60-70% of railways and 30% of defence to start, then it might increase further.

Sriram: So basically the growth is going to come from non-passenger coach.

Management: Right.

Moderator: Thank you. Our next question is from the line of Piyush Bora, who's an investor. Please go ahead.

Piyush: Most of the questions have been answered. I have just one question. In this quarter company reported highest ever EPS but in last quarter I saw a put note that material was ready to dispatch but could not completed due to inspection issue. So could you please advise how much was the quantum of that sales is being reflected in this quarter?

Management: I don't remember what the numbers are, but what was happened that railway has changed the inspection procedure earlier RDSO doing the inspection at our factory and now they have privatised the inspection agency to the private companies so that transition period was there around 1.52 crore business was there, which was ready to dispatch. But because of the final inspection could not done. It's not much around 1.5 to 2 core. I don't exactly remember the number but it might be something like. And the thing is now regularised so there is no problem as far the expectations are concerned.

Piyush: And in this financial year, we are targeting around 160 crores of sales out of which around 80 crores are still. If I consider here 70 to 80 crore in this half year and 80 crore is expected in next half. So what is the capacity utilisation we have currently?

Management: All the capacity utilisation we have around 60% in forging and around 70% in the coil spring segment and air spring is fully free. At the moment we are hoping to get another 15 to 20 crore business around 15 to 18 crore business from Air Spring section. So that is a new thing. It is like that around 70% capacity utilisation of coil spring around 60% in the forging.

Piyush: So we have for new capacity as well.

Management: Yeah.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question and answer session. I now hand the conference over to Mr Abhishek Mehra from TIL Advisors for closing comments.

Abhishek Mehra: Thank you all for participating in this call. Should you have any additional questions or wish to engage with us further, please do not hesitate to contact us. Our e-mail addresses can be found at the back of the investor presentation and the press release. We look forward to our next conversation. Thank you.

Moderator: Thank you. On behalf of Frontier Springs Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.