

Conference Call Transcript

Titagarh Wagons

Q1FY18 Results

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Corporate Participants

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Mr. Anil Agarwal

Group CFO

Mr. Saurav Singhania

Group Finance Controller

Mr Vivek Goel

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Questions and Answers

Moderator: Good day ladies and gentlemen and welcome to the Titagarh Wagons Q1 FY 2018 Results Conference Call hosted by Edelweiss Securities Limited. 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 you may signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Parvez Akhtar Qazi from Edelweiss Securities Limited. Thank you and over to you Sir!

Parvez Akhtar Qazi: Good afternoon friends. On behalf of Edelweiss Securities, I welcome you all to the Q1 FY2018 Conference call of Titagarh Wagons. Today we have with us from the management Mr. Umesh Chowdhary, Vice Chairman and Managing Director, Mr. Anil Agarwal, Group CFO of the company, Mr. Saurav Singhania, Group Financial Controller and Mr. Vivek Goel. I would now hand over the call to the management for their opening remarks. Over to you Sir!

Umesh Chowdhary: Thank you Parvez. Good afternoon everybody and thank you for joining the call. This is Umesh Chowdhary and I have my colleagues who have already been introduced by Parvez. As you are aware, Titagarh announced its consolidated numbers for Q1FY2018. Broadly we have achieved top line of Rs.328 Crores compared to corresponding top line of Rs.285 Crores. The EBITDA level for the overall operation is about 10%, which is slightly lesser than the EBITDA level from the corresponding period. Primarily the decline in the EBITDA has happened on account of a contract, I would say a strategic contract that we had acquired in France, which led to, on a PAT basis, loss of Rs. 5 Crores during the quarter, but this was primarily on account of Wagon order that we acquired in France, which was reentry into the stainless steel Wagon market. Titagarh France or AFR in the past had moved out of this market and we saw that this market is coming back in Europe, so we wanted to get into this market and we consciously acquired an order at a very low price; that order execution is getting over in September. So therefore this loss in the first quarter for the first few months of FY2018 from Titagarh France was pretty well budgeted. On the other side on the overall basis the Indian Railway Wagon demand is yet to pickup, the ordering is yet to happen, although the railways have floated a tender of 10,000 Wagons, which is due later this month, but it is our firm belief that the kind of investments that the railways have made in the last two, two-and-a-half years in order to service those kind of investments, they would need to increase their traffic loading quite substantially and that is effectively would mean that they would need to increase their Wagon acquisition multifold from where they are. The other big trigger on Wagon side is going to be the DFC which hopefully should start – the ordering for that should start somewhere in 2018-2019, so the next financial year is when we should be

ordering for the dedicated freight corridor start. The private Wagon orders have seen pickup in the last few months, in fact in our order book we have finalized quite a bit of orders from private sector and if you look at the total railway order, which is at about Rs.325 Crores Wagon order, the Indian Railway order is only about Rs.60 Crores and the rest is almost Rs.250 Crores to Rs.260 Crores is from private sector and most of these have been booked in the last four to six months maximum.

On the other side, the company has started operations on the ship building orders from the Indian Navy and the first revenue booking of that division has begun, from the Italian acquisition – while the Italian operations has been going on well, we have started participating in the different tenders globally within Italy, within Europe, but also internationally and we are hoping that the order book of Italy should start picking up in the next three to six months. We are in advanced stages of negotiation for some contracts in Italy, but what is important from the Italian acquisition is we had two ideas, two objectives of that particularly with respect to the Indian or supporting the Indian business is concerned, one is to get into the metro coach manufacture and second was to get into the electrical propulsion manufacture, so I am happy to report that we have received our first developmental order for electrical propulsion from the railways and this is a very sizeable business once we have been able to develop and establish the production of the propulsion in India. As far as the metros is concerned, we had participated in Nagpur metro, but we lost that tender by an extremely thin margin of just 0.1% compared to the Chinese, but subsequently the government has come out with two very important policies, one is make in India in metro policy wherein it is mandated that 75% of the metro coaches to be purchased, should be manufactured in India and more significantly the public procurement policy, which clearly says that the domestic manufacturers will be encouraged and there would be some kind of price preference given to domestic or Indian company when competing with foreign companies. As far as Indian Railways is concerned, on the passenger coach side also railways have not been acquiring any new EMUs or MEMU's, but once again we believe that with the decentralization of the suburban passenger transportation system like what is there in Mumbai by way of a separate corporation, Mumbai suburban company, In the same way the Indian Railways and various State Governments have been signing MoUs to setup their own suburban railways and globally the regional trains are actually purchased by the regional bodies, which are generally joint ventures between the State and the Centre and we hope that this trend will sooner or later pickup in India as well, so that is the time we will be able to introduce our technology to manufacture the semi high speed trains for regional transportation in India.

The other important development in the quarter was that we acquired the 10% stake from the minority stake that was there in Titagarh Firema and now Titagarh Firema is 100% subsidiary of Titagarh Wagons, so this give us also flexibility in terms of technology transfer, etc., into India, which if it was not a 100% subsidy, could have potentially been some kind of a constraint but this makes a whole

technology transfer much more smoother. We have started participating or we have started getting qualified in tenders in neighboring countries also for passenger coaches and through our credentials coming in from Italy and the other significant thing is regarding our joint venture with Matiere for specialized bridges while the company has been doing bailey bridges, the joint venture that we had created with Matiere for 50:50 joint venture for specialized steel bridges has received its first contract for steel bridge and we will be participating not only in India, but also in neighboring countries. The entire production of these will be done in the facilities of the Titagarh itself. So this is an overall picture of the company. As far as the order book of the company is concerned on June 30, the consolidated order book position is about Rs.2066 Crores in which the Indian operations has an order book of about Rs.588 Crores and the balance Rs.1477 Crores is overseas subsidiary. So happy to take any question from here.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Renjith Shivram from ICICI Securities. Please go ahead.

Renjith Shivram: Congrats on good set of numbers. Just a few this questions on the overseas order book, if you can help us like how much is AFR and how much is the Italian of this Rs.1478 Crores?

Umesh Chowdhary: Sure. The French company has an order book of about Rs.300 Crores, whereas the Italian Titagarh Italy has an order book of about Rs.1180 Crores.

Renjith Shivram: What will be the revenue size for these entities and if you can also share in terms of profitability in net that how much they will be contributing, just to get an idea like how much is coming from these two entities because these are the two substantial subsidiaries we have if you can?

Umesh Chowdhary: I can speak on the numbers that are on the trailing basis, in FY2017 the total Indian operations gave us an EBITDA of 9% on a top line of Rs.500 Crores and the foreign subsidiaries gave us a top line of Rs.12 odd Crores with an EBITDA of 7.3%. Going forward in the current quarter the EBITDA of Indian operations have improved compared to the last full year's average. As far as the foreign companies are concerned, the EBITDA has gone down from the average of last year of 7.3% to 6.3%, but that is also primarily on account of the losses that we had in the two contract that I mentioned in France. In terms of Italian operations the EBITDA were pretty much maintained at the same level. So on the whole I would say that the normalized EBITDA for the Indian operation should be anything between 13% to 15%, but that also depends upon the volumes that we are able to achieve and if the wagon procurement and once the coach, the metro and the other segments actually start performing, we should be able to reach an EBITDA of about 14% to 15% in India and we should be able to maintain an EBITDA of between 10% to 12% in the overseas operations.

Renjith Shivram: In terms of the procurement, we heard is August 21 the revised date for the opening of the tender and is that quantity around 11,000 numbers for the Indian Railway Wagons?

Umesh Chowdhary: It is about 10,000 something.

Renjith Shivram: August 21 is the revised date right, is there any change in that?

Umesh Chowdhary: No there is no change as of now.

Renjith Shivram: There is also the – previously the L1 used to get 50% of the order, now that has changed, now currently the L1 will get 15% of the total volume. That change is applicable for this order right?

Umesh Chowdhary: No L1 never used to get 50% of the order, the order used to be split between the past performance of 50% and the lowest bidders were 50% or 40% and the past performance was between 50% to 60%. Of this 40% to 50%, the L1 used to get 50% and this was changed last year itself. So effectively if you see L1 used to get 20% in the past, that is 50% or 40%, now this L1 will be getting 15%, but it will be more divided up to L6.

Renjith Shivram: So we can expect some kind of price rationalization due to this change in policy in the current tenders?

Umesh Chowdhary: This change of policy happened last year only, we will see some kind of a price rationalization the mad rush to quote the very low prices was arrested last year, we hope that it would also be the scenario right now. Having said that if we look at our total order book of Rs.2066 Crores, only Rs.64 Crores of the order book comes from Indian Railway Wagon. So our dependence on this tender per se is not so high as it used to be in the past.

Renjith Shivram: Finally I would like to get some clarity because we hear that BEML had won an EMU, MEMU orders in last month, so is it that the EMU, MEMU orders are now going only to the PSUs like RCF, ICF and the BEML and they have stopped giving to the other private parties. Is that a policy decision the Indian Railways has taken?

Umesh Chowdhary: We are not aware of any policy decision of that nature and we are sure that the government of today which is very business oriented would never take any retrograde policy decision like that and the order that was given to the BEML for MEMU was one-off decision to support the public sector undertaking, which I believe is the normal thing, which happens in many industries and many public sector undertaking, so I would not read too much into that.

Renjith Shivram: Any of the MEMU, EMU orders in the next one year you are seeing in terms of order pipeline?

Umesh Chowdhary: It is very difficult to predict at this point of time because there has been – the railways have been projecting the shortfall of about 600 MEMU coaches. We do not know how they are planning to cover up this shortage, so we have been in discussion with the Railways, but we do not have any clarity as far as this is concerned as on today.

Renjith Shivram: Okay Sir. Thank you for all the answers. I will join for further questions later on.

Moderator: Thank you. Next question is from the line of Nirav Vasa from B&K Securities. Please go ahead.

Nirav Vasa: Thank you very for the opportunity. My first question pertains to the tax rate that we have paid across our subsidiaries, Sir what I have done is consolidated minus standalone, so if I do that the PBT comes to Rs.1.04 Crores and we have paid a tax of around Rs.3.4 Crores on that. Can you share more light as to what was the reason for higher taxes in subsidiaries?

Umesh Chowdhary: Just explained a few minutes ago the numbers that you are calculating are a sum total of both the subsidiary, whereas in one of the subsidiaries unfortunately or strategically whatever one can say, we had accepted an order for a type of Wagon, which left us with a negative margins and therefore there was no tax outgo over there, but the consolidated number is coming down, whereas Italy where we have made profits we have had to pay full taxes.

Nirav Vasa: Sir what was that full tax number in Italy?

Umesh Chowdhary: In Italy, it is about 40%.

Nirav Vasa: 40% of PBT.

Umesh Chowdhary: 40% of PBT.

Nirav Vasa: Sir other question pertains to our expansion programs in metro in India, any idea by what time are the Vijayawada Metro bids expected to be opened and any fresh bids that you have placed in Q1?

Umesh Chowdhary: No, we have not placed any fresh bids, Vijayawada has also not come up with a tender, it is an expression of interest. So we are expecting many more tenders to be launched in the next two to three months, typically the cycle is that once the tender is launched, there is a gap of about three to four months for the tender to be opened, but then upside the finalization is done within generally a couple of months. I would say that the order finalization for metro, I would see it is coming towards the end of this financial year or beginning of next financial year.

Nirav Vasa: Get your point, Sir other question as you have stated that we lost the Nagpur metro order by a very, very small margin, so if I am able to conclude that our costing prices is very close to the Chinese bidder. So would it be possible for you to share some insight as to how we are able to place a strong bid, which is practically matching the Chinese price, some more colour on that.

Umesh Chowdhary: If we really look at it our price was more competitive than the Chinese price on a landed basis, the taxes the Chinese had quoted was they made an error because the valuation was to be done on the total bid price, we actually lost and that too by just 0.1%, so as far as our pricing is concerned for the metros, since we are the only Indian company that has its own technology, so if you look at the other larger companies, they of course suffer from the

larger overheads in our largest cost, but companies in the field like BEML have to pay technology fee to their collaborators whereas in our case we have actually bought the company and therefore we have our own technology and we are able to renovate with our design department and our costs are I am very confident would be most competitive with the market, so I am really not concerned about competition or fair competition from the Chinese, if there is pricing which is done from the Chinese, which is strategic that is another matter altogether.

Nirav Vasa: I get your point.

Umesh Chowdhary: Another important thing to note on this is that the same Chinese company in the tender where we participated dropped their prices by 10% compared to the order that they booked from Noida just about three, four months before this tender when we were not in the market. So obviously the Chinese company does also... CRRC also does see us as a very active and a very potentially competing player in the market.

Nirav Vasa: Sir the other question is dedicated specifically towards the order inflow in Firema. Sir as I understand because of election activity, ordering activity in that country had slowed down, so any colour that you would like to – any number that you would like to state for order inflow that we can expect in Firema because I believe that is now the biggest part of our business?

Umesh Chowdhary: I really do not see that the election is slowing up the activity in Italy. In fact we are seeing a number of tenders being launched there and I would also say that the activity levels in Europe, the economy in general in Europe has started seeing a pickup and that is also reflected with the currency, so I am hoping that the company should start bagging order, so the problem with Firema was that we acquired a company which was into extraordinary administration for six years, so what was essential was to rebuild the credibility, start the operations, get the ball rolling, which in the last two years we have been able to do very successfully, which is reflective of the numbers that we have been able to achieve and that has also given the customers the great deal of confidence in the company. With that happening, we started participating in different opportunities, different tenders and I am very confident that orders which are getting finalized there. Of course the timing for passenger coaches unlike the wagons, the timing from the launching of the tender to finalization of the tender is normally much larger because there is a huge amount of technical work involved in passenger coach.

Nirav Vasa: Based on your assessment Sir any order inflow number that you would like to guide for this year in Firema?

Umesh Chowdhary: We are negotiating many orders, I would not like to give any numbers that would be more speculative in nature, but I would only like to say that there are large numbers of tenders that we are actively pursuing right now, so hopefully we should be able to finalize some in the coming future.

Nirav Vasa: My other queries pertaining specifically to your Indian business, Sir this 10,000 wagon, which is there, we expect it to be finalized in this month. If

my understanding is correct, the steel needed for this particular tender has to be procured by the vendor. Am I right in my assessment, because earlier it was supplied by railways?

Umesh Chowdhary: Absolutely right and the companies like us have been the asking the railways for almost last six years to do that. Finally, the railways had accepted this. It makes a lot of tense for companies like us who more organized, it also acts as a kind of balancing for smaller companies who sometimes accept orders by quoting on the LFP prices, so they do not want to invest nothing.

Nirav Vasa: Sir the supply component in this tender would be restricted only to wheels?

Umesh Chowdhary: I am sorry.

Nirav Vasa: Supply component from Indian Railways for this tender would be restricted only to wheel sets?

Umesh Chowdhary: No even the wheel sets have to be procured by the bidders.

Nirav Vasa: You have to manufacture everything as per railway standards and give it to them. Railways is actually stopping all the supplies to vendors?

Umesh Chowdhary: Absolutely and we see that as a very progress is there.

Nirav Vasa: Last question, any update on the passenger coach refurbishment tender?

Umesh Chowdhary: The tender has been postponed on account of certain queries by some bidders and also the railways are trying to figure out certain because it is a benefit fund, but definitely it is a large sanction as we understand, there is total budgetary sanction of something like Rs.15,000 Crores to Rs.20,000 Crores for refurbishment and renovation of these coaches. This is likely to be a big business in the next two years.

Nirav Vasa: Any idea by what time you are expecting these bids to be opened or activity to start gaining?

Umesh Chowdhary: The scheduled bid opening is end of this month or next. It might be postponed by a few more weeks.

Nirav Vasa: Great. If I summarize all these activity, any number that you would like to give for profitability that you are targeting for this financial year?

Umesh Chowdhary: I would not like to give any future-looking numbers.

Nirav Vasa: Thank you very much Sir. My queries have been answered.

Moderator: Thank you. The next question is from the line of Kush Gangar from Care Portfolio Management Service. Please go ahead.

Kush Gangar: In terms of margins, what are the driver that would pull up the margins for the company, because I think that is where probably, I think top line is now no more a concern, it appears form your call and also the general developments that are happening around. So what are the margin drivers that

you believe would pullup our margins?

Umesh Chowdhary: There are maybe two drivers. As far as the Indian operations are concerned, the top line is still a concern, because if we look at standalone top line of Titagarh Wagons in the current quarter is also just about Rs.80 Crores. What we have achieved in Titagarh Wagons standalone is up to Rs.800 Crores on an annual basis, so that is about Rs.200 Crores in a quarter. So obviously one of the biggest drivers of EBITDA is going to be to pullup the top line and we are in a business where in the bottom line actually follows the top line. Because most of the costs are ones that one cannot cut very easily. As far as the foreign subsidiaries are concerned, once again the infrastructure available what we have acquired particularly in Italy is a huge infrastructure and that has a potential of multiplying on terms of top line going from where we are. Historically even in 2007, 2008 they have done revenues which are 2.5 times approximately where we are now. So I would say that two things one is of course further pushing up the top line which is definitely going to improve our EBITDA margins and the new product segments that we are getting into which is more high technology that is metro coaches and propulsion and the defence business and of course once the wagon industry improves then the propensity... the overall demand improves then the propensity of the people to quote unrealistic abysmally low prices will also be arrested. So all these factors are going to contribute to the EBITDA margin improvement.

Kush Gangar: So last year, the other expenses and employee cost were a little on the higher side, so any scope of reducing on that side?

Umesh Chowdhary: The employee cost is higher mainly because of the foreign subsidiaries, our employee cost within India has been under control. As far as the foreign subsidiaries are concerned as we all know that the cost of labour in Europe is much higher and again as I mentioned in the previous question that the indirect employee cost would get addressed in terms of percentage only with the increase of volume. So our focus right now is to increase volumes and the bottom line, the EBITDA margins will follow with that.

Kush Gangar: And other expenses should go down right because there were some items, which were one-off items?

Umesh Chowdhary: Anil Agarwal, our CFO would just like to answer this.

Anil Agarwal: Other expenses also include some portion of the variable expenses, which is directly linked to our top line. That is the reason for those changes. Like it includes the power and fuel, job contracts charges and all that. Apart from the fixed portion, it also include the variable portion.

Kush Gangar: Sir overall, there have been a lot of talks and a lot of happenings around railways, infrastructure, refurbishment, metro, but it looks like that the timing of whatever the time it takes to convert it is very kind of quite high. So do you think that there is any reduction in that side or it will continue to remain like this, it will take time to... tenders will be floated then it will be filed in. That process of actual conversion will take a lot of time, is that still the same for the railway industry?

Umesh Chowdhary: For the railways, the time has considerably come down. Earlier the tender used to get finalized anything between six months to two years. Nowadays the railways tenders are finalized between I would say from the date of opening between two months to four months. So that I would say is a significant improvement from what it used to be. As far as the passenger coaches, metro etc is concerned, it is not the delay in finalization once the price bid is opened, but from the date the tender is issued to the date the price bid is opened, it is a long process because there are a lot of physical evaluations involved. So you see globally also the timeframe is anything between three to four or five months, I do not think that coming down too much.

Kush Gangar: In your opening remarks you mentioned about the loss at the French subsidiary and you mentioned that it should get over by September. Some of the loss should also be there in Q2?

Umesh Chowdhary: I would say the bulk of it has gone into Q1 and half of Q2, the balance of the losses are expected to be absorbed and thereafter the contracts that are being executed are the profitable ones.

Kush Gangar: Is the market where we entered kind of big or...?

Umesh Chowdhary: I am sorry, I did not understand that.

Kush Gangar: The stainless steel wagons which we entered, is that the market is very big that is the reason we entered or...?

Umesh Chowdhary: There are two wagons that we have entered, one is stainless steel wagon and one is container flat wagon. But strategy is primarily – so the market is such that those wagons produced in France would always have negative margin. Our strategy is to produce them in India and then export them to France. But going onwards, we are going to be doing the subassemblies in India and doing only final assemblies in France.

Kush Gangar: Okay Sure. Thank you.

Moderator: Thank you. The next question is from the line of Kritika Garg from Aequitas Investments. Please go ahead.

Kritika Garg: Good afternoon Sir. Could you throw some light on the defence business and our order book for the same?

Umesh Chowdhary: As far as the defence business is concerned, we are concentrated onto two areas. One is the naval side or the shipbuilding side and the second is as far as the land systems are concerned. So we have been doing nuclear shelters for the defence. We have been doing different kind of shelters for them and also some strategic ground support system for different programs. As far as the order book between both the shipbuilding and defence combined is about Rs.210 Crores as of June 30 and we are participating in different tenders. We have not really seen big tenders getting converted from RFQ to RFP stages, but of course this is the business that is a long gestation business, but I would we are pretty much into it. I do not see some dramatic change happening in the current immediate quarter, but we are creating our base very well to ride the wave in this.

Kritika Garg: This order book of Rs.200 Crores when do we expect to execute it by?

Umesh Chowdhary: It is the schedule of execution, so most of it would be executed over the next 18-month period.

Kritika Garg: When do we plan to start producing the French Wagons in India by?

Umesh Chowdhary: We have already started actually. So our first lot has already started being shipped now as we pay and this is only going to increase.

Kritika Garg: Okay Sir. Thank you Sir.

Moderator: Thank you. The next question is from the line of Renjith Shivram from ICICI Securities. Please go ahead.

Renjith Shivram: Just a small understanding like is the propulsion system what we are planning to supply used in that metro, because when we had visited BEML and all, they generally imported from Mitsubishi and all. Is that the system, which we are planning to manufacture using this Italian expertise?

Umesh Chowdhary: The propulsion that they are importing from Mitsubishi or other for the metro coaches. For the current period we will continue to do the same, either import it, buy it from one of the existing companies or buy it from our own company in Italy, because in Italy we are manufacturing the propulsion for metros and even supplying it to other coach manufacturers like Hitachi. So that is for the short term but in the long term as I mentioned we received our developmental order in India for propulsion system. So in the long term, we would like to manufacture the propulsion inhouse. That is a very much part of our plan and that is very much a part of the technology that we have applied in it.

Renjith Shivram: Are we pre-qualified in the Indian metro tenders for supplying of that particular propulsion system, this Italian company?

Umesh Chowdhary: As of now, no that is exactly why I said that in the beginning we are planning to buy from the existing vendors. The whole procurement eligibility criteria for metros is undergoing a change with the new metro policy which was announced in the parliament last time and there has been many statements by – now Vice President then urban development minister that the criteria that was set by the metros historically were extremely restrictive as a result of which if we look at it in India only two or three companies and may be one or two propulsion manufacturers could actually come in. It is actually only two propulsion manufacturers that are currently being able to supply their propulsion into India, it was that restrictive. So once that is opened up, then there is no reason why our Italian subsidiary would not be able to complete in the Indian propulsion business.

Renjith Shivram: In case when we are manufacturing it, would that entail some kind of a capex, because these are all high budget item, so will there be substantial capex for that?

Umesh Chowdhary: There would not be any substantial capex in that. These

are items, which require a huge amount of investments in the R&D and testing facilities. Particularly those testing facilities are for prototypes, which are already available with us next week, so we will be combining our facilities within India and Italy in such a way that we are able to utilize the resources the best, so to answer your question, no we do not expect for the propulsion that we would have to incur a substantial capex.

Renjith Shivram: And another thing which I wanted to ask between we had some plants to use the spare facility in Cimmco for tractor manufacturing. So, is that still on because we thought that there is a substantial low utilization in Cimmco, so we wanted to do that. So are we still doing with the tractor venture or...?

Umesh Chowdhary: We are continuing with that, but we have scaled it down to a great extent. So we merged the separate company that was there with Cimmco to keep unique management or single management for both the ventures and we are restricting the tractor venture or the tractor marketing to states, which are closed by to the plant. So we are doing that I would say on a slow burner basis for the next couple of years. One of the reasons is also because the private side of the wagon demand has started picking up, so Cimmco has started receiving good wagon orders and if you see that this is in the previous quarter Cimmco actually made a small profit compared to a large loss in the corresponding quarter.

Renjith Shivram: And one more thing which I wanted clarification was defence's FICV was a major order which we were targeting and have the technical qualifications of that completed because we hear from some press sources that the technical bids are about to be completed and some couple of companies will be selected for the price, so where does that FICV stand now in terms of qualifications and...?

Umesh Chowdhary: FICV is a very large, but a very futuristic project. If you look at FICV, it is going to be two companies or three companies that are going to be selected right now for building a prototype and the ordering will start and the supply will start probably five years from now and go on for another five, seven years. So while it is a very, very large project and we have gone with Tata Power on that, we also have not heard anything officially till now from the Ministry of Defence as to buy when will they finalize their selection of the partner, so we are as informed as you are and that is from the media sources.

Renjith Shivram: Thank you.

Moderator: Thank you. Next question is from the line of Kritika Garg from Aequitas Investment. Please go ahead.

Kritika Garg: Can you tell me if the debt position has improved in this quarter?

Umesh Chowdhary: Sorry what position?

Kritika Garg: Debt.

Umesh Chowdhary: If we look at the company as a whole on a consolidated basis we have a long-term debt of only about Rs.55 Crores and in June, it

remains at about Rs.55 Crores of long-term debt which we net it off from cash plus working capital which is back by current assets of about Rs.195 Crores on a consolidated basis. So it is pretty much the same as it was in the previous quarter.

Kritika Garg: Sir, this French wagon production that is going to happen in India, the revenues are going to be coming under the French subsidiary or the Indian standalone?

Umesh Chowdhary: The buyer in some cases are the customers directly wherein the entire revenue will come into the Indian company and in some cases, the components will be sold to the French company wherein the revenues would partially come to the Indian company, but then to the French company, having said that the French company is a 100% subsidiary of the Indian company. On a consolidated basis, the intergroup revenues will be squared up and there would be a simple revenue that would be shown in their balance sheet.

Kritika Garg: And in the Italy subsidiary, Sir Rs.1170 Crores how much of it would pertain to the old orders that were taken at a lower margin?

Umesh Chowdhary: I would say it would be about 50%.

Kritika Garg: Sir what would be the higher margin, the newer orders what margin would there be at?

Umesh Chowdhary: The normal margins for that business is anything around 11% to 12% or I would say even going up to 13% whereas some of the old orders that we had acquired were at quite low margins, some of them were at normal margin.

Kritika Garg: Okay so but then these new orders we have acquired is at 11% to 12% margin?

Umesh Chowdhary: The new orders are yes, between 10% to 12% they are maintaining EBITDA.

Kritika Garg: The order inflow for this quarter has pretty much not been there for Indian operations, French, and as well as Italian?

Umesh Chowdhary: If you look at historically also both in terms of revenue booking and order inflow, quarter 1 in the financial year is always a little slow, so if you look at our net revenue in the historical years, they have been hovering between 15% to 17% of the annual revenue gets booked on the first quarter. Last year was about 16%, the year before that was about 16%, 17%, the year before that also was the same. So it is normally the same trend continues. Same is the situation on order booking. The order booking actually happens in the later part of the financial year. So I would not be extremely concerned on that, but of course I hope and I am expecting that the order booking should start from the second, third quarter onwards in fact between third and fourth quarter to the maximum.

Kritika Garg: Thank you So much.

Moderator: Thank you. I now hand the conference over to Parvez Akhtar Qazi. Over to you Sir.

Parvez Akhtar Qazi: We thank all the participants for attending this call and we also thank the management of the company for allowing us to organise this call. Mr. Umesh do you have any closing comments to make?

Umesh Chowdhary: No, I would also like to convey my own thanks and thank you from my team. I believe as we have mentioned in our annual report that we have actually, Titagarh has redefined its personality and from being company that was making wagons or low tech products, we have actually emerged as the first Indian multinational in terms of railway and metro rolling stock production and design. The platform that has gotten created by our French and Italian acquisition plus the facilities available with us in India are actually providing a very strong launchpad to the company. We are very hopeful that the railway buying cycle and the railway freight cycle will improve and that really will make a huge amount of difference to our top and our bottom line, but what is going to be more exciting and what is going to completely transform us going forward are the products like metro coaches, the propulsion and the specialized product that we are going to do in India as well as the products that we are doing in our European subsidiary. So I hope that over the next years we should be able to achieve what we are envisaging and what we are dreaming to achieve and that really would continue to change our entire dimension and our both qualitatively and quantitatively the numbers and the outlook of our balance sheet.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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