Cosmic CRF

Operator: Good evening, everyone. I am Bala from Arihant Capital. Today is the final day of the Bharat Connect conference. I would like to welcome everyone to the Cosmic CRF Ltd. session. From the management side, we have Mr. Aditya Vikram Birla, CMD of the company. The session has two parts: an introduction and recent business updates by management, followed by a Q&A session. Participants can raise their hands or use the Q&A chat box to ask questions. I now hand over the session to management. Sir, please take it over.

Aditya Vikram Birla – CMD: Good evening, everyone. I am Aditya Vikram Birla, Chairman and Managing Director of Cosmic CRF Ltd. We are here to present our journey. We started this journey on December 21, 2021, when the company was incorporated. Eventually, we took over an asset from a company that was holding it and that used to generate a turnover of approximately 20 crores in 2021. We took over the asset through a business transfer agreement in 2022.

We are probably one of the fastest-listed companies in the SME segment because we took over this company and all the assets by September 22, and eventually got the company listed on June 30, 2023. I will take you through all the major developments over the last three to three and a half years since we began this journey together, and then we can move to questions.

In 2023, we got listed. In FY23, our top line was approximately 121 crores, with a PAT of 6.5 crores. The following year, we increased to more than 255 crores, and PAT was approximately 12.8 crores. In the third year, FY25, we were at 401 crores. I am referring to consolidated numbers: the top line was 401 crores and the bottom line stood at 31 crores.

Last year, FY26, our top line was 722 crores and the bottom line stood at 51 crores. The bottom line would have been 57–58 crores, but we incurred legal costs of 5.5–6 crores in fighting our case in the NCLAT against our H2 and H3 bidders in Amzen Transportation Industries Private Limited.

When we started in 2021–22, the entire capacity of Cosmic CRF on a standalone basis consisted of only one factory in Singur, West Bengal. It had an installed capacity of 12,000 metric tons, but based on our engineers' assessment and our understanding from handling fabrication and rolling businesses over many years, we realized that the capacity we could actually achieve was not more than 8,000 metric tons.

Therefore, we decided to pursue the listing and raise approximately 30 crores of capital to increase capacity from 12,000 metric tons of installed capacity, which was primarily 8,000 metric tons in practical terms, to 24,000 metric tons of installed capacity per annum.

At that point, we were only in the business of manufacturing cold-rolled formed sections. This is a process used to manufacture body parts for wagons and coaches, as well as all railway items required for body building. We were operating only in this segment.

After reaching 24,000 metric tons, we decided to enter the infrastructure sector as well. I have always believed that in an industry where, in India, you are working in fabrication or engineering, you have to accept that India is heavy on politics and lighter on policies. Policies keep changing here. As an entrepreneur moving from the mid-cap or small-cap segment and aspiring to become a larger-cap company at some point, you have to leverage your strengths.

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Strength does not come from remaining in one industry. In 2021-22, we realized that the railways sector had a significant tailwind and everyone was talking about railways. Eventually, people started talking about one thing or another. Today, someone is talking about microchips, and the next day they are talking about renewable energy. It is not possible for an industry to keep shifting its base.

However, we realized that India largely stands on four main pillars in terms of its economic equilibrium. The first is agriculture, the second is defense, the third is railways, and the fourth is infrastructure.

Therefore, we decided that we should have one more leg to stand on so that we could remain balanced even during difficult periods. That is exactly what happened in 2023. We became interested in bidding for a company called NS Engineering Projects Private Limited. We eventually acquired the company after outbidding everyone through the Swiss bidding challenge in the NCLT. We took over that company in April 2024.

That company had a total manufacturing capacity of 18,000 metric tons. We invested approximately 90-odd crores in the complete takeover, revamping, and expansion of the company. As we speak today, it has an installed capacity of 65,000 metric tons. Even people who had dealt with that company in the past are surprised by the outcome we have achieved by utilizing our resources efficiently and effectively.

Today, we are manufacturing at both ends. We have two factories. One is Cosmic CRF, our primary factory in Singur, which manufactures cold-rolled formed sections and fabricated engineering items for the railways. NS Engineering is engaged in manufacturing items for infrastructure, primarily infrastructure-related products.

The strength we have is that both plants have interchangeable capabilities. If we want, we can completely shift to manufacturing railway items, or we can completely shift to manufacturing infrastructure items. NS Engineering Projects was a wholly owned subsidiary of Cosmic CRF Ltd.

Eventually, we also planned to enter the manufacturing of railway systems and the entire range of raw materials required to manufacture a wagon or coach, making our business more integrated both backward and forward. We decided to manufacture components for other products as well, such as springs.

This is similar to the business of Frontier Spring. We entered the manufacturing of Casnub springs and helical springs through another company that we took over and formed through the BTA process as a wholly owned subsidiary of Cosmic CRF Ltd.

Today, if you look at Cosmic CRF Ltd. at the top, it is the holding company with the original CRF business, which manufactures CRF products for the railways. It now has two subsidiaries.

One subsidiary manufactures infrastructure items, and that is NS Engineering Projects. The other subsidiary has two divisions. One division manufactures helical and Casnub springs for both railways and automobiles. The other division manufactures railway and defense items through forging.

As we speak, we are in the process of setting up the forging unit. It is a state-of-the-art facility.

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Once we complete the setup of the forging unit, we will have total installed capacity of at least 1,31,000 metric tons. We should achieve at least 90% utilization because the capacity is interchangeable and the plant can operate 24 hours a day, 365 days a year. It is not like a normal or ordinary engineering unit that operates only five or six days a week.

Last year, as I said, we achieved a top line of 722 crores. We realized that we had reached approximately 1,07,000 metric tons in total production.

However, this year, to my disappointment and as everyone knows, because of the West Asian crisis and the decisions being taken at the highest policy level of the government, we have not received many orders. The government exchequer has not been able to release many orders or make payments as promised in the budgets. As a result, there is softness in the market. There is a headwind in both the infrastructure and railway sectors.

Having said that, everything is cyclical, and we should be happy that we are towards the end of this cycle. Once the cycle ends, perhaps by the end of this financial year, we will return to a period of tailwinds.

If we talk about railways, India needs more than 8.5 lakh wagons merely to justify the 3.5 lakh crore investment made in the DFCC. Under the Rail Plan 2030 and 2033, India needs 8.5 lakh wagons, but currently has only 4.5 lakh wagons. Therefore, it will need another 4 lakh wagons over the next six years. If you do the math, that means we need 60,000 wagons per year.

At present, India's capacity at the top end has not exceeded 35,000 wagons in a year.

Having said all of this, when we look at what Cosmic is doing, we have entered the wagon manufacturing business. This has been one of the most exciting aspects of Cosmic and one of the most discussed topics about Cosmic over the last 2 years.

We bid for Amzen Transportation Industries Private Limited, one of the largest and most technology-intensive state-of-the-art facilities in India, and probably one of the most sophisticated facilities in the world for manufacturing wagons, coaches, containers, and locomotive shells in India.

It was established through a joint venture owned by Amtek Auto and American Railcar. It was developed based on the vision that American Railcar had for its markets in South America and Russia.

We wanted to take over this asset in 2024. We bid for it, but the process continued into 2025. We finally received NCLT approval in April and May 2025. We had submitted our final resolution plans, and subsequently we were challenged in the NCLAT.

After eight hearings over eight to nine months, the NCLAT issued a negative order against us, which we were not willing to accept. Therefore, we took the matter to the Supreme Court. By God's grace, we succeeded because the Supreme Court accepted our position based on the evidence we provided.

As we speak today, the letter of intent has been issued by the Committee of Creditors. The matter is before the NCLT for procedural approval, which is procedural in nature because it has just come

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back from the Supreme Court. We are awaiting that approval.

We also have our team inside the plant. They have been there for the last 2-3 weeks and are trying to fundamentally understand the requirements for refurbishing the plant, the costs we will have to incur, and the revenues we will be able to generate. We are also evaluating various markets.

We will discuss this in more detail during the question-and-answer session, including how Amzen Industries, which was previously called Amtek Railcar, is now a wholly owned subsidiary of Cosmic CRF Ltd.

It is a large plant and one of the largest plants in the engineering sector in India, and probably the largest plant in Punjab and that part of India.

The plant is not limited to manufacturing wagons and coaches. It also has the capability to manufacture state-of-the-art 20-foot, 40-foot, and high-cube containers. It can manufacture locomotive shells and sheet piles, where we are a market leader in India in terms of indigenous cold-rolled sheet piles. It can also manufacture defense equipment.

This is the massive expansion represented by Amzen. It is approximately twice the capacity we have today. This is the game changer for Cosmic CRF.

Even if the markets remain soft, we are still very positive that, as I said in my post-earnings call in 2000 regarding my FY26 results, we would achieve at least 15-20%, and possibly 25%, growth over the previous year's numbers, even if the markets remained soft.

Mohsin, if we want, we can move directly to the questions.

Operator: Thank you, sir. We will begin the Q&A session. Participants can raise their hands or use the Q&A chat box to ask questions. Sir, we will wait for a moment. We will take the first question from Mohammad.

Aditya Vikram Birla - CMD: We will take the first question from Mohammad. Yes, Mohammad, please go ahead.

Mohammad: Hi, good evening, and thank you for the opportunity. Sir, you mentioned that some revenue is coming from defense. Could you share some details on that?

Aditya Vikram Birla - CMD: Mohammad, at present we do not have any revenue coming from defense. What I mentioned was that, when I was bidding for Amzen a year ago, I was only considering the manufacture of wagons and coaches, primarily wagons.

However, once we entered the plant, we realized that the previous owners were also planning to manufacture several defense-related items. Artillery was not part of their vision. Their objective was to manufacture infrastructure items for defense, such as tent camps, Bailey bridges, and various other items, which there is no point in naming individually at this stage but which will eventually be disclosed.

There is an SKU list of approximately 82 items that will be supplied to defense, and we will have to build up that business. This will be one of the six sectors served by our Amzen unit.

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Mohammad: Understood. Sir, is there any timeline for when we can expect operations to start at the Amzen facility?

Management: Before I answer that, Mohammad, I will explain the size and scale of this plant. Before that, I will explain what we have done so far, so that you can understand our background.

The Singur plant that we bought was located on a 5-acre plot. We then took over NS Engineering Projects Private Limited, which is an 65,000-metric-ton plant today, located on 8 acres. Our forging and spring divisions are located on 1 acre each.

Therefore, we are talking about plants of this scale, which are MSME-sized facilities. When you talk about Amzen, however, the single plant is spread across 72.5 acres, along with additional land attached to the plant that we will have to acquire later, as and when we take over the asset. We will also have to develop that land, which would take the total area to 122 acres.

That is a very large piece of land. The shed alone is approximately 16 lakh square feet, with machinery that was not manufactured in India. Therefore, we have to bring the appropriate people from Germany and America to start operating the machinery.

The machines have not been used. This is not a situation involving significant depreciation, but the machines have never been started. That is the work being undertaken at present.

During the NS Engineering process, we had said that we would turn around the business and begin our first commercial production within the first 6 months. Here also, our first commercial production will begin within the first 6 months.

However, if we consider the entire year FY27-28, we are talking about utilizing only 20-25% of Amzen's capacity. The full value will be unlocked in 2028-29.

Mohammad: Understood. Sir, do you have any guidance for FY27 in terms of the top line?

Management: As I said, the year has been soft so far. With the West Asian crisis and policymaking at the highest level, the outlook does not look very positive to me personally, and it does not look positive to the industry at large until we see a ray of hope.

However, even in the worst circumstances, because we have interchangeable capabilities in both plants for railways and infrastructure engineering items, we will still achieve 25-30% growth over last year. The first half will be very soft, but the second half will grow.

Mohammad: Understood. Sir, just one last question from my side. Since both facilities are interchangeable between railways and infrastructure, do you have any target going forward—for example, a certain amount of revenue from railways and a certain amount from infrastructure?

Management: I do have an answer to that, Mohammad. The railway sector has not received any major order for wagons, coaches, or locomotives over the last 2 years. It has issued some semi-orders, which are minor in nature. The railway sector is trying to complete the order that was issued in 2022-23.

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I personally believe that the railways will issue a standard order book of 45,000 wagons per annum, which will include private purchases, exports, and local purchases through the tendering process. This should begin next year.

I do not see a massive railway order coming next year. The issuance of 5,000–6,000 wagons is a separate matter, but the 1 lakh wagon order that had been discussed will probably be issued in parts. I do not think the Railway Board will issue another order for 1 lakh wagons because it made a couple of mistakes that it will want to correct.

Therefore, I personally believe that demand for 35,000–40,000 wagons, or 45,000 wagons at the higher end, will exceed the supply currently available in India.

Having said that, if this happens as per my plan, understanding, information, and data, then I must say that we will have 50%—or perhaps 62%. Rather than discussing exact numbers, let us say 60% will be railways and 40% will be infrastructure. Our top line will cross 1,000 crores.

Mohammad: Thank you very much for the detailed response, sir. All the best.

Management: Mohammad, before you leave, I want to clarify that the mix and top line I just discussed apply only to Cosmic CRF, NS Engineering, Cosmic Springs and Engineers, the forging division, and the spring division. They do not include Amzen at all.

Amzen is a separate book altogether. It is a wholly owned subsidiary, but I believe it has a capacity of 2 lakh tons per annum. Therefore, it is a separate business altogether.

Mohammad: Noted, sir. Thank you very much, and all the best.

Operator: Thank you. We will take our next question from Akshay.

Akshay: Sir, you are on mute. Yes, hi. Overall installed capacity is approximately 1,33,000 metric tons per annum. What utilization are you targeting for financial years 27 and 28?

Management: Our installed capacity of 1,33,000 metric tons also includes the capacity of our forging division. The forging division will start in FY28, meaning after April and May of 2027.

I personally believe that it will initially operate at only 40–45% because it also requires RDSO licenses, which take approximately 4–6 months. The other items that it will manufacture for the DRDO, which is the defense sector, will also take 7–8 months.

Therefore, we will go through a prototype development process from April to approximately September. This represents roughly 12,000–15,000 metric tons that will be excluded from the 1,33,000 metric tons.

The remaining 1,20,000 metric tons of installed capacity will operate at 85–90% utilization, resulting in approximately 1,10,000 metric tons. Production of 1,10,000 metric tons moving toward 1,20,000 metric tons, priced at approximately 80,000 rupees per ton, would result in approximately 1,000 crores.

Akshay: There is also ongoing capex, correct?

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Management: I will break your question into a couple of sections. We will remain in a capex cycle for the next 2 years. After that, we will not need additional capex for any of our plants for the following 2 years, unless we decide to acquire further plants.

For the plants we currently own, Cosmic CRF requires basic capex of 1-4 crores for renewals, recycling, refurbishments, day-to-day repairs, and maintenance. It does not require anything more than that.

NS Engineering Projects Private Limited does not require any further major capex. The only capex underway is worth 4.5-5 crores, involving air-wiping systems to increase efficiency and reduce costs at our galvanizing bath.

The spring division does not require any further capex because it is completely ready. It is going through testing. It has completed its testing, received its RDSO license, and is now undergoing field trials and field tests.

When you supply 6,000 sets to various wagon builders, they test them for a period of 3-6 months and provide a report. That is all. We are going through this process under the RDSO.

The fourth unit is the forging unit, which is currently being capitalized. It is a project worth approximately 50 crores. The bank has financed 29 crores, specifically 28.28 crores. We are contributing approximately 21-22 crores through promoter equity.

We have completed our equity contribution of 21 crores. Perhaps 1-2 crores remain, but otherwise there is nothing else left. The bank has to disburse another 17-odd crores, after which the forging division will be completed.

The major capex now relates to our Amzen unit. Amzen was acquired for 255 crores if we make the payment upfront. There is also a CIRP cost, which is the cost related to the insolvency resolution process. That cost is approximately 11 crores, specifically 10.86 crores.

Therefore, the total takeover cost is 266 crores. After that, we will have to invest approximately 120 crores. We have already given advances to various machinery builders and suppliers of various items, who require time, and this amounts to approximately 30-40 crores.

After completing those items and the TEV process, which means the Technical Evaluation Process, we will undertake the remaining capex. The entire capex will be completed by October-November 2027.

Akshay: After the capex, what EBITDA margin can we expect?

Management: After the capex, your installed capacity will increase to approximately 3,85,000 metric tons. You will achieve approximately 75-80% utilization because, when you manufacture through fabrication, efficiency falls to 70-75%.

When you undertake only rolling, utilization is approximately 85-90%. When you outsource certain capabilities and items, utilization can reach almost 100%. Therefore, the average utilization is approximately 80%.

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At 80% utilization of 3,85,000 metric tons, production would be approximately 3 lakh to 3,10,000 metric tons. Production of 3,10,000 metric tons at an average price of 1,10,000 rupees would result in a total top line of approximately 3,300-3,500 crores.

This can be achieved in FY28, FY29, and FY30 because the business can grow steadily with the market, as we will be catering to various sectors through various production processes.

A top line of 3,500 crores can generate EBITDA of approximately 18-19% and PAT of 12-13%.

Akshay: Until 2029—or rather, over the next few years—do you plan to raise additional debt from the banks for capex and related requirements?

Management: We will raise debt only to cover capex. Cosmic CRF has historically been light on debt. That demonstrates that the promoter is not interested in maintaining a debt-heavy balance sheet. That promoter is me.

However, honestly speaking, equity is currently more expensive for us than debt. We have diluted enough to build our strength so far.

Having said that, we are working with various advisors and merchant bankers on a structure that is light on both debt and equity—not too much equity and not too much debt.

The money we currently need is primarily to complete the acquisition and capitalization of Amzen. Beyond that, we do not need additional funds.

If you are talking about generating a 3,300-crore business and the working capital cycle is approximately 100-120 days, there are various sectors to which we will supply material, starting with defense, primarily railways, infrastructure, defense, and other sectors such as automobiles.

If the working capital turns over in approximately 120 days, the money will turn over 2.8 times. With EBITDA and PAT margins of 13-18%, you are looking at approximately 3,000 crores divided by 3, or approximately 1,000 crores, of working capital to be deployed at some point to achieve that scale.

At present, we are operating with a significant amount of money that was covering our working capital requirements because we were holding funds from the preferential issue that had not been deployed. A large portion of the preferential issue and warrants had not been deployed because the entire payment for Amzen had not been made.

That is the situation. Once the payment is made and additional debt is raised, the debt will be used only to structure the books. At some point, scheduled banks will take over that debt, and we will obtain leverage on the basis that working capital will be the only issue we need to manage in the coming years, rather than term loans.

Once you are operating a 3,000-crore business and generating PAT of at least 12-13% on the top line, there is nothing to worry about because your interest cost will be very minimal.

Akshay: One last question. How is the demand for railway orders in FY27 compared with the previous year?

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Management: Akshay, as I said, the railway sector has become stuck in a peripheral situation. In 2022-23, it issued an order for 1 lakh wagons. That was then reduced to 90,000 and subsequently to 72,000 or 75,000 wagons.

It also issued a couple of smaller orders for 14,000, 11,000, and 10,000 wagons. These orders were issued as part of the plan at that time, based on the situation then.

That plan included 35,000 BCN wagons. BCN is a type of wagon. These BCN wagons are not required today. They were required during the COVID planning period, when fertilizers, rice, wheat, and other materials had to be transported.

Those materials had to be transported across the country, and wagons were the only way to move them in bulk. Otherwise, trucks and lorries would have been required.

That is why the 35,000 wagons were planned. However, they are not required now. This has created congestion in the railway yards, depots, and tracks.

Until the railways find a solution to this, and until wagon builders supply the complete existing order, the railways will not know how to issue new orders.

The second issue is that, because of the West Asian crisis and the pressure that is weighing heavily on our financial system, economy, and government, the government is not able to provide the money and payments required by the exchequer. This further affects the execution of orders.

Therefore, I do not see any major order coming in FY27. There may be some sporadic orders for 4,000-5,000 wagons or 10,000 wagons, but they will not make a meaningful difference or move the needle.

I believe a larger portion of the orders will come in a more structured format from FY28.

Akshay: Okay, that is all. Thank you.

Management: Thank you.

Operator: Thank you, sir.

Operator: Thank you, sir. We will take the next question from Samir. Sir, you are unmuted.

Samir: Hi, Vikram. I want to understand the total sales in FY26 at the group level in terms of tonnage.

Management: You are referring to Cosmic CRF and its subsidiaries, correct?

Samir: Yes.

Management: It was 1,07,000 metric tons and 722 crores.

Samir: What was the realization per ton?

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Management: The realization per ton was approximately—722 crores also included our interest cost, which was deducted. I think 716 crores was our operational revenue.

The outcome was approximately 66-67 rupees in terms of sale value, because raw material prices were available at 48-50 rupees.

Samir: If 1,07,000 tons were sold in FY26, are we saying that by FY28 we will sell 1,10,000 tons?

Management: No. We are saying 1,10,000 plus 10,000. One facility has a capacity of 25,000 metric tons, of which we will produce only 10,000 metric tons. Therefore, we will produce 1,25,000 metric tons.

That is why I said 1,07,000 metric tons would increase to 1,25,000 metric tons. The only difference will be that prices have increased.

In total, tonnage may grow by approximately 15%, along with a 10% increase in pricing. Therefore, the increase in the top line should be approximately 25-30%.

Samir: So, approximately 80,000 rupees per ton is what we could achieve, as you said?

Management: Yes. The reason is very simple, Samir. It is because we have started galvanizing all our items. Most infrastructure orders today require galvanizing, including poles, high masts, crash barriers, and sheet piles.

Samir: What was EBITDA in FY26?

Management: EBITDA was approximately 16%, perhaps 15%, or 14-15%.

Samir: So that will also rise to 18% by FY28?

Management: Yes, because we now have galvanizing capabilities. Previously, galvanizing was undertaken for only 20% of infrastructure items. Now it is being undertaken for 60% of infrastructure items.

The benefit of approximately 2.5 thousand will pass through to all products. We are also taking new-age orders.

What is also happening is that the prices of zinc and raw materials have increased. I am telling you that last week the price of mild steel E450 increased from 66 to approximately 72 rupees per kilogram. Mild steel E250 Grade A increased from 58 to 62 rupees per kilogram.

These are sharp increases, and I do not think they will last for long. Prices should settle again, probably at a basic price of approximately 60 rupees, but they will not return to 58 rupees. Therefore, there will be an increase of at least 4.5-5%.

Samir: To understand this, you said that by FY29, with Amzen, output could increase to 3,10,000 metric tons. Will the ramp-up really be that fast?

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Management: Absolutely. Once the machines are already installed, you do not have to go through the entire process of setting them up. You only have to refurbish the asset, which we have already started working on.

I need 6 months to start my first bay. There are 6 sheds. Therefore, the first shed will start operations within 6 months from where we are today, unless there is a procedural issue with the NCLT or some issue that delays us by approximately 1 month.

Apart from that, 6 months from now is something we can achieve. Once the first shed starts, everything will gradually open up.

As I said, this year we should target 25-30% utilization of Amzen in total.

Samir: How is that possible? If you say 6 months, and we are in October, by the time you receive the plant from the NCLT and make it operational, should it not be January or February?

Management: I am hoping, Samir, that I will receive NCLT approval in the next month itself.

Samir: Okay.

Management: I am ready to make the payment tomorrow. We are ready to proceed.

Samir: Once you receive the asset, you will require 6 months to ramp up?

Management: Samir, since we are discussing this, I will explain that I bid for this plant at 284 crores. Everyone thought I had lost my mind.

My point was very simple. The payment of 284 crores was based on making the payment over 6-12 months. I then reduced it to a present value of {? 255 on 30 days ?}. This was possible only because we had sufficient funds on our books.

Samir: There is some procedural approval that normally takes approximately 60 days after the LOI, correct?

Management: If you ask me about the procedural level, it takes 6-8 months to obtain approval from the NCLT. You can look at any of the cases in the Calcutta or Delhi benches.

Samir: After the LOI, it takes 60 days, correct?

Management: No. The LOI is issued by the COC, or Committee of Creditors. Procedural approval comes from the court.

There are more than 30,000 pending cases, applications, and interlocutory applications in various NCLT courts in India. Therefore, if you receive one hearing in a month, you should consider yourself fortunate.

There are 2 reasons why we are so positive about the process. First, we made a strategic move by putting pressure on the COC by stating that we would not bear their CIRP cost beyond the LOI date.

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The LOI showed a cost of 10 crore 86 lakhs, plus some additional costs, amounting to approximately 11 crores. We excluded that cost from our resolution plan and stated that we would not make any further payments to the COC toward the CIRP cost.

Therefore, every month that passes, the COC, meaning the Committee of Creditors, has to pay that money from the banks' own funds and receivables. This is unusual.

The second point is that they are under pressure to complete the process. Because they are under pressure, the documents that normally take 2 months to submit to the NCLT court have already been submitted.

There was a hearing date on October 12 in the NCLT. Very few people know this, but the hearing has been moved forward to tomorrow, which is October 1. Normally, there are 6 hearings.

I often say that I feel very familiar with the NCLT because I have dealt with many cases there. I know how to navigate the NCLT to the best of my ability. Some things work and some do not.

In this case, I realized that bringing the hearing forward through a new interlocutory application would make sense. We did that, and the hearing has been brought forward to tomorrow.

The process usually takes 6-8 hearings, but that is generally when the procedure is lengthy or when there is no clearance under Section 29A.

What does the NCLT actually approve? It approves 3 major items. First, it examines and clears Section 29A again. After the COC meeting, it reviews all the minutes of the meeting, which is a cumbersome exercise in itself.

Third, it examines the procedural details under the IBBI and the IBC Code. That process itself takes time.

For us, Section 29A is not an issue because the Supreme Court has already issued its verdict. Therefore, there is nothing further for the NCLT to examine on that point. It is only a procedural matter.

Second, the COC has already submitted all its documents, and there are no corrections pending. It has been only a month, so that part has also been completed.

Third, the procedural issue involves the NCLT waiting to hear whether anyone has an objection. If anyone had an objection, they would have approached the NCLAT or the Supreme Court. We are already well beyond that stage.

Therefore, if everything proceeds as expected, I envision another month to a month and a half.

Samir: Will you pay the money within the next 50 days, or 45-50 days?

Management: As soon as the matter comes to me, I will pay the money within the next 15 days.

Samir: This will be funded through internal accruals, correct? No borrowing will be undertaken?

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Management: No, there will be borrowing. Let me explain the internal accruals.

To date, we have generated internal accruals of approximately 120 crores since we started. We are a company that is only three and a half years old in total.

These internal accruals of approximately 120 crores are part of your working capital. We have generated a top line of more than 716 crores, while our working capital limit is only 80 crores. Therefore, you probably need 222 crores to operate the business.

That money has already been deployed there. To some extent, the warrant money has also been deployed there.

During this process, we had not planned to set up the forging and spring units. However, we set them up over the last year because the acquisition was delayed and we were holding cash on our books.

Our larger investors believed that we should invest the funds and create value from the money that had been raised and brought onto the books. That is why we entered these businesses.

We invested 22 crores in the forging unit, 10-15 crores in the spring unit, and another 20-odd crores in building up CRF and strengthening NS Engineering. Together, we invested 50 crores.

What are we carrying today? We are carrying {? 160 plus 50 ?}, which is approximately {? 150 plus 60, 160 plus 50 ?}. That is {? 210 ?}, plus {? 110 ?} in internal accruals. That represents {? 320 ?} of internal accruals, although internal accruals do not always convert into cash because operating cash flow appeared only last year.

However, let us say that it forms part of working capital. Add {? 84 ?} to that, which is the working capital limit shown on the balance sheet. This brings it to {? 404 ?}.

You need 222 crores of working capital based on a 120-day cycle, which forms part of your operational strength. Of that, you are holding 182 crores.

You have already paid 60 crores to the COC, leaving 122 crores. You have paid an advance of 50 crores against 120 crores of capex for Amzen so that you do not lose time, because otherwise the process would take another 6 months.

That is another 50 crores. You are carrying almost 50 crores on your books, and you have invested another 20-30 crores from this year's accruals toward the capex of CRF and NS Engineering.

Samir: Great. That amount is tied up. Coming to the order side, we had an order book of 760 crores as of Q1, correct?

Management: Yes.

Samir: What is the breakup of this order book, and what are the execution timelines?

Management: 22% is from railways and the balance is from infrastructure.

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Samir: What is the timeline for executing this order book?

Management: One and a half years. Some orders have a 3-month timeline, some take a couple of weeks, some take 1 month, and some take one and a half years. Therefore, it is an extendable order.

The orders are executed one by one. Practically speaking, we will complete this order book this year itself.

Samir: This year itself. What about new orders for Amzen when it starts?

Management: You will also receive clear guidance on that.

Samir: What I want to understand is, when Amzen starts—for example, if it starts in February or March—how will you obtain new orders? The railways are not issuing orders.

Management: I think I just answered this question from Mohammad, who asked me the first question. I told him that when I was taking over Amzen, I was discussing only the manufacture of wagons and coaches.

Today, however, we will be entering 6 sectors. There is an SKU list of 82 items required by the defense sector. These are not artillery items. They are infrastructure items required by defense through DRDO processes and GeM portals.

We will manufacture those items. The plant already has a setup for them.

The second sector is container manufacturing, including high-cube, 20-foot, and 40-foot containers.

The third sector is coach building and coach body components.

The fourth is wagon manufacturing.

The fifth is locomotive shells.

The sixth is sheet piles.

Why sheet piles? Because we are the largest indigenous sheet pile manufacturer in India in the cold-rolled format. We have approximately 42% of the total market.

We want to enter the western market because sheet piles provide a 10% margin in terms of conversion rates. If you ship the products to that part of the country at the prevailing steel prices, you would lose approximately 7.5% of your margin.

Therefore, it does not make sense for me to manufacture in Bengal and supply to the western and northern regions. Once we have a setup there, we can supply to those regions, capture that part of the market, and potentially increase our market share from 42% or 48% to 60%.

Samir: Therefore, order intake should not be a problem?

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Management: Sheet piles, for example, could provide an order book of 100 crores. You can take that from me in writing. I can provide it in writing, and anyone can challenge me on it.

There are customers who want to place orders today, but we do not have sufficient manufacturing capacity there. We do not currently have a manufacturing setup there.

The second point is that we will have fabrication items, structural steel, and other products that we are already manufacturing in large quantities. This is a hardcore fabrication unit with extensive beveling, forging, and rolling capabilities. That is the strength we will bring to the business.

Containers will also contribute. You can expect approximately 50-odd crores of containers.

If Concor enters, or if a larger player enters, it will require prototyping and testing for 4-5 months. We will also take orders from local shippers at lower margins so that the business begins. We can also gain practical experience and understand the surrounding business.

Locomotive shells are products that we already supply through other companies owned by me, outside the scope of Cosmic CRF, namely Asansol Steel Casting and Commer Technocom. We have been doing this for the last 30-35 years.

Therefore, we have an established channel for obtaining orders and a strong relationship with CLW, Chittaranjan Locomotive Works, and DLW.

The other segment is wagon manufacturing. In the western region, there is no longer a full-scale wagon builder. There was Jindal Works, or Jindal Rail Systems, but it has now been converted into Texmaco West, which is primarily focusing on coach building and locomotive shells.

There was Modern India, which was owned by the Bindal family. I believe they had a family dispute, following which they changed the name to Radhika Modern, but it does not operate at that scale.

There are a couple of other small, sporadic players, but there is no large player. Therefore, we are the only large player in that region.

If a company such as JSW or Coal India in the western region, or TIL or Tesco, wants to order material, including UltraTech, it will have to come to us. Gatex, which is also one of the largest leasing players in the wagon industry, would also be a potential customer.

Therefore, we are very positive about the opportunity. We are not looking only at tenders issued by Indian Railways and the Railway Board. We are also looking at these other industries.

We will also supply the body parts required by coach factories, such as the Modern Coach Factory, MCF Raebareli, and RCF Kapurthala. These are the customers for which we will have to bid.

Samir: The 760-crore order book, along with the current orders you receive, will have raw materials on a pass-through basis, correct?

Management: Yes, obviously.

Samir: Great. I want to understand Amzen. You mentioned that there was—

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Samir: Some 122 acres of land next to it. Does that also come along with the plant?

Management: Amzen was previously called Amtek Railcar, and it was owned by Arvind Dham of Amtek Auto.

Mr. Arvind Dham had 122 acres in total. If you visit the location, you will see the total area of 122 acres. He divided the 122 acres into 72.5 acres and another approximately 50 acres.

He may have planned to retain the additional land in his own name, or he may have been entering the NCLT process. However, when we approach the revenue departments in Jalandhar and Punjab, we find that the land is still registered in the name of Amtek Railcar.

There is a provisional attachment by the ED, but once we take over Amzen, there will be no separate entity called Amtek Railcar. Amzen is Amtek Railcar.

Samir: Does that land also come along with the plant?

Management: That is undeveloped land. It has not been developed at all. It is a vacant 50-acre parcel, but it is included.

If there is no challenge, that would be a significant positive. It was not something we had calculated when we entered the process. It is an additional benefit that could eventually come to us.

There is no access road to that land, and no activity has taken place on it over the last 2 years. It was probably land owned by Arvind Dham through Amtek Railcar.

That is one part of the land. Together, we are taking over 72.5 acres today. There are another 10 acres in small parcels around the factory that had been acquired for ancillary units and worker housing. Those parcels will also be consolidated and acquired.

Samir: Would you sell the 50 acres and generate some revenue if you do not plan to expand?

Management: First, the ED has to decide to release it to me. Then I will have to determine how to bring it into the company.

If we do receive it, we would become richer by another 100-odd crores. That would benefit all of us and all our shareholders. However, let us hope and pray and keep our fingers crossed that we are able to do so.

I am very hopeful, but we should not count our chickens before they hatch.

There is another piece of land in Alwar measuring approximately 67 acres. A small portion of it has been encroached upon, obviously because it was acquired in 2012 and the company entered the NCLT in 2017. Therefore, it was not properly managed.

We do plan to sell that land and bring the proceeds onto the books to repay debt.

As the promoter, I have tried for the last 3 years to keep the books very light on debt. Even when we take on debt today because of the structural situation, we will want to clear it within the next 1-1.5

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years.

Samir: Thank you for such detailed answers. We hope you will start quarterly calls soon.

Management: Take me to the main board and I will.

Samir: All right. Thank you.

Operator: Thank you, sir. We will take the next question from Rohan.

Rohan: Hi, sir. First, I wanted to understand the utilization ramp-up. You mentioned that the target is 20-25% next year, correct?

Management: This year.

Rohan: This year. Will that include wagons as well? Are you planning to sell 500-600 wagons next year?

Management: No. We are talking about 25% growth over last year this year, Rohan, not next year.

Next year can be a very different situation if the orders come through. We can execute very quickly, as we have done for NS, CRF, our other spring units, and hopefully our forging unit.

If, by God's grace, we are in a position to complete execution very quickly, this will be a different situation, Rohan. It is also new to me because I have never handled a larger asset than this, and I have never seen an asset as large as this.

Therefore, it is new for me as well, but we are doing our best to turn it around as quickly as possible because of the costs associated with it.

Rohan: No, sir, I—

Management: If everything proceeds smoothly—

Rohan: I am focusing on the wagon business. Suppose the acquisition is completed in the next 1-2 months. Next year, do you think you can generate 500-600 crores purely from wagon sales? Can you obtain the orders, execute them, and ramp up the wagon business at Amzen?

Management: Amzen has an entire series of machines that require refurbishment, which we will undertake over the next 6-8 months.

Once that work begins, you will not have to worry about ramping up the wagon business if the orders are available, because the output flow will be in place.

The plant can easily manufacture 200 wagons per month. If you work hard, it can manufacture 350 wagons per month. If the capex is completed in the right format and you receive the necessary RDSO clearances, you can manufacture 450 wagons per month.

However, that can only be considered once you have achieved production of 150 wagons per month.

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If you look at the wagon-building industry as a whole, there are 11 units. Only 3 of them manufacture more than 200 wagons. The remaining 8 wagon manufacturers produce fewer than 100 wagons.

Starting with Oriental Rail and the other wagon builders, including Besco Foundry and Besco Wagon, all the other wagon builders are producing approximately 100 wagons or fewer. A couple of them sometimes reach 150 wagons.

Therefore, the first objective should be to produce 100 wagons consistently for 6 months. That will allow us to rebuild our capabilities, because significant capabilities are required.

Backward integration will provide cost benefits, approvals, and the strength to manufacture wagons in kit form with a quick turnaround. However, our ability to assemble the wagons will develop only through shot blasting, painting, cooling, assembly, flexi schemes, punching, squeezing tests, and all the other processes.

There is a large set of operations that we will have to undertake.

Having said that, 100 wagons is the first target. If you produce 100 wagons every month for an entire year, you will produce 1,200 wagons, which would generate approximately 450-500 crores of top line in wagons, as you said.

However, in total, for the period from April 2027 to March 2028, we should target 25% utilization of Amzen's total capacity. Amzen's total capacity is 2 lakh tons. A 25% utilization rate represents 50,000 metric tons. That is all we should focus on.

Rohan: Understood. Therefore, you are not giving clear guidance on the wagon business because it is new for you as well, and you will see how it develops, including whether you can produce 100 wagons per month.

Management: Rohan, I will correct you there. I am very clear about my plans for the wagon business.

We will enter 3 areas of the wagon business. If railway tendering does not happen, it will not hurt me significantly because the plant we are acquiring in Amzen has a strong export orientation.

There is significant scope for exports and for foreign companies to enter into technology-transfer arrangements. There is also significant scope for retail sales.

For example, 90% of Jupiter Wagons' wagon sales are to private buyers rather than through tenders. Similarly, many private buyers will come to us.

Therefore, I am very focused on producing 100 wagons. My only concern is the refurbishment and the procedural delay, which are not in our control. Those matters cannot be resolved by us.

That is why I said that next year we should achieve at least 80% across all 6 sectors in total. That would again represent 250 wagons per month.

Rohan: You are referring to FY29?

Management: Absolutely.

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Rohan: Why did you mention that, out of 11 wagon manufacturers, 8 are producing fewer than 100 wagons? Is the reason purely execution difficulty?

Management: There are 3 main reasons.

The first is an individual reason that differs from one company to another. Some are involved in legal disputes. Some are effectively no longer operating. Some are more interested in selling their land than in operating a wagon business. Some see greater value elsewhere, and some do not have a next generation entering the business.

The second point is that wagon builders have generally been accustomed to converting materials using supplier financing.

What happens is that they follow an old-fashioned approach and continue to wait for suppliers to provide credit.

I have a company called Comet Technocom, which provides 6-8 months of credit to wagon builders. They do not have much choice because the items supplied are largely non-RDSO items. These are non-RDSO items supplied by that division of Comet and are sold by many companies in the market. There is no complex technology associated with them.

Therefore, these wagon builders squeeze their suppliers. They do not want to take working capital debt from banks or lenders, and as a result they are not in a position to turn around the business.

The third issue is that, to manufacture a wagon, you need more than 86-90 types of components, starting with forgings, CRF products, and castings. All these items have to come together for assembly.

You need 80-90 vendors to supply these components. If even one knuckle pin is unavailable, the entire wagon production process is disrupted because the wagon cannot be tested by the RDSO.

As a result, the turnaround is always slower.

Rohan: Understood. My final question is about the margin outlook. For FY27, I believe it was mentioned that we have some older orders that need to be executed, perhaps without a price-variation clause. What is the margin outlook for the current year? Where do you see margins in FY28 and FY29?

You mentioned that, with galvanization and everything operating at an optimal level, EBITDA could reach 18%. How will that progression look over the next 3 years, including FY27?

Management: Do you want a mid-range answer, a very positive answer, or a very conservative answer? The choice is yours.

Rohan: A conservative answer that you believe is achievable, rather than something highly optimal.

Management: The conservative view is as follows. Let us look only at the numbers.

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In FY27, you are looking at 1,25,000 metric tons of output. The average price will be approximately 70-80 rupees, depending on the prices of raw materials and zinc.

I used to buy zinc at 280 rupees per kilogram. Today, I am buying it at 440 rupees per kilogram. I do not know how long this will last, but a price of 440 rupees per kilogram indicates that supply is an issue.

Therefore, 1,25,000 metric tons at a price of 70-80 rupees per kilogram is the current year's outlook.

That is also because we could have increased our supplies, taken on more items, and engaged more ancillary suppliers. We did that the year before last and last year, when we grew by 80% and 70% respectively each year.

We have not done that this year because the markets are soft. That has nothing to do with us; it is a macro issue at the global level and in our country as a whole.

That is one factor. Now I will first discuss the top line.

In FY28, you should look at approximately 20% of 2 lakh tons, which is 50,000 metric tons, plus 1,30,000 metric tons. Therefore, in total, you are looking at 1,80,000-2 lakh tons. Specifically, 1,80,000 metric tons.

In 2029, value will be unlocked, and production will increase directly to 3 lakh to 3,20,000 metric tons.

From there, we will continue fine-tuning our capabilities. At some point, with the full capacity that we have established, we could reach 3,50,000 metric tons.

The average selling price currently stands at 70-80 rupees. Next year, with wagons, springs, forging items, some containers, and defense items, the average selling price will increase to approximately 100 rupees per kilogram. That is 1 lakh rupees per ton.

In the following year, when we look at the numbers—for FY29, if we look at 3 lakh tons—the average selling price will be approximately 1,25,000 rupees per metric ton.

Margins should increase from 14% to 18%. That was my conservative estimate. If we execute what I believe is working on paper, EBITDA could increase to 20-21% of sales as we engage with various family offices and large—

Operator: Thank you, sir. Due to time limitations, this will be the last question. I would like to thank the Cosmic CRF Ltd. management and all participants for participating in the Bharat Connect conference. Sir, do you have any final closing remarks?

Management: Thank you very much for giving me the opportunity to speak with all of you and share our perspective.

Promoters like us, at my age of 37-38, are putting in our best efforts. Believe me, I have developed white hair doing this. I did not have white hair 4 years ago, but there is nothing to feel sorry about.

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This is my life, I love it, and I love doing it. I will probably continue doing it until the end of my life.

I enjoy growing quickly. Over the last 1-1.5 years, because of the macro-level work and the businesses we have entered, we have also entered into legal disputes with the NCLAT and then the Supreme Court, involving the H2 and H3 bidders in various matters.

That has opened our eyes to a new aspect of business and life. We are also learning through the process.

But believe me, we are here to stay, we are here to build, and we ask you to have faith in us. That is all. We will perform, irrespective of the circumstances. Thank you very much.

Operator: Thank you, sir. Thank you, everyone. We are closing the session. Thank you, sir. Thank you, everyone.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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