Jupiter Wagons

Operator: Good afternoon, everyone. On behalf of Arihant Capital, I would like to thank everyone on the call. This is the final day of the Arihant Capital Bharat Connect Conference 2024 September edition. I welcome you all to the call of Jupiter Wagons Limited. Today, from the management, we have Mr. Vinod Agarwal – CFO, and Mr. Puneet Saboo, who is the VP – IR. I would also like to thank the IR firm CDR and Mr. Mayank Vaswani, who helped us organize this meeting.

Without taking much of your time, I am handing over to the management. However, before I hand over to the management, I will lay out the flow of the event. We will start with the opening remarks from the management and then move to the Q&A round. Any participants who would like to ask a question can raise their hand or put their questions in the chat box. First, we will take questions from the participants who have raised their hands and then move to the chat box. If time permits, we will take the questions I have received from clients who have not been able to participate. We will take the last question at 16:55 PM, which is 5 minutes before the end of the call. Thank you very much. I am handing over to the management, Mr. Vinod and Mr. Puneet.

Vinod Agarwal – CFO: Thank you for the brief introduction and for organizing this conference. Good afternoon, everyone. To begin with, I will give you a brief introduction to Jupiter Wagons Limited. It is one of the premier private wagon manufacturers based out of Kolkata. We are a leading manufacturer of private wagons, manufacturing various types of wagons, including open wagons, cement wagons, and specialized wagons for auto-carriers. We serve both Indian Railways and private players, primarily. In our business, we cater more to the private segment, and wagons are the predominant business.

Apart from wagons, over time we have progressed and diversified our business into different segments, which consist of various railway components. We manufacture draft gear, couplers, and bogies as railway components. We also have subsidiaries and joint ventures. One of our subsidiaries, where we manufacture wheelsets, is named Jupiter Tatravagonka Rail Wheel Factory.

We already have one factory in Aurangabad, as we acquired this company from Bonatrans. In this particular company, we are setting up a project, which is currently our focus area, with an investment of {? 2,500 crores ?} in Odisha. This will be a 1 lakh wheelset manufacturing facility, which will be established within a 2-year timeline. This is another predominant business for the Jupiter Group.

Apart from that, we have 2 other subsidiaries. One is Jupiter Electric Mobility, where we assemble light commercial vehicles, which are electric LCVs. The other is battery manufacturing and assembly. It is primarily assembly, so we import batteries and assemble them here in India. In batteries, we have 2 segments. One is BESS for the C&I segment and the utility segment. Apart from that, we manufacture small batteries for material-handling equipment, which we supply to OEMs such as Godrej and Kraft.

Apart from Jupiter Electric Mobility, we have another subsidiary named Stone India Limited, which we also acquired 2 years ago. We manufacture brake systems for freight wagons there. This business has recently commenced operations. Initially, we will use the freight brake system in-house for our own wagon requirements.

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This covers the subsidiaries. Apart from that, we have some joint ventures. We have a joint venture with DAKO, where we manufacture brake systems for the passenger segment, and we manufacture brake discs in one of our subsidiaries named Kovis. This covers the joint ventures and subsidiaries.

In the latest business development, in Jupiter Tatravagonka Rail Wheel Factory, we initially inducted a partner named Lucchini RS. Lucchini RS, along with a company named SIMEST, which is a financial institution backed by the Italian government, has invested {? 290 crores ?} in the company. They are the strategic partners for the company and are taking an equity stake of 25%. The money has already been invested and will go entirely into the project.

With this introduction, we will have significant support in setting up the factory in Odisha, and we will have a global presence when we commence operations. Lucchini is a well-known name and already has a strong presence in the European market, so we will have the advantage of exploring the European market.

Apart from this, we have recently received an order from the West Bengal Electricity Board for installing 400 megawatt hours of BESS, which is close to {? 400 crores ?}. That is also in the pipeline.

In the coming days, our main focus areas will be securing more wagon orders from Indian Railways. We already have continuous orders from private players, but we are targeting a good volume of orders from Indian Railways. The tenders are expected very soon.

The second focus area will be Jupiter Tatravagonka Rail Wheel Factory, where we are setting up this project and will complete it and commence operations very soon. The third focus area will be BESS orders. We already have a {? 500 crores ?} BESS order book, and we are targeting an order book of {? 1,000 crores ?} by the end of the year.

Apart from that, in Stone India, which I mentioned earlier, we have already started production. We have received RDSO approval for one product, and another product is in the trial stage. That is also one of our focus areas.

That, in a nutshell, covers our business. We will be happy to take questions from everyone. Thank you.

Operator: Thank you very much. I request everyone to raise their hands or put their questions in the chat box. I have a few questions sent by certain investors who are already invested but could not join because of various factors. The first question is from Mr. Sahil Patani. Sahil, you can raise your hand.

Sahil Patani: Thank you for the opportunity. I wanted to understand our order book. Our order book was about {? 5,500 crores ?} last year, and it has been trending downwards to about {? 4,500 crores ?}. Even after the Q1 results, I think it is somewhat lower than that as well. I wanted to understand the reason for the decline in the order book.

Vinod Agarwal – CFO: As I said, we are predominantly in the wagon manufacturing business, so our order book also primarily consists of wagon orders. Until now, we were executing orders awarded by Indian Railways, and those orders are now nearing completion.

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If you look at our order book, it currently consists more of private orders and fewer Indian Railways orders. That mix will change once we receive an order from Indian Railways. Indian Railways generally comes out with a large tender, and execution typically takes 2–3 years. As soon as Indian Railways issues a tender and the order is awarded, the order book will increase again.

Sahil Patani: Are you expecting it to pick up? Are you seeing anything on the ground that indicates this?

Vinod Agarwal – CFO: It has been in the news for quite some time that Indian Railways is coming out with an order for 1 lakh wagons. The budget also mentioned that they would procure around {? 32,000 wagons ?} in the current financial year. The only issue is that they have not yet announced a firm date for the tenders. However, we are hopeful that toward the end of Q3 or the beginning of Q4, we may receive some news regarding the tender.

Sahil Patani: Understood. Secondly, in one of your previous quarterly conference calls, I think Mr. Lohia had given a broad guidance of {? 8,000 to 10,000 crores ?} of revenue by FY29. Do you think the management is still positive and confident about achieving that number by FY29?

Vinod Agarwal – CFO: If you look at last year, we closed at close to {? 3,000 crores ?} of turnover on a consolidated basis. This year will also be close to that. The additional contribution will come primarily from Jupiter Tatravagonka Rail Wheel Factory. Its capacity will be around 1 lakh wheelsets once it is operational.

There are 2 lines in this particular factory: one for axles and one for wheels. The axle line will come up by March 27, and the wheel line will be operational by March 28. FY28–FY29 will be the full year in which we will have the entire operation running. That business itself will generate close to {? 3,000 crores ?} of turnover.

In addition, we have the battery energy storage system business, where we are already targeting an order book of {? 1,000 crores ?} by the end of the year. Taken together, this will be close to {? 8,000 crores ?} of top line, which we are targeting to achieve toward the end of FY28–FY29.

It could be {? 8,000 to 9,000 crores ?} because we also have other business verticals. Apart from that, we have commercial-vehicle body building and another container business, which will also contribute substantially in the near future. Our target is to reach approximately {? 9,000 crores ?} of turnover.

Sahil Patani: This year, you mentioned that this year would be close to FY25, so—

Management: It is progressing with the same momentum as last year, so turnover of around 3,000 crores should be achieved. If we receive an order from Indian Railways around Q3, we may have a good quarter toward the end of the year. However, as of now, to be very conservative, it will be at par with last year.

Sahil Patani: What about next year, FY26?

Management: Next year will be good because it will gradually pick up. If you look at the year before last, turnover was close to 4,000 crores on a consolidated basis. That will gradually increase

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because we already have BESS orders in hand, amounting to 500 crores, and the order book is increasing. We are entering that business very aggressively. Therefore, next year will also be better than this year.

Sahil Patani: Your margins dropped significantly in Q1. What kind of margins should we expect for the full year?

Management: Our EBITDA margin generally lies between 13% and 13.5%, if you look at the trend. The reason for the decline is that when the top line is lower, the margin is affected because we have to cover the fixed costs. As soon as we are able to increase the top line, the margin will return to the same range.

We already have substantial setups in the factories, and we cannot reduce those setups simply because we have lower volumes. Once we achieve good volumes, all the fixed costs will be covered and we will subsequently achieve a good margin.

Sahil Patani: Regarding the partnership you recently entered into with {? Lucchini ?}, where they are investing around 300 crores in the new factory, have you agreed to any commercial terms, such as selling something to them or doing something with them? How will their investment work?

Management: {? Lucchini ?} is an established player in the European market. It is one of the largest suppliers of wheelsets worldwide. This is more of a strategic tie-up than a financial tie-up.

The investment of 290 crores that they have provided has gone entirely toward the project construction phase. However, their technical knowledge and credentials are more important because, in this particular business, we are targeting 50% exports from India.

To achieve that export target, we need all the European-standard certifications and certifications from the European railways, which they already have. They will assist us in obtaining those certifications. In addition, they will have global marketing and selling rights for this product. That is the arrangement with them.

Sahil Patani: Understood. Thank you very much.

Management: Thank you.

Analyst2: I will take the questions from the chat box. We have not seen major wagon orders coming from our core customer, the Government of India Railways. What is our estimate and expectation for the current year and the coming years? What kind of orders do we expect?

Management: Generally, Indian Railways comes out with a large tender. It is a supply program spanning 2-3 years. We may have some visibility on the tenders toward the end of Q3 or the beginning of Q4. Once the tender is issued, we expect to supply close to 7,000 wagons per year as our share.

Analyst2: What is our rationale for investing in BESS and the 1-2-ton small-truck segment when Railways itself is our core area? I want to understand our asset-allocation strategy.

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Management: BESS is a growing market and a very large market going forward. Many states are now taking initiatives to install BESS in their grids because they can store electricity and release it during peak hours. This gives them an advantage.

It is a good market, and we have the capabilities to set up BESS factories because we have our own container manufacturing unit in Madhya Pradesh. With that, we have developed the expertise to carry out the complete assembly work for BESS. Our focus will be to secure more BESS orders.

In terms of LCVs, it is a very niche market. Exploring that market takes time because we need to build customer confidence, and we will need more time to establish the product in the market.

Analyst2: The next question is about {? Lucchini ?}. What do we expect from {? Lucchini ?}? How much capacity will be for exports and how much for the domestic market? What would the margins be in the business?

Management: As I said, we are targeting a 50% export market from our Odisha project, which will come up in 2 years. {? Lucchini ?} will assist us in selling the product in the European and North American markets. They have a global presence. In terms of margins, the business should have an EBITDA margin of approximately 19-20%.

Analyst2: The next question is about CAPEX. What is the CAPEX for FY27 and FY28? How do you see CAPEX progressing?

Management: Our major CAPEX is only for the Odisha project. Our total CAPEX is 2,500 crores, and the project is currently in the construction stage. Apart from that, there will be some small CAPEX in our existing businesses, which will not be significant compared with the Odisha project. It will be close to 100 crores per year. However, the major focus will be on the Odisha project.

Analyst2: What is the current scenario regarding prototype approval for the new private wagon design, and who owns those designs?

Management {? Puneet ?}: Currently, as per the regulations, all the designs are owned by RDSO. Recently, they introduced a new wagon design policy to encourage the development of new designs, so those changes have yet to be implemented. As of today, all the designs are owned by RDSO.

Analyst2: What is the current scenario regarding the prototype? If we have seen a margin decline over the last year, how much is due to prototypes under observation, product mix, and input costs?

Management {? Vinod ?}: As Vinod was explaining earlier, the margin decline is primarily because of the reduction in sales volume. Otherwise, we typically maintain a 50:50 mix between Indian Railway supplies and private wagons.

As you rightly said, private supplies are generally more value-added wagons involving industry-specific designs. Therefore, they provide a slightly higher margin. Once sales volume picks up, we will return to margins of approximately 14% or higher.

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Analyst2: Have you seen any pickup in wagon manufacturing compared with Q1? Our Q1 rate was 380 per month. How is the current situation?

Management: Production has picked up somewhat from Q1, but as we mentioned, we do not expect wagon numbers to be very different from last year. The new tender that we expect by December could begin to appear in deliveries and production next year.

Therefore, from Q1 next year, we expect a recovery in production and sales levels. In terms of numbers, it will be at par with last year. Last year, we sold close to 5,500 wagons. This year, we are also targeting that same number. We have already sold approximately 1,100 wagons in Q1. The current quarter should also be around the same number, and we expect to reach approximately 5,500 wagons by the end of the year.

Analyst2: At what current capacity are the wagon plants operating? What is the current utilization? At maximum capacity, how many wagons can we manufacture?

Management: Typically, we have a capacity of around 1,000 wagons per month, and we are operating at around 55-60%. However, when we refer to capacity, there is a point that needs to be clarified: it depends on the design of the wagon.

For some designs, the normal manufacturing time is longer. Because of the mix that we follow, I would typically say that our capacity can go up to 900 wagons per month. We are currently operating at around 50-55% of that capacity, approximately 55%.

Operator: There is a question from Mr. Sagar Pabnani. You may ask your question. Mr. Sagar Pabnani? Hello? Am I audible?

Management: Yes, please go ahead.

Sagar Pabnani: Thank you for the opportunity. My question is primarily about the order book. We have an order book of around 4,600 crores, but we are still guiding for the same top line as FY26. Could you give me a breakdown of the order book and the execution period for those orders? That is my first question.

Management: If you look at the order book, it predominantly consists of wagons. However, the wagon mix is more private wagons and fewer Indian Railways wagons because we are nearing completion of the Indian Railways order.

As I said, we expect the government to announce a tender very soon. Once that happens, the order book will increase. The current order book consists primarily of approximately 3,500 crores of wagon orders. We have a commercial-vehicle load-body segment of around 500 crores. We have wheelset orders of close to 700 crores. We also have a BESS order book of 500 crores, which we are targeting to increase to 1,000 crores by the end of the year. These are the broad components of our order book.

Sagar Pabnani: Thank you. On the margin front, I understood that you said margins would not increase because of the current scenario. Could you give me some indication for FY27? Will there be some improvement in margins from Q1 onward, or will margins remain flat?

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Management: In Q1, our EBITDA margin was initially indicated at approximately 12-13%, but the actual Q1 EBITDA margin was 10.6%. We expect Q2 to be around that level as well.

However, Q3 and Q4 should have better margins because we will be executing the BESS order, and if we receive a wagon order, that will provide a boost to the overall margin profile. In the current scenario, Q3 and Q4 will be better because of the mix, as we are executing more private orders. Typically, the margin on private orders is better than the margin on Indian Railways orders.

Sahil Patani: What is the executable portion of the order book that we will complete in FY27? What possible constraints could affect the execution target?

Management: There are no particular constraints in terms of execution. We have deliberately decided to slow down execution slightly because we already have the factory setup in place. If we complete everything at once, we will not be able to keep the factories supplied with work.

Therefore, it is a strategic decision to proceed somewhat slowly with execution. The orders in our order book are primarily scheduled for execution in the current year. Unlike Indian Railways, private players generally place shorter orders, with an execution period of 3-6 months.

Sahil Patani: Private orders now make up 80% of our order book. What are their margins compared with Indian Railway orders, and what are the payment terms—advance payment, LC, or milestone-based payments?

Management: The EBITDA margin on private orders is generally between 12% and 12.5%. For Indian Railways, it is generally 11%, approximately 100 bps lower. That is the mix.

Regarding payment terms, private players generally provide advance payments and retain 5% until final execution.

Sahil Patani: Regarding the international business, what is our export revenue currently, and when will we achieve the 2,000 crores export ambition that we had outlined earlier?

Management: Our current export numbers are not significant. However, as we have emphasized, in the new wheel plant that we are setting up, our target is to allocate 50% of the capacity to the export market. That is where the recent tie-ups are relevant.

Apart from the confirmed long-term supply agreement with Tatravagonka for its wheelset requirements, we recently entered into an equity-based strategic partnership with {? Lucchini ?}, one of the leading wheelset manufacturers from Italy, so that we can jointly reach global customers.

To ensure that we obtain all the international approvals within a short period and have the designs and technical qualifications needed to meet global demand, we have partnered with {? Lucchini ?}.

Sahil Patani: I have a follow-up question regarding—

Sahil Patani: Regarding Titagarh, what is their committed offtake of 20,000-30,000 wheels a year? Is it a take-or-pay arrangement? What are the pricing formula, tenure, and currency?

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Management: I will probably not be able to share all those commercial details here. However, they have committed to meeting their entire requirement from our plant. Pricing is linked to market rates and will apply as and when applicable. We are yet to commission the plant, so once we are closer to commissioning, we can discuss the finer pricing details.

Sahil Patani: On the {? Lucchini ?} side, {? Lucchini ?} has global marketing rights for the Odisha output. Have you analyzed the manufacturing cost at {? Lucchini ?}'s own European plant compared with sourcing from us?

Management: Typically, we have seen a cost differential of approximately 5–10% between Europe and India. It will vary across different designs and depending on the volume, but broadly speaking, the difference will be somewhere between 5% and 10%.

Sahil Patani: In the domestic market, a new wheel entrant has approximately 2.28 lakh wheelsets of capacity. How is the competition in the overall wheelset market?

Management: I am sorry, I could not follow your last point.

Sahil Patani: A new domestic wheelset capacity of 2.28 lakh has been added by a new entrant.

Management: If I am not mistaken, you are referring to the plant being set up by Titagarh and RKFL.

Sahil Patani: Yes.

Management: Yes, so—

Sahil Patani: Please go ahead.

Management: What does this mean for Indian Railways' freight-wheel requirements, given that the management has said it will focus on passenger and captive use?

Regarding wheelsets, as we have mentioned, we are looking at the project as 50% for the domestic market and 50% for exports. Even within the 50% domestic market, a large portion will be the captive requirement of Jupiter Wagons itself, which will be met through our plant.

The rest will be supplied to the domestic market, which we already cater to today. This includes metro players and wheelsets for Vande Bharat, for which we already have orders and are supplying to Indian Railways.

Sahil Patani: Regarding the BESS business, how will we differentiate ourselves from players such as Tata Power, Amara Raja, Exide, or pure-play integrators? Is an in-house BMS or EMS really a moat? What share of our value chain is imported?

Management: Amara Raja and Tata Power are more focused on industrial-based supply. Our model is more focused on commercial use, such as replacing DG sets at factories. Initially, we deployed our BESS in that segment.

Now, with our entry into the utility segment, where we have received the order from the West Bengal Electricity Board, we are targeting that area as well. The 2 segments are different. Tata

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Power also supplies to grids and discoms. In the recent order, NTPC was another competitor that received the order from the West Bengal Electricity Board.

Management: I will add to that. As you said, we are not currently entering cell manufacturing. We will import the cells. Our focus is on developing in-house BMS and design capabilities.

Sahil Patani: A question has been asked about our FY30 vision for revenue, margins, ROCE, and the non-wagon share of revenue.

Management: As we have mentioned, our vision is to keep wagon revenue at 50%, with all non-wagon revenue comprising the other 50% of the basket. The blended EBITDA margin we are targeting is approximately 15-16%.

Sahil Patani: Once the Odisha plant is operational in 2028, what volumes and revenue are we targeting?

Management: As I said earlier, there are 2 lines at the Odisha plant. One line will be operational by 2027 and the other by 2028. We will not see much volume in FY28 apart from some axle sales. That particular year will also require some time for certification.

FY28-FY29 will be the year in which we will have a full operational year and can see a strong top line.

Sahil Patani: Apart from the Indian Railway order, are there any other large private-sector wagon orders in the pipeline or anything else that we are targeting?

Management: Are you referring to wagons or the other segments?

Sahil Patani: Wagons.

Management: We have approximately 3,500 crores of wagon orders in the order book. Of this, 80% is from private players and approximately 20% is from Indian Railways.

Sahil Patani: What other Indian Railways opportunities are in the pipeline—special-purpose wagons, automobile carriers, container flats, or Kavach-compliant stock?

Management: We have already developed auto-carrier wagons and recently supplied them to Maruti. Following that success, we are receiving repeat orders from them. We manufacture these specialized wagons, and with the new design policy being introduced, we have a good opportunity to design our own wagons. We have an in-house team capable of developing those designs and securing orders.

Management: Although the share of specialized wagons will ultimately increase, in the near future the volume will still be driven by base wagons.

Sahil Patani: What was the selection criterion for {? Lucchini ?}? What moat are we bringing to the table? Why did they select and invest in our company, and what are we bringing to the table for them?

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Management: In simple terms, they have been in this business for hundreds of years. They have all the certifications, designs, and approvals for freight trains, passenger trains, and high-speed trains. They bring technical know-how, designs, and certifications.

In India, we provide a low-cost manufacturing base. That is why we describe it as a win-win situation. To access the global market, we need their certifications and technical know-how, while they need a low-cost manufacturing base to compete in the global market.

Sahil Patani: What has been the response to the GEM commercial EV business? How many dealers and service centers do we have, and how many vehicles have we sold to date?

Management: We have already opened or tied up with 8 dealers in India. Currently, our focus is on catering to the northern part of the country. We have also recently tied up with the Delhi government to supply light commercial vehicles to them. That is our current focus.

Since this product is more of a B2C offering, establishing it takes time, particularly in terms of product credentials and after-sales service. Our in-house team currently provides after-sales service. There are no service centers as of now, but as soon as volumes increase, we will establish such centers.

Management: To add to that, we have currently launched only 1 model and are in the process of launching a couple of other models. Once we have a small product portfolio, we will probably increase our marketing efforts.

Sahil Patani: What margins are we seeing in the wagon wheelset market, and what margins are we seeing in the EV business?

Management: In wheelsets, if we look at the current operations, the EBITDA margin is approximately 14-15%. Once the fully integrated facilities are available and commissioned, the EBITDA margin is expected to be around 20-21%.

Sahil Patani: And regarding the BSS—

Management: Sorry?

Sahil Patani: Regarding the BESS business, if we reach a higher revenue level with a good order book, what EBITDA margins are we aspiring to achieve?

Management: For the BESS product, we are expecting an EBITDA margin of approximately 14-15%.

Sahil Patani: What is the next round of CAPEX that we could see after the Odisha plant?

Management: As of today, the major CAPEX is only for the Odisha plant, so we are not anticipating any major CAPEX at present.

Having said that, we have made our vision clear that we want to enter the passenger segment. We are actively evaluating a couple of proposals, either to partner with the right technology partner from overseas or with other players. Once we finalize that, we may consider a project of that nature. Other than that, the wheelset business is the only major CAPEX we are currently considering.

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Sahil Patani: Where do you want to be in the wagon business? Do you want to enter wagon leasing, or do you want to remain only a manufacturer?

Management: As of now, we have not entered wagon leasing. One reason is that the largest wagon lessor is GATX. We have a partnership arrangement with GATX under which we are their preferred supplier. We use our partnership and arrangement with GATX as our access to the leasing market.

Management: GATX is one of the leading players worldwide in the leasing business. We already have a tie-up with GATX, so we do not want to enter the leasing business separately. That channel is already established for us.

Sahil Patani: Do you have any plans to monetize DAKO-CZ or Stone India?

Management: DAKO is involved in brake-system manufacturing and is a tie-up with a major player from the Czech Republic. There is no target to monetize it. We are still focusing on increasing volumes in the DAKO joint venture.

As I mentioned earlier, Stone India has recently started commercial production. We have received RDSO approval, with one product already certified for commercial production and the other products undergoing trial runs. We will focus on increasing volumes in both companies.

Sahil Patani: Where is the management's bandwidth and focus when we cater to 7 or more verticals—wagons, wheels, brakes, passenger systems, BESS, EVs, and containers? Where exactly is the management focused?

Management: Our focus was to diversify. Earlier, most of our revenue came from wagon manufacturing. To avoid dependence on wagon manufacturing, we started diversifying over the last 3-4 years.

That is why we are in different segments, and each segment is contributing significantly to the overall value chain. If you ask about our focus, the first focus will be to remain in the wagon business and be one of the key wagon manufacturers in the country.

The second focus will be wheelset manufacturing. We have made a significant investment to obtain a good market share and explore the export market.

The third focus will be the battery energy storage system business, where we expect substantial volume in the future and good margins. These are the 3 areas on which we will focus. Apart from that, the other businesses will also contribute.

Management: To add further to that and address your question about management bandwidth, while you will appreciate that our diversification into components and railway engineering products covers multiple areas, it remains within the same core area of railway engineering products.

The only exceptions are BESS and commercial vehicles, which are being run by professionals in their respective sectors.

Sahil Patani: What is the thought process regarding GEM?

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Sahil Patani: I have read that we will remain EBITDA-negative until FY28. What loss numbers are we expecting for FY27 and FY28?

Management: Jupiter Electric Mobility involved the initial investment. Last year, its EBITDA loss was around 16 crores. In Q1 of this year, it was also approximately 3-4 crores EBITDA-negative.

With the order we recently received and its execution, those negative numbers will decline, and most likely we will reach break-even in the current financial year. We had initially indicated a small negative number for the current financial year, but we should be close to break-even.

From next year onward, with the execution of these orders, this company should generate an EBITDA margin of 12-13% per year.

Sahil Patani: There are a few other questions. What inflow do we require? We have seen the order book decline continuously. When do you expect the order book to pick up? If the railway order has been delayed and Q3 moves to Q4, when do you expect the order book to start picking up?

Management: Apart from Indian Railways, the other orders are relatively stable. Whatever we are executing, we are able to rebook through new orders. The major increase will come from the Indian Railways order because that will be a large component. As we mentioned earlier in the call, we expect it toward the end of Q3 or the beginning of Q4.

Sahil Patani: How much cell-price volatility have you observed in general, particularly in relation to pass-through, especially regarding Chinese cell prices?

Management: In which segment or product? JEM?

Sahil Patani: JEM.

Management: In JEM, the Chinese battery cells are imported into India, and the entire engineering work is carried out in India. In BESS, I do not think there is currently any BESS supplier from China. The batteries come from China or Korea. We also import batteries from those countries, but the key element is the engineering work, which requires skill and execution. Therefore, there is no direct competition with them in BESS as such.

Sahil Patani: What is the total CAPEX plan across Odisha, BESS, wheels, and brakes? What is the funding mix, and will there be further equity dilution at current prices?

Management: As we mentioned, for the projects discussed during the call, we are not looking at any equity fundraise because we have already tied up all the requirements.

The largest CAPEX is for the Odisha project, where the CAPEX amount is 2,500 crores. It is being funded with 35% equity, which is close to 900 crores, and 65% debt. Both have been fully tied up, so we do not see any immediate requirement for a further fundraise.

Sahil Patani: Thank you very much. As time permits, that was the last question. There is someone who has raised their hand, so I will take that question as well. Just a second. Uddhav, you can ask your question, please.

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Uddhav: Thank you. I had 2 clarifications. First, this 3,000 crores of revenue that we booked—what all is consolidated in that? Is it only the wagon business, or are wheelsets and the other businesses also included? I understand that some of them are joint ventures. At a high level, is the 3,000 crores primarily from wagons?

Management: The 3,000 crores is predominantly from wagons. Currently, the other major component is wheelset manufacturing at our Aurangabad facility, which contributes close to 500 crores. Some other businesses also contribute smaller amounts. Therefore, it is predominantly the wagon business.

Uddhav: Understood. Does the wheelset business come under a joint venture? Is it consolidated?

Management: No. The wheelset business is in a subsidiary. The joint venture's turnover is not consolidated; we only recognize our share of the profit from the joint venture.

Uddhav: Exactly. I have one last question. When we last spoke a few years ago, the government had a target of 6 lakh wagons, or approximately 50,000 wagons per year, for Indian Railways. How has that progressed over the last couple of years? How has the offtake been generally, and what is the outlook?

Management: If you look at overall wagon procurement across the industry, the annual requirement is approximately 40,000 wagons. Of this, roughly 30,000 are procured by Indian Railways and 10,000 by private players.

Uddhav: Understood. Has it remained at that level? Has the government procured approximately 30,000 every year?

Management: It was 25,000 wagons in one period, and the previous number was 30,000–35,000 wagons. Procurement has been approximately 30,000 wagons over the last 2–3 years.

Uddhav: Annually? Every year, approximately 30,000?

Management: Yes, approximately 30,000 every year.

Uddhav: That is all. Thank you very much.

Sahil Patani: I have received 1 or 2 questions on the chat window. What is the promoter pledge regarding Tatravagonka, and are there any related-party dealings with this particular business?

Management: I am sorry, I did not understand the question.

Sahil Patani: Is there any promoter pledge?

Management: There is no promoter pledge and no pledge of promoter shares.

Sahil Patani: What would make you exit or scale down a vertical such as JEM? What are your internal targets for 2 or 3 years, or for each year? If you do not achieve those targets, would you exit the business? What are the explicit criteria for exiting JEM?

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Management: As we mentioned, JEM has 2 parts: electric vehicles and the battery business. As stated earlier, we are deliberately proceeding somewhat slowly in electric vehicles as we add new products.

On the battery side, we are already seeing good demand and have built an order book of 500 crores. By the end of this financial year, we want to increase the order book to 1,000 crores. Therefore, at present, we do not see any requirement to scale down the business.

Sahil Patani: How are prototype approvals progressing in the current quarter?

Management: I do not think there is any specific requirement for prototype approvals. If you are referring to wagons, we already have wagon designs approved by RDSO. We have the designs and the in-house capabilities. As soon as an opportunity arises, we develop the wagon and obtain approval.

It is not the case that we continuously design wagons and obtain approvals. As we mentioned, if you are referring to the recent new wagon design policy, it is very recent and has yet to affect the groundwork immediately.

Sahil Patani: Thank you very much. Could you give us a closing comment?

Management: Our fundamentals remain intact in terms of the businesses we currently operate. As one of the key players in this segment, we are not overly aggressive in pursuing every business. We are very practical in operating our main wagon manufacturing business.

Our key focus is our major investment in the wheelset business. That is why we have entered into partnerships with {? Lucchini ?} and Tatravagonka for long-term supply.

BESS also has very good potential in terms of business and profitability, and we expect to achieve good volumes there. These are the 3 areas on which we are focusing.

Apart from that, the passenger segment is the missing part of our overall basket. Entering that business is our next focus. We are at a very advanced stage, and very shortly you will hear news about our entry into the passenger segment. That is all.

Sahil Patani: Thank you very much, Mr. Vinod, and thank you, Mr. Shetty and Mr. Mayank, for being on the call and arranging it. Thank you very much.

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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