Management Discussion

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
You. Thank you very much, and, uh, season's greetings to everybody joining this call. Uh, once again, a pleasure interacting, uh, after our quarterly earnings. Uh, as we have, uh, uploaded in the presentation today, this quarter has been, uh, pretty much on expected, uh, or targeted lines. Uh, few highlights that I would like to once again reiterate. The most important of that being, uh, the number of metro cards invoiced during the quarter, which has gone up to 51, which means that we have been able to hit the run rate of 200 cards that was targeted for the year.

Uh, the Q1 was at 30, uh, cards, which has increased to 51. We would endeavor to touch the Or get close to the 200-car mark that we have, uh, forecasted for the year in terms of the metro. Uh, apart from that, uh, the uncertainty, or the short-term uncertainty that was prevailing for the wagon demand, uh, has been to a large extent addressed by way of this receipt of the option quantity of orders from the Indian Railways. Which gives a certain amount of visibility for the immediate future. The order book, overall order book of the company including its share of the joint ventures, has gone up to about Rs 28,600-28,700 crores.

Uh, the other highlights, of course, as has been mentioned in the presentation, uh, is that this has been the highest quarterly revenue for the PRS, which now constitutes to about 30% plus of the overall revenue of the company. And in terms of the order book, the standalone order book, the passenger rail system is almost, uh, 70% of the order book. So the, the growth towards, uh, or the shift towards the passenger business is going to continue while stabilizing and growing the freight business. As has been mentioned in the presentation, we will be targeting to get back to a 1,000-wagon mark by Q4 of, uh, of this financial year itself.

So, uh, some of the other highlights, uh, are the joint venture agreement which was, uh, on the cards as a part of the Vande Bharat contract has been finally signed with BHEL. And in terms of the Vande Bharat prototype train, it is- the production is going on in full swing, and we are expecting the first train to be ready for testing by Q4 of the current financial year. With these few highlights, I would be very happy to answer any questions that might be there, and thank you for your patience here.

Operator
Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from the line of. Kondanya Nimagadda from Refreeze, please go ahead.

Questions & Answers

Koundinya Nimmagadda - Analyst, Jefferies
Yeah, hi sir, thanks for the opportunity. I hope I'm audible. Congrats on good quarter. Thank you.

Operator
Kondanya, please go ahead with your question. Your line is unmuted.

Rahul Dasani - Analyst, MAPL
Hello? Yeah, hi, I'm audible. Hello?

Operator
Kondanya, please go ahead with your question. Your line is unmuted.

Rahul Dasani - Analyst, MAPL
Yeah,

Operator
As there is no response, we'll move to the next question, which is from the line of Raghav Angra from Money Stories Asset Management. Please go ahead.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Yeah, hi. So my question would be, uh, regarding the project timelines. So, uh, I want to know,

Akash Agarwal - Analyst, Individual Investor
Uh, how the Metro Coaches and the Vande Bharat project has been moving. Are there any delays or

Vasudev - Analyst, Nuvama Group
Anything On that regard,

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
As we have already mentioned on the Vande Bharat, these are the, uh, adjusted timelines based on the delays that had happened on account of various factors, which is the 16 coach to 24 coach. There have been some change in specifications, etc. But by and large, uh, the projects that we are executing are on time. Okay. And, uh, you know, any of these projects, they are- there are certain, uh, pluses and minuses on account of both sides. But in most of the cases, these are acknowledged by the customer and the delivery periods are rescheduled, uh, with no penalties implied on us.

So we are expecting that even for the Vande Bharat, uh, the same would be the situation, and so is, is for the metros. Okay, thank you. That, that's all from my side.

Operator
Thank you. Next question is from the line of Bala Subramanian from Arian Capital. Please go ahead.

Balasubramanian A - Analyst, Arihant Capital
Good evening, sir. Thank you so much for the opportunity. And, uh, sir, actually, uh, I have seen in the PPT, uh, we have given a vision and a roadmap Especially want to understand about Vande Bharat coaches. If you look at in metro coaches, in FY25 we did 12, then FY26 63. In H1, uh, FY27 we did nearly 81, and we are targeting 200. Making another 100 to 120 coaches, uh, may not be that challenging. But if you look at in Vande Bharat coaches, The prototype will be ready by Q4, and how much time it will take for testing and approval, uh, by that authorities, or, uh, uh, and you are given 192 coaches by FY28.

But if you look at in metro coaches, we have started small, then we ramp up gradually. So what confidence, uh, you have to achieve this 192 number by FY28? And if you could differentiate between Metro Coaches and Vande Bharat in terms of execution, raw material sourcing, and the difference in multiple aspects. These are my first questions.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sure, that was your first question. You can actually complete your questions and I can answer them together.

Balasubramanian A - Analyst, Arihant Capital
Yes, sir. Uh, sir, my second question, uh, and, uh, we have an MOU with Siemens for exploring international metro rolling stock. So this, uh, MOU, especially for global supply chain side, whether it's a low-cost manufacturing hub for Siemens or as a co-developer So these are the second. And my third one is, uh, propulsion strategy side. I think, uh, we are on the prototype side in, in this year, uh, by next year FY28 limited series and full production by FY30. So currently, uh, BHEL supplies propulsion for Vande Bharat.

And what is the CAPEX requirement for in-house propulsion manufacturing? And how does this, how does this impact, uh, bill of material and margin profile of passenger rail segment? These are my 3 questions,

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sir. Thank you very much. Uh, let me answer them one by one. The first one was, uh, on Vande Bharat and how we are confident of ramping up faster than what we have done for the metro. I think we have to see the whole thing in a little bit of a contextual manner of the passenger rail system business. The plant, which is the passenger railway system business, started in 2021-22. The first train, if my memory serves me right, for Pune Metro was rolled out in January '22. Uh, so this was a brownfield plant which was acquired from, uh, erstwhile Hyderabad Industries and was completely, uh, reshaped to be made into the passenger rail system business.

So we have been continuing with the CapEx, with the setting up of the plant and then ramping up of the production. And also the first time the stainless steel production or coach production that we started was in 2025. So it is basically a new business which required time for ramping up. Now The way the production facility is set up is that we have a completely separate line for the metro production and we have a completely separate line for the Vande Bharat production, or the mainline production as we call it.

The 3 segments we are divided in the PRS is the metro segment, the mainline and high-speed segment, and the propulsion and component segment. Each of the segment- business segment is headed by an executive director. So the, uh, mainline segment under which the Vande Bharat comes is a separate facility altogether from the metro. The facility has already been set up and it is capable of achieving the targeted production, uh, once the first prototype is tested. Now, your question in this was how much time does it normally take?

There is a schedule mentioned in the contract which is that the first prototype has to be delivered and put into test And thereafter, within 2 months or 3 months, somewhere, somewhere around that, the second train has to be given. And then there will be a test period of around 3 months, after which the series production clearance should be accorded. So we are expecting, uh, that, uh, based on this schedule, is the numbers that we have projected for FY28 is considering this schedule which is there in the contract, which will be adhered to.

Uh, this is, I, I believe, answers your questions on the, uh, first question. The second question- yeah, go ahead.

Balasubramanian A - Analyst, Arihant Capital
Sir, actually, uh, you answered, but, uh, if you could- you have not mentioned about, uh, difference between Metro Coaches and Vande Bharat in terms of execution, raw material sourcing. And for example, how much time it takes, uh, to create one metro coaches versus a Vande Bharat? That aspect, you want to- That will

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Become extremely, extremely technical. And, uh, I think that, you know, manufacturing process is something that we will not be able to accomplish explaining within this call. But I can just say basically that, uh, both have similar concepts of construction. Both are stainless steel right now. Except for the Pura Metro, which is aluminium. But we are producing them in completely separate production lines. And, uh, we will be having- I mean, we are always, uh, we welcome, uh, analysts, uh, to our plant to have a look at the production process.

So we, you know, uh, through the proper channels, we'd be very happy to invite analysts to come and have a look at the production facility and to see Thank you. The second question was on Siemens. The idea of this MOU, which is a non-binding MOU of course, but the idea is to use the cost-effective production facility, high-quality and cost-effective production facility that we have developed in India, and also the engineering capability that we have developed in India. There is a global market available.

Siemens also takes up turnkey projects. Uh, where they execute end-to-end the complete project, including infrastructure, signaling, and rolling stock. So on a case-by-case basis, we would like to be the partner or the supplier, as the case may be, for the rolling stock. That could be mostly with our own design, can sometimes also be by the designs provided by them. But the idea is to be cost-effective so that they can also become globally competitive and we can get access through the Siemens, uh, outreach to the global market.

This is non-exclusive, so it is not necessary that they will only go with us or we will only go with them. But on a specific project-by-project basis, we will pre-agree to go together, and there we would then, uh, by definition be exclusive with each other. On the third question, which is, uh, on the propulsion side, uh, we have already given the, the roadmap. Uh, you are absolutely right that the Vande Bharat propulsion- the Vande Bharat contract has been won in consortium with BHEL. So this current contract which we have for 1,280 coaches or cars Plus, if there is an option for that, the propulsion will come from from BHEL.

But thereafter, once we are eligible to use our own propulsion based on the ramp up as has been given in our roadmap, we have always mentioned that we would like to backward integrate and and use our own propulsion. This will be extremely relevant for uh, both having complete control over the, uh, on the passenger coach that we produce and also in improving our EBITDA margins, because propulsion is generally a higher margin business, and that will be able to make us more competitive or give us a better margin profile in the overall metro and the mainline business that we are doing.

Apart from catering to the Indian Railway demand, which, uh, in any case is there as a, uh, business opportunity for this business unit.

Balasubramanian A - Analyst, Arihant Capital
Hi, yes, sir. So actually you missed a CAPEX requirement for in-house propulsion manufacturing.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
So yeah, so CAPEX we have already provided for. We have already invested most of the CAPEX. Uh, whatever last we had announced on, uh, for the CAPEX, uh, plan, we are very well within the same number as of now. We do not need to enhance the CAPEX spend for this current propulsion projects.

Balasubramanian A - Analyst, Arihant Capital
Got it, sir. Thank you so much for detailed answers. All the best.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank you so much.

Operator
Thank you. Next question is from the line of Rahul Dasani from MAPL. Please go ahead.

Rahul Dasani - Analyst, MAPL
Yeah, hi, I'm audible?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Yes, you are, sir.

Rahul Dasani - Analyst, MAPL
Yeah, good afternoon and thanks for this opportunity. I wanted to gain some more understanding on the metro segment. Uh, if you can share the update on the Line 5 and Line 6 of the Mumbai Metro order, I believe that was a large business for us, and from my understanding, that has been delayed. So if you can share why has this project been delayed from our side and what's the current update on its progress and construction?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
So both Line 5 and Line 6, uh, we are expecting the prototype train to be- for the Line 6 to be ready in the Q1 of- sorry, Q4 of the current financial year or Q1 of the calendar year 2027. And this will be followed immediately with the prototype train of Line 5. Line 5, the other part of the work, systems work, has already started getting commissioned by us, uh, with telecom and signaling. As far as the delay is concerned, these are all engineered projects, and as, uh, you're aware, the designs have to be frozen with the customer.

Plus, there have been certain challenges on supply chain, uh, because of the Gulf War. On account of which the Government of India themselves have allowed rescheduling of, uh, products or delivery period of products which require components like electronic chips, etc., etc. So we do not believe that we will be impacted beyond the period that the Government of India circular permits us. And, uh, we will be on track to deliver the prototype train for Line 6 in Q4 of this financial year and immediately follow it up with the prototype train of Line 5.

Rahul Dasani - Analyst, MAPL
Understood, that's fair enough. Once you give the prototype-

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
And if I may also add here is that the production of the car body has already begun.

Rahul Dasani - Analyst, MAPL
Got it. And once you give the prototype for Line 6, like you said, in Q4, and line fire maybe next year quarter 1. Uh, post that, how much time for the prototype to get approved and you going in full production? And the second part of the question-

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sorry, these do not have to go for trials. These do not have extensive trial like the Vande Bharat

does. They are online tried out and then the series production starts immediately thereafter.

Rahul Dasani - Analyst, MAPL
Got it. And how many coaches do you plan for both of these lines in FY28?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
We do not give project-by-project forecast, but if you see the forecast that we have given in our investor presentation, you get the total number of cars. In FY28, we are projecting that we will get to around 275 cars, which will include Mumbai and other projects. For competitive and other reasons, we do not give project-by-project.

Rahul Dasani - Analyst, MAPL
Fair enough. And what is the execution timeline of, of this project? The last date by when you have to deliver for both of these lines?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
There are different, uh, different execution timelines. Line 5 is quite different from Line 6. Line, uh, 5 is in 2 parts, so I do not have the data, uh, exactly. And again, these are, uh, more, uh, kind of confidential from competitive, uh, competitive, uh,

Rahul Dasani - Analyst, MAPL
Got it. And just one last question from my side. It seems that there are new tenders in Bhubaneswar, Pune, Delhi, Chennai, Nagpur, Ahmedabad, Surat, and plus a few more cities- Phase 2 in Chennai, uh, some more in Patna. So if you can share maybe some more as to at what stage are these tenders at, when do we expect their closure and orders, because it seems like a very large opportunity is unlocking for us. Uh, if you

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Go to the website of MAHUA, you'll be able to see all the timelines of the different projects. You know, these are infrastructure projects, can always be a couple of quarters, 3 quarters here or there, but the pipeline is what needs to be studied. And in the MAHUA website, all the sanctioned and under-sanctioned projects are mentioned. So we believe that this is a segment that is, uh, extremely strong. And having entered into this segment and being the only private sector company, Indian private sector company in this segment, which has already established itself, we feel that there is a, a good road ahead for us.

Rahul Dasani - Analyst, MAPL
Understood. And from my understanding, these metro lines, these states that I have mentioned, the total coaches are approximately 450-500. Uh, you would also be aware of that? Uh, how- from that, how much do you think that we aim to win or we can win?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
I would not like to answer that question, sir, because it will be speculative. I would like to stay with the numbers that we have projected. We believe that the demand that exists is sufficient to cater to our business plan that we have given, and in terms of the outlook, uh, in our presentation. So we believe that, uh, the sufficiency of the target addressable market exists in, in order to get there.

Rahul Dasani - Analyst, MAPL
Got it. Yeah, so that will be all from my side. Thank you very much and all the best.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank

Rahul Dasani - Analyst, MAPL
You.

Operator
Thank you. Next question is from the line of Vasudev from Nuwama. Please go ahead.

Vasudev - Analyst, Nuvama Group
Thank you for the opportunity, sir, and congratulations on a great quarter. Um, so sir, as you just explained about Mumbai Line 5 and Line 6, you know, similar lines, can you also give the current status of the Gujarat, Pune, and the Bangalore Metro?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sure. So Bangalore Metro, we have delivered a number of trains. You saw some of the trains being inaugurated recently also. Uh, that's going on regularly, and we have already delivered a couple of trains each for Surat and Ahmedabad, and the production for the balance is also going on.

Vasudev - Analyst, Nuvama Group
So when can we expect to complete the Bangalore and Gujarat metros? And Pune, we had to, uh, first, if I'm not wrong, we have to set up the aluminium capacity and then start. So what's the status there?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
So that's, uh, once again, you know, we would not like to mention project by project, but overall we are, uh, confident of being able to achieve close to the numbers that have been projected in the business, the outlook roadmap and the vision roadmap. Bangalore is something that is likely to get over this year, which I had already announced. And then a mixture of Bangalore, Mumbai, and other projects that we have will be, uh, you know, the production facility or the production capability capacity is fungible between different projects.

So that is the reason we would not like to bifurcate Uh, from project to project, but would like to concentrate on the overall number because that is also a function of the customer demand, material availability, design maturity, and so on. And we keep on changing the prioritization between customer or project to project based on the different factors. The overall capacity and the overall production remaining, what we have, uh, we have envisioned in our roadmap. Uh, as, uh, regard the Pune is concerned, that's a very relevant question that you asked.

Uh, the option quantity that we have got for Pune is for 12 trains, uh, for aluminium. We have already started setting up the facility. Earlier we used to import the flat packs, the sub-assemblies from Italy. From our associate in Parema. But now we have already acquired most of the equipments, uh, to produce those flat packs in India. The new production area of the production bay for the aluminum is under construction. We are expecting that we will start the production of the first aluminum coach completely made in India, uh, in Q2 Q1 of FY28, by June or July, Q1, Q2 of FY28.

And we are expecting to deliver, as per the contract, uh, the first train to Pune in Q3 or Q4 of FY28. What it will also do is that it will give us the complete indigenized aluminum coach manufacturing capability in, uh, within India. We believe that aluminum coaches is going to be the future of, uh, coach building in, uh, in the country, or coach requirement in the country. There was a tender for

aluminum, which could not get finalized because of inadequate competition at that time. But we believe that with capacities like ours coming up, such requirements should come back.

And also the high speed ultimately is going to be our target, and that is something which we would definitely be targeting in the mid to long term, and that has to be on an aluminium basis.

Vasudev - Analyst, Nuvama Group
So that was helpful, and that was going to be my next question, that, you know, when can we expect a new Vande Bharat tender now that, you know, the first tender we are almost You know, coming near to starting its delivery.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Yeah, it's- we are starting the delivery now. The delivery is going to continue for another 4 or 5 years. So if you see the capacity that we have given in our roadmap is pretty booked. So, you know, these are long-term awards that have been done, and we do not expect, uh, and, and to an extent, not, uh, you know, it doesn't kind of, uh, require for us to have tenders on a year-to-year basis because we- the total order we have is for 1,280 cars, plus there is a 30% option that, uh, exists in the, in the contract itself.

Vasudev - Analyst, Nuvama Group
Okay, got it, sir. And just lastly, one bookkeeping question: how many traction motors have we supplied in Q2?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
We do not- I do not see the numbers. Maybe I will park this question and, uh, I will- I'm requesting my CFO to see if we can publish this number or not. But it's not been very large because, uh, there has been- we executed our, uh, our orders for the traction motor. Now we are waiting for new traction motor orders to come our way.

Vasudev - Analyst, Nuvama Group
Okay. That's it from my side. Thank you and all the best.

Operator
Thank you. Next question is from the line of Kondia Nimagadda from Jefferies. Please go ahead.

Koundinya Nimmagadda - Analyst, Jefferies
Yeah, hi sir, thanks for the opportunity. I hope I am audible this time. Congrats on good set of numbers, great quarter. Uh, sir, my question is on 3 parts, if I may ask. So the first question is on order flows. I don't know, obviously you received the option quantity for wagons, so at least for 3 quarters there is visibility in Now, so I'm just- what I'm trying to understand is, I don't know, both on the passenger side with respect to metro and on the wagon side, how does the pipeline look like?

It was briefly touched based upon one of the previous participants' questions. If you can quantify, because the existing order book, if you look at it, will be exhausted by FY28 end. But given the long lead time for execution- executing passenger coaches, you may need new orders anytime soon. So just trying to understand it from that perspective. My second question is on the supply chain aspect, right? Obviously, along with commodities, there is also news flow with respect to electronic component shortages, etc.

So how is the company navigating those aspects? What's the strategies in place to address those

things? Lastly, I see in your strategy plan you're targeting the high-speed rail part by FY30. So just trying to understand, you know, How are you planning to, you know, navigate that? I mean, obviously one is- one aspect is the coaches, the other aspect is the tech part with respect to propulsion, etc. Just trying to understand your strategy on that front, please. Thank you.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sure, yeah. So let me, uh, let me answer all the questions one by one. So first one is on the order book and on the demand side. So let me divide this into 2 parts, on the wagon and on the metro coaches. Vande Bharat or mainline, we have a Uh, order book, which is, uh, for a longer period of time. As far as the wagon is concerned, uh, I have always maintained that we do not- we should mention, look at the, the macro picture of the wagon demand. Right now we have a, a clear visibility for 3-4 quarters of this year, or maybe the next year as well, but On the bigger picture, the plan of the railways to achieve 3 billion tons or to get to 40% market share, uh, is unchanged.

And that- or the plan of the government to reduce the logistics costs to a single-digit number as a percentage of GDP is unchanged. So the overall demand of the wagon on the, uh, on the whole is going to remain constant. And this can be deferred by a couple of quarters here or a couple of quarters there. We were not expecting the railway traffic to go up in the way that it has gone up in the last 2, uh, 2-3 months. And therefore, the option quantity, uh, that the railways have placed where the, uh, in order to cater to this sudden growth in demand has been, uh, is a signal that wagon demand can kind of get pent up for a while, but then it cannot get extinguished.

It will come back sooner or later. As far as Metro Coaches is concerned, as I just answered, uh, to one of the earlier, uh, questions, there are a number of tenders that are in the pipeline, uh, plus there are always opportunities of getting option contracts like, uh, from the existing contracts that we have. When there is a line extension. So yes, uh, the, uh, based on the current order book that we have and the basic- based on the current plans we have, by FY28 end we should be able to execute the current contracts.

But then, uh, we have also created platforms by way of the existing contracts that we are doing. So the future contracts that will be coming up, the gestation period to start that should be shorter. So we have that plan in place that we should not have a period of, uh, a long period of dip, uh, for, uh, starting the production after completing the, uh, old projects. The high-speed, uh, opportunity that you mentioned, that is an opportunity, that is a vision, I would say. Uh, if, if we had to kind of articulate a strategy to that, probably it's a strategy that I will not be able to articulate at this point of time.

All I can say is that we have the building blocks together. The first building block that is there is the demand. The Government of India has very clearly said, uh, and, and chalked out the 7 corridors of the high-speed network. That will be built in this country. It would be a very large opportunity. High-speed trains worldwide- 100% of the high-speed trains worldwide are made on aluminum coaches. So as far as we are concerned, we are building our capability. So on one side, the demand would exist.

On the other side, our capability buildup is happening, and therefore the two will have to get converged at some point or the other. For the propulsion, we will follow some strategy, maybe the same strategy that we have followed in the past, that we will go with some propulsion partner. Like in the past, we have gone with ABB, or we have gone with Melco, or we have gone with Siemens, and then subsequently over a period of time try to develop our own propulsion. But on the high

speed, uh, as we have also mentioned in, uh, in the presentation, it is the next big opportunity.

Uh, we know we will get there, we know we have to get there. How we will get there is something that will evolve as we go along.

Koundinya Nimmagadda - Analyst, Jefferies
Sure, sir. So if you can also briefly touch base on the supply chain aspect, how are you navigating that?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
So that is something which is an ongoing, uh, which is an ongoing challenge, and we keep on, uh, crossing the bridges as we come to them. Uh, you know, we have seen that earlier the problems were on wheels, sometimes it was on castings, uh, sometimes it is on, you know, gases in the- when the Gulf War began, uh, sometimes it's on electronic cards. So these are challenges that keep on coming up and throwing themselves up, and, you know, there is no one, uh, one solution that can be applied to different, uh, challenges.

But we are by and large, uh, being able to overcome those, uh, those challenges. And all I can say is that as of this moment, we do not see any, uh, challenge which is unsurmountable. It can- some of them, you know, as was being asked by one of the earlier participants, there can be some delays of one quarter or Even in the last year, when we said we would be delivering 100 cars, we were able to deliver only 63. So there can be changes. This is an engineering product. It has to be fully designed, engineered, and then produced.

So there can be delays from one quarter to the other, but as long as the direction and the framework is, uh, is, uh, on the right path or the right track, we don't get too much perturbed about it.

Koundinya Nimmagadda - Analyst, Jefferies
Sure, sir. If I may ask, I mean, for new metro project, what is- what would be the execution timeline from order of- from what is the gestation period from order of execution? And also, if you can help us understand, are the wheel side challenges for wagons behind us?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Yes, as of now, the wheel side challenges are behind us. And as I had mentioned, uh, earlier, I think in one of my calls or interviews, that this is, uh, the real problem is like a quota that keeps on coming back every couple of years, uh, that the problem resurfaces. But hopefully and definitely by the time the next round of this criticality comes in, our own capacity will be on full swing, uh, in the joint venture between us and Ramakrishna Forgings. So we should not have this problem coming back to haunt us in the future.

Uh, the, uh, what was the other question on the adaptation? Just in case we have a new project. So depending on the, uh, on the technical specification, for example, we have seen projects which have, uh, delivery to start in 12 months also, but they are mostly carryover projects. So, you know, theoretically it's a, it's a high carryover project we can start delivery in 12 months also.

Koundinya Nimmagadda - Analyst, Jefferies
Understood, sir. Thank you very much and all the best.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank you very much.

Operator
Thank you. Next question is from the line of Akash Agrawal, an individual investor. Please go ahead.

Akash Agarwal - Analyst, Individual Investor
Hi, sir. Thank you for opportunity. So I have like few questions. So one is, this Vande Bharat prototype is getting delayed. So will it impact our margin due to cost inflation is my first question. Second, if you can just throw some light, when we say Q4, it is early part of Q4 for a prototype or probably, you know, end part of the Q4 for Vande Bharat? And the next question on the wagon side, sir. So we basically took conscious decision last quarter, you know, that to reduce the wagon production due to the absence of or delay of the Indian Railways order.

Now as we have order in place, so Are we planning to increase the production capacity here to deliver this new order? As well as with Siemens, I mean, if I heard rightly, is it a wagon agreement we will have with them? Because in past we discussed it is not feasible to export wagons due to the cost of transportation and so on and so forth. So these 3 questions, sir. Thank you.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank you. Uh, so to answer all your questions one by one, the Vande Bharat Uh, will not impact the, the delay, impacts the, the cash flow and maybe the overheads. But as far as the direct cost is concerned, these are primarily contracts with price variation. So to that extent, the cost is nullified or neutralized, and the deliveries have been delayed not on account of failures of ours alone. They are also, uh, there are a number of approvals, design freeze, etc., that have to happen by the railways.

So as a result of which, the contracts are rescheduled by the railways in, uh, in consideration of all the aspects that are involved. So the short answer to your question for Vande Bharat is that it is not going to impact the margin. And in infrastructure projects, long-term projects of this nature, in any case, 1 or 2 quarters do not impact margins, uh, on the overall project itself. Uh, as far as the delivery is concerned of the first prototype, it is- I mean, normally we do not differentiate between end and the beginning of the quarter, but I have, uh, I can mention that it is going to be towards the later part of the quarter.

Uh, we are currently under production of the prototype train. The bulk of the car bodies have already been done. The furnishing of the trains is ongoing in full swing. Uh, as far as the MOU with Siemens is concerned, it is for metro coaches, it is not for wagons. We had mentioned that in our press release also, and if you, uh, I think in the presentation also it is mentioned, but, uh, but maybe if it's not, we will clarify this. Thank you for pointing it out. And we have already mentioned in our presentation that we have planned to ramp up to 1,000 wagon mark again by Q4 of the current financial year on account of the wagon visibility that we have.

Akash Agarwal - Analyst, Individual Investor
Thank you. And just last as a request, sir, it's not a question. So you keep organizing a, you know, plant visit for the large investors and all. If you can please allow even the retail investor to visit whatever specified time duration, it will be great, great to visit. Thank you.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sure, you could please contact our investor relations cell. And, uh, you know, if there are no other remarks, I would be personally happy to invite investors to see.

Akash Agarwal - Analyst, Individual Investor
Sure, sir. Thank you. Thank you so much.

Operator
Thank you. Next question is from the line of Hitesh Chaudhary from Allvest. Please go ahead.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank you

Hitesh Chaudhary - Analyst, Allvest
For giving me opportunity. Actually, due to technical glitch, I have missed- You have a noisy background.

Operator
There is a lot of background disturbance, Mr. Hitesh.

Hitesh Chaudhary - Analyst, Allvest
Hello? Hello?

Operator
Yes, please go ahead.

Hitesh Chaudhary - Analyst, Allvest
Uh, thank you for giving me opportunity. I just want to take a view, uh, regarding the wagon. Uh, I think, uh, you have speak about the 100- 1,000 wagon per month from Q4. Uh, so, uh, means the- there were challenges from government side. So the challenges has been resolved or I just want to take a view.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Sorry, I have not understood your question, sir. If you could clarify.

Hitesh Chaudhary - Analyst, Allvest
So it's related to wagon. What's the view means? You told that you will be getting- you will be ramping up the 1,000 per month production. So the challenges you are facing, it will resolve?

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Yeah, I just mentioned that the reason why we had, uh, slowed down the production in the recent past was on account of the lack of visibility of the wagon orders. Now that we have the wagon order, we will touch the 1,000 wagon mark, uh, per month, uh, in Q4.

Hitesh Chaudhary - Analyst, Allvest
Okay, thank you, thank you. That's it from my side.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank you.

Operator
Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to Mr. Umesh Chaudhary, Vice Chairman and Managing Director, for closing comments.

Umesh Chaudhary - Vice Chairman and Managing Director, Titagarh Rail Systems Limited
Thank you very much. Thank you to all the participants, and particularly to the participants who asked very valid, very insightful questions. We would continue to to march ahead on both the sides, which is the freight and on the passenger. Uh, we hope that, uh, in times to come we would be able to continue to ramp up the passenger coach segment in line with what we have forecasted. And also in terms of the, the wagon segment or the FRS segment, uh, We believe that the macro picture of the country remains very strong, very robust.

The focus of the government, uh, uh, by the- led by the Honorable Prime Minister, remains very strong to grow the size of the economy. So we do not see that there should be any long-term, midterm challenges on the back in demand. The short-term challenge that was there has been to a great extent addressed by the option quantity order that we have received. And in the long term, we believe that the healthy demand pattern should come back. So once again, thank you everybody for all the support and your participation in this call.

And I once again convey my season's greetings to All of you for a wonderful year ahead.

Operator
Thank you, ladies and gentlemen. On behalf of Titagarh Rail Systems Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.