



**“Frontier Springs Limited
Q4 & FY’24 Earnings Conference Call”
May 30, 2024**



MANAGEMENT: **MR. KAPIL BHATIA**
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 FRONTIER SPRINGS LIMITED

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Moderator: Ladies and gentlemen, good day, and welcome to Frontier Springs Limited Q4 and FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from TIL Advisors. Thank you and over to you Mr. Mehra.

Abhishek Mehra: Good morning and welcome everyone. Thanks for joining this Q4 and FY24 Earnings Conference Call of Frontier Springs Limited. The investor updates have already been uploaded on the Stock Exchange and the company website and have been emailed to you. In case you do not have a copy of the same, please feel free to reach out to us.

To take us through the discussion we have today with us Mr. Kapil Bhatia, Managing Director and Mr. Dhruv Bhasin, Company Secretary. We will be starting the call with a brief overview of the business and the financial performance in FY24 which will then be followed by the Q&A session.

I would like to remind you all that everything said in this call, reflecting any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that the company faces. These risks and uncertainties have been mentioned in our annual report. With that said, I would now like to hand over the call to Mr. Kapil Bhatia. Over to you sir.

Kapil Bhatia: Good afternoon ladies and gentlemen, this is Kapil Bhatia, and very warm welcome to Frontier Springs Limited Quarter Four & FY24 Earning Conference Call. I am delighted to have you join us today. As always, we appreciate your continued interest and support in our company. I am pleased to report that FY24 has been a year of significant growth and robust performance for Frontier Springs. Our revenue from operations for the years stood at Rs.135.42 crore reflecting a year-on-year growth of 26.14% compared to Rs.107.36 crore in FY23.

Our EBITDA for FY24 was Rs.20.77 crore, an increase of 64.06% from Rs.12.66 crores in FY23. The EBITDA margin improved by 355 basis point reaching 15.34% compared to 11.79% in the previous year. The profit after tax for FY24 was Rs.12.99 crore a growth of 79.42% from Rs.7.24

crore in FY23. Our core verticals coil spring, forging and air springs have all contributed significantly to our performance this year. The coil spring segment has seen substantial demand, and we have secured significant order for that set a strong foundation for FY25. The air spring segment has also performed well with a notable order from the railways. This order is progressing on schedule, and we anticipate continued strong demand in the coming quarters.

Furthermore, we are on track with the installation of our new 6-tonne hammer in our facility. This new capacity will enable us to produce higher tonnage forgings and cater to a new industries, enhancing our product offerings and margins. We expect this investment to start contributing to our performance from quarter three FY25.

Looking ahead, we are confident in our ability to achieve Rs.250 crores in sales for FY25. The strong start to the year coupled with a robust order book position as well for sustained growth, the ongoing modernization and expansion of Indian railways presents significant opportunities. And we are well prepared to capitalize on these developments. Thank you, this concludes my opening remarks. I will now handover the call to the moderator for a question-and-answer session. Thank you so much.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Mahesh Atal from Atal Investment Advisors. Please go ahead.

Mahesh Atal: Sir my first query would be in the fourth quarter what is the revenue that we have done from the air springs business and what is the order book at the end of March 31, this is my first question. Second question sir, what gives you a confidence of you delivering Rs.250 crores because earlier we have guided for Rs.150 crores and we are short by Rs.14 crores this year. So, what gives you a confidence that we will be able to achieve that mark Rs.250 crores what you have guided. So, if you can please throw some light on specifications of that?

Kapil Bhatia: Actually, the numbers what I am telling you there is some confusion, I am telling you the gross sales numbers which is almost Rs.150 crore last year also and Rs.250 is also the gross number. So, if you can just minus the tax so that will come out to that. That is a little bit confusion about the turnover. I have just told you that Rs.250 crores will be the gross sales which includes the tax and GST and other and it is Rs.135 crores plus GST so, that will be around Rs.150 crores this year also and as far as orders are concerned, we have a good order book almost Rs.850 crore orders are in hand includes forging, air springs and coil springs and last year, the whole last year we have done around 18 crores air spring business, approximately 18 crores the whole last year. In the last quarter we have done around 7 crores approximately.

Mahesh Atal: Alright, sir my second question would be, this one competitor of ours in the coil springs, which has just recently RDSO has given an approval, which is Mishra Dhatu Nigam. So, how do you see this competition coming and how are we preparing ourselves for the competition and second thing, sir there is one company on which promoters having significant control, which is

Frontier Alloy Steels, which in turn has got an approval from coil springs business. So, how do you see the governance, how do you see these two entities different from each other, they both have, the promoters having significant control on both the entities so how do you see this?

Kapil Bhatia: As far as Mishra Dhatu is concerned it's a government entity. We have just taken the approval that is absolutely no competition because I have seen their plant they wanted us to come and take over their facility and supplies, I said we don't want we already have capacity. So, that is just their approval, which is not going to give us any competition because that plant will basically because of the government they got approval if it is a private unit they would not have got the approval from the railways itself. So, that is no problem, and as far as Frontier Alloy Steels is concerned, they don't have any coil spring approval they buy coil spring from us, there is some confusion from your side there is no coil spring, they buy coil spring from us it's a group industry and they buy coil spring from us they don't have any approval for coils.

Mahesh Atal: Sir, if I understand correctly, in the fourth quarter when you say that we have done in the last year we have done 18 crores of revenue much of it must have come after you got a order which is in January. So, if I understand 44 crores is what you have done on the net side. So, how much of this is air spring and how much is our regular coil springs if you can please throw some light?

Kapil Bhatia: Air spring is around 7 crore last quarter approximately and rest all is coil spring and exact numbers maybe you can ask after the conference call

Mahesh Atal: If I remember correctly, our run rate in this particular air spring should be somewhere around 5 crores per month or something because we have guided for that. So, where did we miss because January we got the order and these three months we were not able to dispatch any idea on that sir, if you can throw some light?

Kapil Bhatia: We are having order first we actually import the **(Inaudible) 9:51** and other thing. So, because of the Red Sea condition there was some delay in the supplies from our original equipment contractor because the shipment is not able to reach in time because of the Red Sea condition. So, now it is all managed, so there is no problem we are already in line with Rs.5 to Rs.6 crore business every month, already we have achieved in the last two months, three months even Rs.5 crore from that.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: So, I have a couple of question, my first question is regarding like we are under the category of issuer not cooperating with CRISIL so, can you give the reason for it?

Kapil Bhatia: There is no reason that we are not cooperating, earlier it was a requirement from the banking that rating is required, but now bank doesn't require rating for the unit of our caliber that's why we are not doing it otherwise there is no other thing that's why I will not get.

Dhruv Bhasin: Moderator ma'am, I would request you to. Kapil sir I would like to brief sir about the same. So, here the issue basically is that as per the banking norms, we are not required to get the rating done. And we have been substantially in exchange of communication with CRISIL. And whereas these rating agencies CRISIL has been asking for a good amount from us in terms of monetary aspects to withdraw their ratings. And I have already informed their head operations that what is being done by their lower team. So, this issuer non-cooperating is just a clause, whereas we are requesting as a corporate which is not a good gesture to withdraw, so they are asking that you need to pay an X amount, then only we will withdraw your rating else it stands as in the book. So, this is what we want to appraise you. That, these rating agencies do have good credit outstanding in the market. But if they want to extract out business from the clients, this is how they are trying to harass the corporates. We are do taking it at a accelerated level and as soon as it is withdrawn, we will inform the investors too.

Pradeep Rawat: Thank you for the clarification. So, my next question is regarding the order. So, how much in value terms do we give guarantee to the government for the order book that we have?

Kapil Bhatia: Earlier it was bank guarantee is required, but now for the approved sources we don't have to pay any bank guarantee to the railways earlier it was there for order, 10% of the order value bank guarantee used to be given to the railways but now for the approved sources railways have withdrawn this clause. So, we are not paying any bank guarantee to the railways.

Pradeep Rawat: Yes, and my last question is regarding the hammer CAPEX, that 6 tonne hammer CAPEX. So, how much CAPEX we have done and what is the revenue potential from that CAPEX?

Kapil Bhatia: We have done almost around 2.5 crore and total CAPEX will be around 4 crores and after full-fledged production. We are hoping to get, we are hoping to add because we have already pin point few of the items which we are going to supply to the railways. So, that will add initially this year around 15 to 20 crores but next year it will be around 60 to 70 crores business will be added from this.

Moderator: Thank you. The next question is from the line of Piyush Bora from Sambha Investments. Please go ahead.

Piyush Bora: Now, my question is regarding the Air Spring Division, because in this investor presentation, I have not seen any comments regarding that are we a development source or we are updated as a regular source for the Air Spring supplier as per the development source we are only able to supply 20% of the total bits. So, could you please throw some light on that?

Kapil Bhatia: So, at the moment there are four types of air springs used by Indian railway. If we see just from that there are 120 KL spring, 140 KL spring, 160 KL spring and 180 KL spring. So, we are approved source for 160 KL for which we are, and which is the maximum requirement of Indian railways, that is 160 KL used in all the LHB coaches produced by Indian railways. So, earlier it was 120 and 140 KL used by LHB coaches, but now those quantities are going down and they are now using all 160 KL to increase the comfort and the load capacity. So, that's why we took the first air spring approval for 160 KL for which we now have regular source for which we are able to get 100% tender quantity. As far as 180 KL is concerned, 180 KL is used in EMUs like Metro these EMUs the local trains run in Bombay, Chennai, that is called EMU, so that require 180 KL and for that we are at the moment development source, we have to just execute 100 core set order which we already orders in hand, so it will take another two months to execute those order as soon as we execute those spite core set. So, we will be regular sourcing 180 KL also. As far as 120 and 140 KL, 120 KL we are already development soon but 140 we have not just started. So, this is the, the maximum requirement of railways is 160 KL for which we are now a regular source.

Piyush Bora: Okay. And in last concall, I remember that you said that Indian railways are increasing that capacity of LHB coaches from 5000 to 7000 units per month. So, is this the same thing happening?

Kapil Bhatia: Not per month, per year.

Piyush Bora: Yes, sorry per year.

Kapil Bhatia: So, that is already in line and we are quite confident that the government is coming back and that will keep on continuing like this what is happening in the past.

Piyush Bora: And what is the maximum capacity we have for air spring?

Kapil Bhatia: At the moment, we are able to give almost 50% of the Indian railway requirement which is 7000 coaches we already have a capacity of 3500 coaches.

Moderator: Thank you, The next question is from the line of Raja Panda an Individual Investor. Please go ahead.

Raja Panda: Sir, I have a question. You are giving a guidance of about 250 crore top line this year and net of taxes I assume it will be 225 crores, are you in a position to give a bifurcation of what you expect from your different divisions for this 225 crores?

Kapil Bhatia: It will be around 75 crores to 80 crores from coil spring business, around 70 crores from forgings and rest is from the air springs.

Raja Panda: I see. And sir next question I had is, in your PPT you have mentioned that you have done a 7 crores CAPEX already which is for air spring and there is remaining five crores which is to be done, could you throw some light on it like whether we are heading or this is additional line or what?

Kapil Bhatia: We are increasing the capacity of our shed and other manufacturing facility for that we have already kept and it is almost done and it will be completed by another two months of time so that will be already in line.

Moderator: Thank you. The next question is from the line of Mahesh Atal from Atal Investment Advisors. Please go ahead.

Mahesh Atal: Sir do you see our margin is going up because of this addition of our hammer that is going to come, this is my first question and second is, last concall they have also, the target players were also showings some interest for our air springs business, the Siemens, Bombardiers of the world. So, where are we on that part?

Kapil Bhatia: As far as margins are concerned, definitely we are going to get a good margin from the 6 tonne hammer because we are targeting a bigger components for the railway which is very few suppliers who are making so we will get good margin on those. As far as air spring are concerned. Now, as we have already got approval for our regular source for Indian railway quotes requirements. So, now we are approaching to Siemens, Bombardier and Storm everybody, we are forging for their Metro coaches, and in the future we will see a good growth in those line also, how we are approaching to them.

Mahesh Atal: So, sir right now our capacity is like 120 coach sets, if I remember right, if I'm not wrong, what would be the capacity after two months when the CAPEX comes down stream?

Kapil Bhatia: It will be around 250 coaches per month.

Mahesh Atal: So, that will be like 250 into 4, that means 1000 air springs per month.

Kapil Bhatia: 250 coaches, yes 1000 air spring per month.

Mahesh Atal: Alright. And sir just wanted to know, if there are any certain ideas or approvals that are pending for any products that we have applied for, what are the pipelines, what are we looking into railways because the railways now is like very buyout in import substitution of certain products in India. So, do you think in the forging side there are certain products which where there is a market, where there is an import substitution happening?

Kapil Bhatia: Yes, we don't have pending any, as soon as 6 tonne hammer start we have already pin pointing. So, those approval will be required, which is going to take another two, three months to get it. We are planning to start our hammer by 15th of July. And by August, we will get all the things

done and import substitution is, there are one or two components what we are targeting maybe require the import substitution, but margins are good so we don't see any problem and there is no pending thing is with RDSO at the moment.

Mahesh Atal: Sir in an interview you have guided that you will be entering into some other segments down the line. So, if you can throw some light on what we are looking at, air springs is on roll now by this year-end we will be stable in that particular segment. So, what are we looking at coming to the growth in that particular, because railways is a very big thing. So, what are our plans going ahead two years or three years down the line?

Kapil Bhatia: Sir we have already, in last concall I have already told that by 26-27 we will be targeting 500 crores business which is gross I am telling you again please don't get confused and this year we are targeting 250 next year will be around 350. So, we are in line with the 6 tonne hammer and the air spring and the increase capacity of air spring. So, we are absolutely in line to reach 500 crores by 26-27.

Dhruv Bhasin: And sir, I would like to add here that the point that you are raising we already have few products from the defense line that are being developed and that will be undertaking the forging so which will be taken in the coming years. So, that is posed like one or two years. That would be our new plan of action that you are asking for.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Alpha Capital. Please go ahead.

Pankaj Kumar: Sir in the presentation you said this 6 tonne hammer will start giving us benefit from third quarter. So, what is our expectation in terms of revenue from this in FY25?

Kapil Bhatia: We have already told just two, three questions ago that around 10 to 15 crores will be added this year. And from next year, we are quite hopeful that the 6 tonne hammer will add another 50 to 60 crores in kitty.

Pankaj Kumar: Got it sir. And sir on these 250 crores gross and 225 odd net, we expect first half and second half to be similar like all four quarters to be similar or like ramp up will happen in second half more?

Kapil Bhatia: It will be similar, we are in line to around 60 to 62 crores quarter So, there's no problem.

Pankaj Kumar: Got it sir and sir on margin side there is a good jump in this quarter to around 17% margin. So, what kind of margins do you expect?

Kapil Bhatia: So, we are hoping for the same margin growth, same thing will go ahead.

Pankaj Kumar: Sorry, same means full year guided numbers or Q4 number sir?

Kapil Bhatia: Like Q4 numbers what is there, so it will be continuing like that only.

Pankaj Kumar: Got it sir and sir you are saying 500 crore type in FY27. So, is it like more orders are expected from railway or how should we look on that?

Kapil Bhatia: So, we are expecting more orders and railway is doing excellent work as far as infrastructure is concerned and with adding new customer list by next year with Storm and ABB and Siemens so we quite hopeful that the air spring will definitely give us a very big jump and we are also like having a good coiled spring business forging so, 500 crores by 26-27 is absolutely no problem.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: I have couple of questions. So, what is our average execution time for the orders?

Kapil Bhatia: Sir it is as per railway requirement but execution time for all the product is different like coil spring for wagon is different and coaches is different, locomotive is different, air spring so this is almost it takes 45 to 60 days after getting the order, we execute the order but it's around 60 days.

Pradeep Rawat: 60 days at max right?

Kapil Bhatia: Yes.

Pradeep Rawat: So, we can expect, but in our order book 150 crores?

Kapil Bhatia: Yes, at the start of this year it is around 150 crores.

Pradeep Rawat: So, can we expect these orders to be completed in next 60 days?

Kapil Bhatia: Yes, it is already 62, the order thing is such in Indian railway that we are having tender every day, four, five tender for different we are already doing almost 70, 80 type of coil spring for railways, almost 25 types of forgings in the Indian railway, air sporting just as it. So, they are tenders which just keep on going every day, four, five tender for the different coil spring, forgings, things are happening. So, order book is continue like this, in the normal last two years the offering order book will be around 60 to 70 crores this year we are arriving around 150 crores So, the orders keep on coming in and it's going on to 60, 70 days it will be all executed and by the time another 100 crores order will be with us. So, absolutely there is no problem with this.

Pradeep Rawat: So, what I am understanding is, within the first two, three months, we will be generating 150 crores of revenue and post that we will.

Kapil Bhatia: In first two quarters we will be doing it like this around 120 to 140 crores.

Pradeep Rawat: Okay. So, execution timeline would be a bit longer than what you actually do?

Kapil Bhatia: What I'm saying, average string, some orders are 90 days so it keeps on going on. We have just mentioned that we will be doing around 60 to 62 crores quarter.

Pradeep Rawat: Okay. So, my next question is regarding the maximum revenue potential that we can generate from our current capacity?

Kapil Bhatia: The maximum we can go up to 350 crores with the current capacity, yes.

Pradeep Rawat: Yes, we are not factoring in the CAPEX that we are doing in this revenue potential?

Kapil Bhatia: Yes, we don't require any CAPEX what we have already done or given for starting of the 6 tonne hammer and other things. So, we are able to with this capacity what we are having coil spring, forging and coming up 6 tonne hammer so we will be able to do is 350 crores but for reaching 500 crores we keep on adding the capacity for wherever we find the bottleneck.

Pradeep Rawat: So, the air spring capacity is not included in this right?

Kapil Bhatia: It's all included.

Pradeep Rawat: Okay. So, we would be expanding from the end of FY26, because we are targeting 350 crores at that point in time?

Kapil Bhatia: Yes. But we will keep on starting earlier because if we reach, we want to reach to a particular numbers and we know that capacity enhancement will take six months, five months, eight months so we will keep on starting doing it for buying machines for the bottlenecks.

Pradeep Rawat: Yes. So, do we have the land bank to expand or are we going to expand on a greenfield location?

Kapil Bhatia: No, we already have till 500 crores we don't require any land bank we already have.

Pradeep Rawat: Can you also, give that where will we be expanding, is it in the spring coil or air spring or any other segment?

Kapil Bhatia: It's everywhere, after 350 crores we require few machines for coil spring to be added, we require some air spring machines to be added. It is some forging finishing machines should be added. Not the forging, but finishing line of CNC machines of doing finishing of the 4g. So, it's everywhere, wherever we find a bottleneck we will definitely add the machines on those lines.

Pradeep Rawat: So, that would be only bottleneck expansion not any new segment that we are targeting right now?

Kapil Bhatia: No, at the moment no new segment, we have to concentrate on these, as we are quite confident with these three segments, we will be able to reach the numbers what we are telling.

Pradeep Rawat: And my last question is regarding our competitor. So, can you please name the competitors in spring coil and air spring, one is the Mishra Dhatu can you give the name of others?

Kapil Bhatia: There are three types of coil spring, one is for wagon, that is the freight wagons, another is for the passenger coaches and another thing is locomotives. So, all three require coil springs. So, for the wagon industry, there are six, seven manufacturers from Calcutta all those are the very, very small manufacturing supplying to the wagon builders and for carriage coaches, passenger coaches there is a company called GV Spring in Dehradun and there is a Abok Spring in Jaipur, we three are loop sources and same we three are approved for the locomotives, but they don't have that much capacity to supply so we get a good share from them. So, these are the two, three sources.

Pradeep Rawat: Yes, currently we have 50% share in this particular market.

Kapil Bhatia: Yes, for locomotives and coaches, not the wagon.

Pradeep Rawat: Okay and you said that our competitor doesn't have capacity to like, cater. So, are they looking to expand their capacity?

Kapil Bhatia: No, I don't know how I can comment on those, everybody's trying to get more business, I cannot comment on this.

Moderator: Thank you. The next question is from the line of Mahesh Atal from Atal Investment Advisors. Please go ahead.

Mahesh Atal: Sir, just wanted to know, what is the royalty that we pay to Contitech on this air spring thing, and what percentage of total revenue, let's say across sale price of air spring, what percentage of that cost is imported currently through Contitech. So, this is my query.

Kapil Bhatia: We don't have to pay any royalty to Contitech because they have given us the design and technical knowhow, but we are also supplying us the rubber component so they might be earnings from that, we don't have to pay any royalty to them. And second question what you have asked, I just missed the second question?

Mahesh Atal: What is the cost of this rubber material in entire air spring value chain?

Kapil Bhatia: I just have to check and calculate, it is around 40%.

Mahesh Atal: So, 40%, so whatever value addition will happen that will be all indigenized right?

Kapil Bhatia: Yes.

Mahesh Atal: Alright. Sir one more thing is that, when you said that wagon there are some six, seven players. So, do you also see that our percentage in terms of our revenue share will also go up in the wagons because going ahead they are not having the capacities that we having, so do you see the wagon industry tonnage green from here?

Kapil Bhatia: Because we are already expanding the bottleneck in our factory for increasing the wagon production. There are few bottlenecks for which we have already bought the machines and we are hoping that by next quarter, we will keep on increasing our share, because demand is there and there were some bottlenecks which we have already pinpoint and bought the machines and that is under this installation. So, we keep on increasing the share of wagon in the industry. They required spring from us and we are in-line to give those extra springs to them.

Mahesh Atal: Sir in the air springs business what I understand is that, there are two players currently from one we have taken the technology, one is a Chinese player and other is the German player from which we have taken, what is the difference between these two technologies. And this particular industry, it's not a huge capital intensive thing. So, what is that we are ahead in terms of others, if you can please throw some light on this?

Kapil Bhatia: Ahead this, it's a long procedure of approval from Indian railways for any safety item, it took almost two years to get us development shows and then the regular shows for one this thing. So, anybody who is coming here and we are already having a railway business, so we can sustain those timelines and we know how to get these things done since last 40 years experience. So, anybody new is coming, setting up a total plant, whether it is 10 crores CAPEX or 15 crores CAPEX and then sitting supplying few coach springs and then sitting for two years without any orders. So, that is a big, big cost to the company and a lot of companies fail for different product in the Indian railway. So, that is a very big thing to get approval for safety item in the Indian railways. So, that is a good go ahead for us and we are now approved sources for this. So, CAPEX.

Dhruv Bhasin: No, I would like to add here sir that, we are one of the oldest as far as the railway industry is concerned, and usually it's a safety item. So, railway always give privilege or an advantage to the ones who are already supplying, since we have that goodwill in the market. So, we are always approached first because they have the trust in us that whatever we deliver would be like of Paramount safety. So, this is how it goes.

Mahesh Atal: All right, sir, I would also like to take this opportunity to thank your team also, because the team was very helpful. The Company Secretary were so helpful, they take all our call. So, I

would like to applaud your team for all the efforts they are putting in and I wish you all the very best sir.

Moderator: Thank you. The next question is from the line of Sanjeev Panda an Individual Investor. Please go ahead.

Sanjeev Panda: I want to ask about a broad based question on business dynamics. Whether these products are sold directly to Indian railway, as you are saying through tender or some nomination aspects are also there. Second is that, these tenders that we are talking about, the qualifications are based on your capacity and what are the parameters that actually define that. Second, continuation to that is that, apart from Indian railway, like the private players who are in the business of wagon and coaches and all, will be also taking some of your products right. So, how things work out there like please enlighten us what is going on and what's the dynamics?

Kapil Bhatia: There Indian railway as a total of 18 zonal railways as you know, Central, Western, Eastern Northern, there are 16 railways. Then there are almost four coach manufacturing unit, two locomotive manufacturing unit. So, like this so all the zonal railways are doing and all the zonal railways are having their nominated coaches, wagons, locomotives, so, they keep on buying for their rolling stock, which is a continuous requirement for the railway for their running all these coaches. And the new coaches will be manufactured by ICF, RCF and MCFs for which they are doing their tender. So, zonal railway are doing their tender for their rolling stock to run their stocks on the tracks, new coaches builder they are doing their tender. As far as wagon industry are concerned they are like Texmaco, Titagarh, Jupiter, they are buying directly from us and we are supplying to them this is a scenario and tender qualification is always there you have to have approved source of railways and whatever conditions are there we have to qualify those otherwise nobody can quote the tender, you will not get the tender until and unless the minimum requirement of the tender approval is there.

Sanjeev Panda: Okay, thank you sir. The next question as in the earlier presentation you had explained that air spring our sales hot coil spring as a product we see that cost competitiveness, but we want to understand what about the lifecycle of the product and value of the these two products in a comparative basis, why I am asking is that, because of the replacement opportunity or is there any frequency of replacement that happens?

Kapil Bhatia: As I have told you that all the zonal railways, rolling stock is all the replacement and so, coil spring is having a five year life and air springs are having eight years of life. So, every five years all the coil spring has to be replaced and the coaches and wagon life is almost 20 years. So, every five years, five to six years they have to replace all the coil spring and every eight year they have to replace all the air springs. So, there is a demand, always there is a demand for the rolling stock from the railway which is going to be there every time.

Sanjeev Panda: Okay. And sir last if I can chip in. Why we are selling this as products apart from that any service supply or any further services or anything also involved in that tender or it is just as a product sell?

Kapil Bhatia: It is a product sell.

Moderator: Thank you. The next question is from the line of Jeetu Punjabi from EM Capital. Please go ahead.

Jeetu Punjabi: Hi, first I apologize, I joined the meeting late. So, I might have a few questions that might be repetitive. So, you guys seem to be doing very well and things are shaping up well. So, just some color on what the growth estimates of the next few years looks like, are you geared up with capacity to go for the growth that is going to happen and are you going to put more CAPEX on the ground to gear up for that. So, just a little bit on the next two or three years if you can talk on how does the business look like and where do you expect it to go?

Kapil Bhatia: I have already answered earlier also, but as you joined late so I will just explain.

Jeetu Punjabi: I apologize.

Kapil Bhatia: We are in line to have 500 crores, what we have already told by 26-27, 500 crores gross sales and last year we have touched around 150 crore gross sale and this year we are planning to do 250 crores gross sale, we have a good strong order book in hand and with the same CAPEX and the capacity what is in line already there CAPEX is done and the things will be operative in another two, three months. So, with that till 350 crores, we don't need further any CAPEX is required. But to reach 500 crores might be some CAPEX but it is after one and a half year. So, we are quite in line with all the products, coil spring, forging, air springs and with the same CAPEX what we have already applied and few is in line. So, we will be able to reach 350 crores with this CAPEX.

Jeetu Punjabi: Okay. And do you think you will able to hold margins over the next couple of years or you could expand this one?

Kapil Bhatia: No, we are definitely going to hold and we keep on increasing after a year or so.

Jeetu Punjabi: Okay. And then one other question are there new products being added to the suite of products we are making or is this what the plan is for the next two, three years?

Kapil Bhatia: Sir we are already are having three segments, one is coil spring, another is forgings and latest one is air springs. So, coil spring we are already keep on increasing our capacities and hence we keep on supplying it. Forging industry said that we don't need more machines now, we already have a good number of machines with 6 tonne hammer under installation. So, we require, we already have pin point some new forging product for the railways. So, it is a

continuous process because forging, the coil spring industry is a special industry for which we already having a machine we can only produce coil spring. The forging industry we said that we can do forging for any component we just need a dye and we can go to defense, we can go to agricultural, we can go to export, at the moment we are concentrating in Indian railways and some of components for the defense. So, we have a number of opportunities in forgings and air spring is definitely going to add for the Metro coaches and other things as soon as we are expanding more and because it's a new thing. So, we are targeting already mentioned earlier that Bombardier, Siemens has stopped, we are already approaching to them after Indian railways approval that we get orders for the Metro coaches, air spring and other thing. So, opportunities are a lot and we are in-line with that opportunities.

Moderator: Thank you. The next question is from the line of Piyush Bora an Individual Investor. Please go ahead.

Piyush Bora: Actually, I have a question as a fellow investor asked that we have a management company which is not related to Frontier Springs that is Frontier Alloy Steel, and you explained that Frontier Spring is selling our springs to Frontier Alloy Steels. So, could you please explain why this is happening because, as per the communication or as per the information we have, Frontier Spring only have customer as a Indian railway. So, why we need to sell to our subsidiary, another company and then that company is selling that to Indian railways or any other company?

Kapil Bhatia: So, Frontier Alloy Steel is an independent company and they are also producing, that is a casting unit. So, they are doing a lot of railway components and supplying to the railways and to the wagon builders also. So, they are also making the under frame for the wagon as far as and the locomotives. So, like we are supplying to Jupiter we are supplying to Texmaco. So, they are the bogie manufacturers who supplies full bogie to the different railways and to the different wagon manufacturers and the bogie requires a springs. So, as we are selling to the other bogie and wagon manufacturers, so there are few wagon manufacturers who make bogies also and there are few wagon manufacturers who just make the wagons and they buy the bogies from outside. So, Frontier Alloy Steel is approved source of bogie manufacturing, bogie is a suspension part of it where the wheels are there and coil springs are there just under frame of the wagons. So, Alloy Steel is approved source of making bogie so, they require a spring so, they buy spring from us to supply bogies to the railways and to the wagon vendors.

Piyush Bora: Understood, thank you for this information. And my second question, what is the share of business we have in coil springs means out of, you can say that in percentage terms?

Kapil Bhatia: As far as there are three types of uses I have already told, one is for wagon industry, other is for passenger coaches and other is a locomotive. So, as far as passenger coaches and locomotives we are having 50% share and around the 20% share in the wagon industry because there are a good number of manufacturer in the Calcutta who supply, they are small but six,

seven manufacturers are there to keep on buying from those. So, we are having around 20%, 22% share for the wagon industry.

Piyush Bora: For the coil springs?

Kapil Bhatia: Yes.

Piyush Bora: Okay. And how much percentage you are targeting for air spring in future, --49:59 business I am talking about?

Kapil Bhatia: Maximum we can go up to 50%, 60%.

Piyush Bora: Okay, fair enough. Do management have any intention to increase the liquidity, like as we have, that is not related to our business, but do management have any intention, because there are very low volumes in market?

Kapil Bhatia: I couldn't get your question sorry.

Piyush Bora: Is there any intention because Frontier Springs have a very low float and on each day basis, we have less number of steps traded in the market. So, do management have any intention to increase the liquidity in future?

Kapil Bhatia: At the moment, no until and unless if we come across a very good project for which we require really go to the public and right issue or maybe a new issue with these items, we don't require any liquidity or go to the market.

Moderator: Thank you. The next question is from the line of Sanchita Sood from Robo Capital. Please go ahead.

Sanchita Sood: Just one question from my end, in order to reach the 500 crores number from 350 approximately how much CAPEX would that require on a per annum basis, if you could just quantify that for us?

Kapil Bhatia: It will be a continuous process actually, the base machines are already there, the basic machines of manufacturing coil spring, forging, air spring, but we have to look at the bottlenecks whatever it is coming up to reach to those numbers. So, maybe 10 to 20 crores between 10 to 15 crore maybe required for increasing those capacities to buckle up those bottlenecks, that is that is the maximum.

Moderator: Thank you. Ladies and gentlemen, this will be the last question for today which is from the line of Sampath Naik from Tiger Assets. Please go ahead.

Sampath Naik: Sir, can you just repeat our competitors in wagon space?

Kapil Bhatia: Wagon spring there are quite a number of Howrah Forging in Calcutta, GD spring, there are few number of all from the Calcutta zone basically. I don't remember them all because six, seven manufacturers. One is Howrah Forging, one is GT Spring, and some other small manufacturer who makes 200 wagon springs or 300 wagon springs like this. So, I don't remember all the names.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for today, I would now hand the conference over to Mr. Kapil Bhatia, Managing Director of closing comments. Over to you sir.

Kapil Bhatia: Thank you for joining all the investors and the interested people who really appreciate our work in Frontier Springs Limited and we really appreciate your interest and have a great day. This concludes the meeting and any queries further there, you can definitely send email to company secretary Mr. Bhasin, and he will definitely give you a clarification on those. Thank you so much.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of TIL Advisors, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.