





**“Frontier Springs Limited**  
Q2 & H1 FY’25 Earnings Conference Call”  
November 18, 2024



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**Moderator:** Ladies and gentlemen, good day and welcome to Frontier Springs Limited, Q2 and H1FY25 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 the conference call, please signal an operator by pressing '\*', then '0' on your touch tone 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:** Thank you. Good afternoon and welcome everyone. Thanks for joining this Q2 and H1FY25 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, Mr. Neeraj Bhatia - Whole Time Director and Chief Financial Officer and Mr. Dhruv Bhasin - Company Secretary.

We'll be starting the call with a brief overview of the business and the financial performance, 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 risks 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:** Thank you, Abhishek. Good afternoon, everyone and thank you for joining us today for Frontier Spring Limited earnings call for the second quarter FY25. I am Kapil Bhatia, the Managing Director of Frontier Springs Limited and it is my pleasure to present our financial results to provide insights into our performance during this quarter.

We are pleased to report that our financial results of Q2 FY25 aligned with the guidance we set at the start of the financial year. Our revenue from operations for the quarter stands at 52.24 crores, reflecting a 59.49% increase compared to the same period last year. Our EBITDA has also shown significant improvement reaching to rupees 10.69 crore, which is an impressive 126.68% year on year increase. This translates to an EBITDA margin of 20.46%, up from 14.40% in FY24. Furthermore, our profit after tax has surged by 155.30% to rupees 7.29 crores.

As we dwell deeper into the performance over a key segment, I would like to highlight the strong contribution from our three primary business vertical, Coil springs, Forgings and Air springs.

In the coil spring segment, we experienced a substantial increase in demand driven by sizable order related to the production of LSD coaches. The Emergency Procurement Associates with this demand has resulted in favorable price realization along with the stable raw material cost. This combination has significantly enhanced our profitability in this segment and we anticipate that this positive trend will continue as we progress through the year.

Turning to forging, we did encounter a slight delay in the setup of our new six-ton hammer. We are optimistic about commencing trial production shortly. We have already began receiving order from Indian Railway for forgings that will be produced using this new capacity and we expect this contribution to start reflecting in our financials from quarter 4 onwards.

Our Air springs vertical is also demonstrating robust performance with a healthy order book. We are well positioned to meet the incremental demand for air spring required for LHB coaches which should further accelerate growth in this segment.

Looking ahead, we remain committed to investing strategically in the small capital expenditure aimed at clearing bottlenecks and enhancing our production capacities. This new active approach will enable us to cater effectively to the growing demand across all segments. Overall, we find ourselves in a strong position with a healthy order book and excellent visibility of future demand for our products. The strategy initiative we have implemented our yielding positive result and we remain confident in achieving our stated guidance of gross revenue between 240 to 250 crore for financial year 25.

In conclusion, I would like to express my gratitude to all our stakeholders for their continued support and trust in Frontiers Springs limited. We are excited about the opportunities that lie ahead and are committed to maintaining class privacy as we navigate through these promising times.

Thank you once again for joining us today. I look forward to addressing your questions during Q&A session following this presentation. Thank you so much.

**Moderator:** The first question comes from the line of Aman Soni with Nvest Analytics Advisory LLP. Please go ahead.

**Aman Soni:** Good afternoon, Sir. Congrats for a good set of numbers, my first question is on our order book like we performed decently in first half but can you spend few minutes on guiding us the kind of orders that you are witnessing that are coming to us and the kind of orders for which we are into a big line which can give the visibility for say next two to three years?

**Kapil Bhatia:** We have a very healthy order book and as committed we will be doing around 240 to 250 crore gross revenue this year and the next year estimated will be around 300 crores gross revenue. Our company and orders are kept on coming in for all the three segments, the coil spring, air spring and forgings. And this is a normal trend that there is not a single tender so that we can wait for another year or so. It is a continuous process. We always keep on offering tenders to us and we keep on quoting and at the moment we are already booked for next 6 to 8 months, we are already having a good order and we are running our business with 75 to 80% capacity, orders are in a good position.

**Aman Soni:** So, that 300 crores you are saying for next year, but I think on a small base, we are showing a very decent growth this particular year. So, are you seeing any kind of slowdown happening in the terms of the order coming after FY26?

**Kapil Bhatia:** No, I don't see any shortfall as you know that Indian Railways are already working and keeping increase the capacity of manufacturing their freight wagons, passenger coaches and locomotives where we are supplying our product and next year onwards, they are already planning to go for 6000 passenger coaches to 10,000 passenger coaches and as well as freight wagons and locomotives. So, we don't see any slowdown in the orders for the next 3-4-5 years at all.

**Aman Soni:** Got it, Sir. Sir, secondly, on our margins, if we see like for the last seven quarter, consequently we are showing the uptick in the margins. So, how do you see these margin shaping up and is there any kind of target that we are looking at like after that, that margin will get stabilized and that should continue for a reasonable period of time?

**Kapil Bhatia:** Yeah, the margin what we are having now, it will continue for sizable period of time and I don't see more competition in this so that our margin will go down, it will minimum remain same or it may increase further.

**Aman Soni:** Increase further from the current level like in the quarter we did around 20.46%, right?

**Kapil Bhatia:** Yes, yes.

**Aman Soni:** Got it, Sir. And are we looking for any countries, Sir, for the purpose of further expansion or catering to the upgrowing demand? Because if we look at our net block, so that is more or less same for the last two to three years, it is not a big Capex happened at our company level. So, what's your view on that?

**Kapil Bhatia:** No, we don't require any major Capex this thing at the moment. Whatever small bottlenecks are there to keep on our capacities upgraded as far as the supplies are concerned. So, we don't see any more thing and whatever it will be there, it will be from the internal approval for at least one year. The small Capex of 7-8 crore, which is a continuous process per year, we keep on doing it from our internal fund raising at the moment for any project.

**Aman Soni:** Got it, Sir. That's it from my side, Sir. All the best for the future.

**Moderator:** Next question comes from the line of Agastya Dave with CAO Capital. Please go ahead.

**Agastya Dave:** Thank you very much for the opportunity, Sir, and thank you very much for conducting the conference call. Sir, congratulations on great execution. Sir, I have a question on your total capacity in terms of peak revenues that you can achieve with the current asset block with the debottlenecking exercises that you mentioned, what's the maximum revenue potential of the company as of now?

**Kapil Bhatia:** Now with the same capacity, we can reach up to 500 CR gross which will be there around FY27 and with as I've already mentioned that for some bottlenecks, we keep on doing it that for improvement. So, 500 CR for the financial year 27 so, there will be no problem with the current capacities, the major capacity that we are having.

**Agastya Dave:** Great. Great. Sir, so then if our target is to reach 500 crores or and the potential of the company is clearly to reach 500 crores for FY27, why the null in 26, because we are growing very rapidly this year and then it would seem that we would be growing very rapidly in FY27. But FY26, the 20% number is it you being conservative and as the previous participant also mentioned, are you seeing any slowdown? Are there any like bottlenecks that you need to address?

**Kapil Bhatia:** You know, again, I'm really little conservative and we may tell 350 next year, but I'm little conservative telling all these things, let the things happen and the results speak for themselves, that is the main thing. We are not slowing down anything and we are quite sure that the business will keep on increasing every year.

**Agastya Dave:** Great Sir. Sir, my next question is on the margin side. So, can you talk a little bit about gross margins? How should we look at it and when your different divisions, which are I'm pretty sure they have different economics, so how does a relative shift in a higher revenue in a particular division affect your margins? For example, now the posing side will kick in when the new hammer is completely official. So, what will it do to your margins? So, can you cover the gross margins as well as EBITDA margins in this question?

**Kapil Bhatia:** The forging will not increase much of the margin, but definitely add to the revenue with an enable proper margin. But the coil spring and the air spring will definitely increase our margin or maybe remain same. Forging will definitely because forging is a very competitive market. We don't see much of the increase the profit margin, but definitely add to our revenue and the great numbers and also, we are looking for some exports in the forging division also, as soon as that will add then the profit margin will definitely increase in the forging division also, when we'll add the export because we don't see export for the coil spring and air spring at the moment because the near markets are too high and we don't want to go outside. Everybody wants to come to India to supply to railways so we don't want to spoil that thing, but forging definitely we are looking for some export business and maybe next year second quarter onwards, we'll start getting order for the export of forging division.

**Agastya Dave:** Great, Sir. Just to press upon this margin part again, as you mentioned I mean, I believe in the opening remarks that our margins should be here or if they will be better so what should I take as the base? Because if I look at the last, let's say or 10-12 quarters, there was a little bit of a pressure in 22-23, but then you have rebounded back to the older margins of 14-15% and now you are reporting 20%. So, what is the base, Sir, you sustainably you can maintain and on which you can build upon?

**Kapil Bhatia:** Between 18 to 20%.

**Agastya Dave:** As the base, Sir?

**Kapil Bhatia:** Yeah.

**Agastya Dave:** And then you can further build upon it?

**Kapil Bhatia:** Yes.

**Agastya Dave:** And one last question again, Sir, on the margin. So, if the total potential of the company is to do 500 crores without substantial Capex, so you are effectively operating at 50% or less than 50% utilization. So, what kind of operating leverage can you see because if a facility is operating at 50% utilization and then reporting 20% margins with 50% plus gross margins as you scale towards 500 crores and 100% utilization, your margins can be probably 25%. So, is that a fair assumption or am I reading too much into it?

**Kapil Bhatia:** You want to understand the capacity utilization of our units or what you want to know?

**Agastya Dave:** I'm looking at 3-4 things. One is that you said that this year we are around 250-270, let's say 250 but the peak is 500. So that would mean that the current utilization is somewhere close to 50%. But at 50% capacity utilization, you're already reporting 20% EBIDTA out, which is like fantastic. So, if you go towards 100% capacity utilization, I mean, I was just trying to understand will the margin.

**Kapil Bhatia:** No, we are not working at 50%, we are already working at 60-65% capacity in some of the division and like I've already told you, we are working on the bottleneck so that we can execute more orders. Orders are there. We are not able to execute because of some bottlenecks and we are working on that and by next year onwards, we'll be able to get our machines in line and we'll operate more and we are already working on 65 to 70% capacity, but we have a capacity in making coil spring but finishing or maybe testing we require some where we have bottlenecks so that we are working on that. So, we're able to do that with the little Capex of 5 to 7 crores, we're able to complete our bottlenecks, then we'll be able to do it.

**Agastya Dave:** OK, so that was my next question. You already answered it. Thank you very much Sir, all the best, great performance.

**Moderator:** Thank you. Our next question comes from the line of Mahesh Atal with Atal Investment Advisors. Please go ahead.

**Mahesh Atal:** Congratulations on great set of numbers, Sir. My first question would be, out of these 52 cores, can you please specify the, I mean the turnover on the coil spring, forging and air spring, please?

**Kapil Bhatia:** 250 crores, the coil spring will be around 80 to 90 crores, 60 crores of forging and rest is air springs. So, 90:90 is almost air spring and coil spring and the 60-65 crore is forging.

**Mahesh Atal:** No, I'm talking about the quarter, the quarter gone by.

**Kapil Bhatia:** I was telling you the total year, yeah. So, it is the percentage will remain the same approximately. I don't have the exact number at the moment in front of me, but I think it is.

**Mahesh Atal:** Yeah, I'll get it offline, Sir. I had another question, which would be on the, if I go through your annual report, Sir, there is one thing that you're reported in the related party transactions, which would be the job work that you have paid to Vishwa Rail, which is around 37 crores odd so, if you could please throw some light on what kind of job work we are paying to this party and do we have any formal agreement with them on this job work?

**Kapil Bhatia:** It is not 37 crores, it is 3.74 crores. Yes, we are already having a formal agreement and we are doing some work for the finishing side so that we're able to get the things done and delivery faster to the railway. We are already having machine that they have but they have the more machines and they are doing it for us. So, it is like that.

**Maresh Atal:** It is a promoter entity, right? And everything is on arm length basis?

**Kapil Bhatia:** Yes.

**Maresh Atal:** Alright. Second question would be on the investment that you're having in the equity shares. So, is this professionally managed investment that you're doing with the cash that you've accumulated or is it that internally we are deciding on which equity investing?

**Kapil Bhatia:** It is internally and we have a team to do that internally to decide this.

**Maresh Atal:** So, are we going to build up further on this or this would this was just a small arrangement?

**Kapil Bhatia:** We keep on doing it as and when we have an excess fund. So, we just don't want to keep it idle in the bank accounts. So, we keep on investing these things so that whenever we require for future expansion, we can immediately use it and they can give us some yield on that.

**Maresh Atal:** Yeah, and one advice would be certain if you could please give a break up of which equity shares the money is invested into that will throw a light to for the maybe next year or so. Anyways, my next question will be on Sir, we have a lot of cash coming into our books, so actually by having cash in our books, we are pulling down our ROC. So, could you please throw some light on what further plans we're having beyond 27? Are you working upon that and how far are we on that?

**Kapil Bhatia:** No, we are already looking for and I don't want to reveal now but we are looking for some takeover of some businesses related to railways. The talks are on the very initial basis. Let something happen then we'll definitely reveal to shareholders. We are already working on to multifold our business taking over some companies with our cash and may be required if something were from the primary market, we can go to that also. But it's very initial thing. Let us materialize something and we are already doing some due diligence on you know one or two companies and we are also looking for some major diversification. So, let's see what happened and we'll be able to definitely disclose to the shareholder and something happened positively.

**Maresh Atal:** Fine, fine, fine, Sir. I'll join back in the queue. Thank you.

**Moderator:** Next question comes from the line of Vivek Gautam with GS investments. Please go ahead.

**Vivek Gautam:** Yeah. So, first of all, congratulations on steady set of numbers. My question is regarding the macro scenario for railways. I've seen in the railway recently that sort of rush is there in the general compartment and the people belonging to the lower category going into the AC coaches and other things and creating trouble for it. So basically, the railway budget has sort of has also focused shifted from premium Vande Bharat sort of line to general category coaches and as such our air springs which were being used in premium Vande Bharat coaches, so they are having some headwinds and some budget allocation is there moving to more towards due to the accidents also to Kavach and other general things from our premium Vande Bharat offerings, Sir. So, what impact can it have on us, Sir?

**Kapil Bhatia:** So, this is an actually very good news to the shareholders that railways are little bit cut curtailing the Vande Bharat things and going for the traditional LHB coaches more from 6000 coaches per year to 10,000 coaches as you have clearly stated that there is a dart of coaches and the people are not able to get seats in the railways. So, that is the good news for us and air spring is not only used in Vande Bharat, they are now using the Air Spring in LHB coaches with the coil spring. So, we are having the bounty level both the end and as much as the LHB coaches are made that is good for the company and for our all the three division because we are supplying forging for LHB coaches, coil spring for LHB coaches and air spring for LHB coaches so that is the main thing that I've already mentioned, that additional demand of coil spring emergency procurement down because they wanted to produce more LHB coaches. So, it is good for us and good for the company as many as LHB coaches will be built and railway has really cut them, curtailed their Vande Bharat chair car and now they are working on Vande Bharat's sleeper car. So, once they're rolled out then they will see what is the economics and all that. So, it is good that LHB's are working for us.

**Vivek Gautam:** OK, Sir and Sir, any client concentration risk for us railway being our major customer only. And any risk mitigation plans we are taking. And what about the opportunity size for us and the expected growth which we can expect, Sir?

**Kapil Bhatia:** No railway, you can very well see that because of the country's population and government policies of our Prime Minister Make in India, which has really helped the company to work in such a manner so and for next 10-20 years, we don't see any downfall as far as the railway business are concerned, but you are already seeing that almost 3,00,000 crore rupees is located to Indian railways this budget and maybe more for the next financial year and all over the world, people wanted to come to India and supply to Indian Railway because the business is here. So, things are good and we are sure that the field where and the country and the Prime Minister working vision on the infrastructure whether it is rail, road or maybe shipping all these things are working on a great manner, so to companies associated with these infrastructure things are working alright.

**Vivek Gautam:** An expected growth rate for next 2-3-4 years. Sir, what is the expected growth rate?

**Kapil Bhatia:** Mentioned that by 27 we'll be touching the gross revenue of 500 crore, maybe a little more. So, things are good 20-25% close every.

**Vivek Gautam:** I remember the IPO of Frontier Springs came somewhere in mid 90s and that's a good part actually in the sense that so many companies came with the IPOs at that time and many of the companies disappeared and only a few are remaining, including ours so and what happened, Sir in between not much of the change happened and what was the positive figure for us and visibility for our earnings hasn't started. If anything, you would like to highlight, Sir.

**Kapil Bhatia:** When we got our company listed, we were majorly working for the least spring segment for the state transport corporations and for the trucks, buses. But later around 2000, we have stopped making those products because of the major competition and very, very low profit margin and the state government has started buying from the local vendors from their state. Earlier we used supply to all the State transport corporation like MSRTC, Delhi or Hyderabad, everywhere we used to supply. So, things are different at that time. So business was very low and then we enter into railway and it took some time 2-3-4 years to build the new plant and then the new product. So, it was like that and slowly and steadily we have come on this way and then the Indian Railway used to import lot of spring, they were not buying from Indian sources as I've already mentioned that because of our Prime Minister Make in India, things we, we are able to do that but Indian Railway was not buying from the local vendors but now they are buying it and we have already proved our quality and air spring we have already got our technical partner from Germany ContiTech Continental. So, things are now good with us.

**Vivek Gautam:** And sir, one more thing I would like to congratulate you is about the, I believe your name of the company, our company is named after Frontier Province of Pakistan. So, your father started the company and you take it to the next level. Fantastic work by the 1st generation entrepreneurs and a few words about the next generation who is there in the company and what are their role and who are they?

**Kapil Bhatia:** My nephew, Mr. Shantanu Bhatia has already joined business. Mr. Neeraj Bhatia's son and he has already joined business and looking after the air spring and forging division and he is working really hard for that and things are in line for the next generation also and I'm quite confident that they will take it further to the next level.

**Vivek Gautam:** Yaa Sir, and the UP double engine sarkar is there and Kanpur is used to the major industrial hub and I believe they went through a bad times but now in the Frontier Spring might be one of the leading lights of the Kanpur Industrial unit, Sir. And what is the encouragement you're getting from state government, Sir?

**Kapil Bhatia:** The state government is you have already seen that double engine sarkar is working alright and law and order situation is very good and power situation has improved tremendously since last 7-8 years. We are not using any chances at all and things are really working and all the departments in the administration are really helpful for the units is looking after daily basis. So, we are associated with all the CIs and other entities, so things are good as far as UP governments are concerned.



- Vivek Gautam:** Excellent work, Sir. And seems our Maruti is on the way to become Mercedes. Thanks a lot Sir and keep up the good work, Sir. Thank you very much.
- Moderator:** Next question comes from the line of Aman Soni with Invest Analytics Advisory LLP. Please go ahead.
- Aman Soni:** Hi, thanks for the follow up. Sir, you mentioned to one of the participants like we are targeting 500 CR by 27 and at the same time we are looking for 300 CR kind of number for FY26. So, can you explain like what is the thought process or what is the rationale like is it like we are expecting some big orders in FY26 that are going to be executed in FY27. So, can you put some color on it?
- Kapil Bhatia:** Yeah, there are regular demand. I've already mentioned that increasing in all the three segments where we are there. Freight wagons earlier, they used to make 10 to 11,000 wagons. Now they are planning to produce almost 30,000 wagons a year freight wagons and from 6000 passenger coaches to 10,000 passenger coaches for the next 3-4 years and as many as freight wagons and coaches will be made so that much of locomotives are required. So, we are there in all the three segments. Anything which carries load and moves required a coil spring from us to Indian railway. So, all the three things play triggers, passenger coaches and locomotives required our springs and because we are into suspension, so without suspension nothing can move to we are quite positive that things will be alright for the next 7-8-10 years. There will be no stop to this as far as Indian railway are concerned.
- Aman Soni:** Got it, Sir. And Sir, I think in previous con calls you mentioned like we are one of the three approved players in India for this air springs. So, Sir can you comment upon like who are the other players who are getting ready for getting those approvals or what kind of competition do you see in next say 1 and a ½ year? Like what kind of players are coming in? How much capacities are coming in and whether it is likely like those upcoming capacities are likely to exceed the demand level? So how it is going to shape up?
- Kapil Bhatia:** There are still only three approved sources and I think maybe another one is there in line to get himself registered and getting registered with railways because these are the safety products required a lot of time prepping and it requires at least two years to get your product approved in the railways after testing field trial and all. So next two years, I don't see much of the competition coming in as far as the coil springs and air springs are concerned.
- Aman Soni:** And lastly, Sir, like we are in an R&D company only like we are developing the product and customizing it as per the requirement of the newest products that the railway is bringing on so are we looking to diversify further into the product segment like is it possible like we will be introducing newer products, apart from getting to the existing area?
- Kapil Bhatia:** No, we are into suspension and there are some other parts in forging division, which required heavy hammers which we are under installation so we will be able to produce more forgings to the railways and rest of the things will remain same and as we have already collaborated with Continental ContiTech Germany for further improvement in the quality of Air springs, we are already doing that in consent with the railway Research Department which is in Lucknow very close to us and we are working end to end with the RDSO and our company that whatever research is required for further improvement in quality and product, we are already doing it so that is an added advantage as we are in Kanpur and Indian Railway Research division is in Lucknow, just so half one and half hours away from us. So, we keep on doing that and which help us for understanding the railway need and railway further requirement for quality as well as the safety.
- Aman Soni:** Got it, Sir. That's it from my side, Sir. All the best for the future.
- Moderator:** Next question comes from the line of Raja Panda, an individual investor. Please go ahead.
- Raja Panda:** Yeah. My question is regarding the Air springs and we had a 52 crores order which was supposed to be delivered by December of this year. So, I'm assuming we are going to completing that order. Are there any further orders or any you know update on how the capacity is going to be used after this order?

**Kapil Bhatia:** Receipt of orders is an ongoing process. We already have a strong order book and are booked for upcoming financial year.

**Raja Panda:** Sir, we had also updated by, you know Alstom and Siemens and Bombardier and some other customers that have visited the facility and they're looking to locally procure from you for Make in India. So, get that materialized, are we getting some orders from these clients?

**Kapil Bhatia:** That is, we are already there and as our air spring, we are having collaboration with Continental ContiTech, which is international company and they are already supplying to Siemens, Bombardier and other major player who is producing the metro coaches. So as now we are in India and we are part of partnering with the continental ContiTech so that is the added advantage to us to supply these and things are already in line and whatever their requirements, they will definitely come to us. It's already discussed.

**Raja Panda:** So, what will be the capacity utilization currently and going forward for this division Air Springs Division?

**Kapil Bhatia:** Air spring division, we are just at the moment doing 50% capacity utilization.

**Raja Panda:** OK. So, do we look forward to increasing that utilization rate?

**Kapil Bhatia:** Yes.

**Raja Panda:** Thank you so much.

**Moderator:** Thank you. Next question comes from the line of Mahesh Atal with Atal Investment Advisors. Please go ahead.

**Mahesh Atal:** Sir, can you tell me the capacity of this Air Spring? Is it online now, the 250 we were supposed to move to 250 coaches per day, right?

**Kapil Bhatia:** Initially we have started with 100 coaches set per month and we have already doing it 50 coaches capacity already, these 250 coaches per month.

**Mahesh Atal:** Oh, since last month, we are doing it 250, right, so we can take it at 250.

**Kapil Bhatia:** Yes.

**Mahesh Atal:** Which is 1000 air springs per month.

**Kapil Bhatia:** Yes. Yeah.

**Mahesh Atal:** And Sir, as you said, the we are booked for the next financial year coming to Air Springs, right?

**Kapil Bhatia:** We are booked for almost the full year for the next financial year.

**Mahesh Atal:** That is for the extended capacity, right?

**Kapil Bhatia:** Yeah.

**Mahesh Atal:** OK, alright, Sir. Thank you. That's it from my side. Thank you.

**Moderator:** Thank you. Next question comes from the line of Rakesh Roy with Boring AMC, Omkara Capital. Please go ahead.

**Rakesh Roy:** Yeah. Hi, Sir. Just the first question regarding Sir, as you mentioned earlier, you are working for Defense also, Metro also. Can you highlight on the progress on this sector part, Sir?

**Kapil Bhatia:** For defense we are working for our forging division and things are there, but it takes approx 4-5-6 months to start into the different areas. Metro. Yes. Now as we have for the spring and things are already started coming in from the BML and other manufacture of coaches for supplying Spring for their metro, and we'll started discussing with our ContiTech to supply with their design. So, every metro has a different design of air spring, whether it is Siemens,

Bombardier, BML, whoever manufacturing metro coaches. So, we keep on developing the air spring for each and every one, as far as facility approval is concerned that is already there. So now the product approval will start doing the product approval for their type of metro coaches. That is the thing.

**Rakesh Roy:** Right, Sir. Sir. Next question regarding can you give me the number, for coil spring you said 80-90 CR for air spring, how much, Sir?

**Kapil Bhatia:** The air spring this year, the same 90:90 for air spring and coil spring and around 60 to 70 for forging. 42 to 50 gross we are targeting this year.

**Rakesh Roy:** OK, Sir, my next question, Sir, as you mentioned that government is cut down Vande Bharat, this number and increase the LHB coaches, LHB coaches we use air spring plus coil spring both. OK, Sir and how yeah so if I am right mathematically if you take 50% coil spring and 50% air spring out of total 8000 coaches every year and one if I'm right if one air is being cost is near by 1.25 lakhs nearby.

**Kapil Bhatia:** Yes

**Rakesh Roy:** And coil Spring is nearby 30,000 per unit.

**Kapil Bhatia:** Yes.

**Rakesh Roy:** And our market share is nearby 50%.

**Kapil Bhatia:** Yes.

**Rakesh Roy:** In that case, Sir, our revenue will increase further, right?

**Kapil Bhatia:** It is there and the prices is also going up because of the additional demand and we are getting a good margin for coil spring. What you are saying we are getting much better than the 30,000 at the moment and being an emergency demand by railway and suddenly increase the capacity. So, we have good margins on the railway and things are good as far as utilization.

**Rakesh Roy:** Sir, my question is, Sir, regarding if you take 8000 LHB coaches and if take 50% air spring, that can only add nearby 160 CR out of the market.

**Kapil Bhatia:** As I'm saying the next year order book is full, so that is why it is full, Sir, because the more requirement.

**Rakesh Roy:** OK, right, Sir, I said, can you highlight all the this one for the forging business and how is the market size and who are the other players in sales for railway forging?

**Kapil Bhatia:** There are, as I've already mentioned, that forging will not have the same margin as coil spring and air spring are having but there are good suppliers like RKFL, Ramakrishna forging which is already listed company and there are few companies from Punjab who is supplying to railway. So, there are 7-8 companies in forging this thing. So, but what we are doing with the regular supply, as we are increasing our hammer capacity, so we are entering into some components which are having a less supplier so that we get a better margin and all. So that's why we are increasing our capacity to go for a bigger hammer in the major heavy product where we are having only 2-3 suppliers so that we get a better margin on that in the forging division also.

**Rakesh Roy:** Ok Sir. And as you mentioned in air spring, we have only three players and who are the other two players?

**Kapil Bhatia:** One is Avadh Rubber and there is a Tire Engineering like this.

**Rakesh Roy:** OK. OK, Sir. Right, Sir. Right. Thank you, Sir.

**Moderator:** Next question comes from the line of Saket Kapoor from Kapoor and Co. Please go ahead.

**Saket Kapoor:** Namaskar, Sir. And thank you for the opportunity, Sir. Firstly, when we look at the closing balance for CWIP, is it for the debottlenecking exercise that we have commenced and when we are going to reap the benefit or when is it going to get capitalized those 4 crore rupees?

**Kapil Bhatia:** It is a debottlenecking exercise as well as installing our new hammer in the forging division, so it will be around 4 to 5 crore, which we are already doing for this financial year. So, it is for both installing our hammer as well as the debottlenecking the capacities of our coil spring and Air Spring division.

**Saket Kapoor:** OK. And when will this get applied and the benefit will start flowing?

**Kapil Bhatia:** Well, it is on a daily basis. By March this will all be done and start getting more better revenue for the next financial year.

**Saket Kapoor:** Can you give the raw material basket mix? what constitutes the major raw material consumed?

**Kapil Bhatia:** We are having a different type of raw material basket mix. For Coil Springs, we procure spring steel rounds of different sizes and grades from RDSO Approved sources. For Forgings, billets and rounds of different sizes as per the end product requirements. For Air Springs, we are buying cold roll flat products from Steel Authority of India Limited and Evonith value steels Limited. Rubber bellows is supplied by our technical know-how partner Contitech Limited.

**Saket Kapoor:** Sir, I missed last two comments Sir.

**Kapil Bhatia:** All the three products air springs, forging and oil spring, so they are raw material supplier is also approved by RDSO.

**Saket Kapoor:** Sir, there is some noise in the background that could be cleared.

**Kapil Bhatia:** I don't know.

**Saket Kapoor:** I'm not able to. Yeah. Yeah, Sir, you are answering that for even for the raw material part, you have the RDSO that is the certified supplier from the railways taking into account considering safety aspect of the finished product?

**Kapil Bhatia:** Yes, yes, yes.

**Saket Kapoor:** In that case, also for the raw material part also the railways are well aware how are the price trends are and that even insulates your margins that's a better understanding?

**Kapil Bhatia:** See it is there but because of the quality they might charge little bit higher from the other sources. But that is there in our quotation that we have to buy from this and their prices are X plus from the other supplier from the market. So, railway understand that and they give us that margin of buying a little bit sensitive material but because of the quality the railway allows that.

**Saket Kapoor:** OK. And the other private steel players are also providing these value-added steel products or it is mainly the feel that yes, you know.

**Kapil Bhatia:** It's all private players who are supplying the steel to us. Jindal, Sunflag Iron and Steel company, Ocean Steel. So, it is all the private players who are supplying steel to us.

**Saket Kapoor:** OK, right, Sir. Sir, if you look at the other expenses line item, do we have any specific components that constitute or there are a lot of many items that goes into this 14-15 crore quarterly run rate?

**Kapil Bhatia:** It is the remain same and what was the previous year.

**Saket Kapoor:** Right Sir. Thanks for all the answers and all best wishes. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to Kapil Bhatia for closing comments.

**Kapil Bhatia:**

Thank you. Thank you, all the participants who have come and asked the question about our company. Thank you for joining us today for our earnings call, we appreciate your time and interest in Frontier Springs. Should you have any further question or require additional information, please do not hesitate to reach out to our investor relation advisor at TIL Advisors. We look forward to continuing our conversation and updating you on our progress in the future, thank you once again and have a great day ahead. Thank you so much.

**Moderator:**

Thank you. On behalf of Frontier Springs Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.