

**TEXMACO RAIL &
ENGINEERING LTD.**

**“Texmaco Rail
Q1 FY2022 Earnings Conference Call”**

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**TEXMACO RAIL &
ENGINEERING LTD.**



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Moderator: Good day ladies and gentlemen, good day and welcome to the Texmaco Rail Q1 FY2023 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Agarwal, Head Institutional Equities at SKP Securities Limited. Thank you and over to you Sir!

Navin Agarwal: Good morning ladies and gentlemen. It is my pleasure to welcome you to this earnings conference call on behalf of Texmaco Rail and SKP Securities. We have with us Mr. Indrajit Mookerjee, Managing Director along with his colleagues Mr. A K Vijay, Executive Director, Mr. Hemant Bhawania, VP, Corporate Finance, and Mr. Ravi Varma, VP Corporate Affairs and Company Secretary. We will have the opening remarks from Mr. Ashish Gupta and overview on the financials by Mr. Vijay followed by a Q&A session. Thank you and over to you Sir!

Ashish Gupta: Good morning I welcome my fellow colleague and all the investors on this call. So let me start with an overview of the industry. So as you are all aware that we are in the business of railways and primarily manufacturing of wagons and railway EPC work that we do. So if you look at the industry currently, the industry never had it so good in terms of order book and visibility on the future. I am very pleased to announce to the investors that Texmaco today has an order book which is slowly inching towards 10,000 Crores which includes the wagon orders both from Indian railways, private customers, EPC business, etc. Theoretically we are sitting on order book of (inaudible) 2:19 plus now and it is a very good time for the industry, very good time for the company. In fact I am pleased to announce that we bagged our largest ever order from Indian Railways last quarter which is 6450 Crores close to 20,000 wagons to be executed over the period of 39 months over and above that we also have a very robust order book from private customers so the scenario is very, very robust and we are happy with the current order book that we have. The railway industry is likely to invest much more into procurement of wagons and running stock and related services on EPC. So just to give you a brief of what this order is all about, see typically the industry has never produced more than 15,000 wagons in a year and today the entire industry is supposed to provide approximately 30,000 wagons annually, so from an industry point of view also it is a very good scenario and very happy to announce we have been able to bag these orders in a very, very competitive scenario. This is as far as the market outlook is concerned. On the performance part you must have seen the results. Mr. Vijay will speak about the results first and then we will get back into the analysis of those result so I will hand it over ED CFO Mr. Ashok Vijay to brief the investors on the Q1 performance in terms of numbers. Over to you Vijay ji.

A K Vijay:

Thank you Ashish and welcome again all the investors and we are happy to welcome you in this investor conference which is for the quarter one of the performance of Texmaco Rail and Engineering Limited. Although you will not be very happy, you will be disappointed with the kind of performance which the company has done in the first quarter there are reasons, but the reasons are more justification. We accept we have not been able to perform to the expectation of investors, but we can assure you going forward we are taking all such steps that as Ashish already explained to you the order book is very comfortable and we are taking steps towards how we can increase the production and productivity by increasing shift, by investing some money in the balancing equipment, making sure the transaction facilities are duly provided with the required working capital so that the production and other things pickup, my dispatches pickup and we will try to churn out one of the best performance which company can do over the years from now onwards. The results are there in your hand and the performance of the company, although not good, but then I have to share with you. The gross revenue for the quarter one is 305.09 Crores as compared to 336.58 Crores in the corresponding quarter of the previous year, which was unfortunately also impacted last year was by COVID surge. So this year although there was no COVID surge but still we have not been able to improve the performance. The EBITDA gross profit that is PBT, net profit after tax are negative 3.62 Crores, negative 26.06 Crores and negative 22.53 Crores against a positive of 41.57 Crores, 15.66 Crores and 4.7 Crores respectively in the previous year quarter one. These are comparative performance which is just for the sake of your information I share although results are already there in your hands so you have noted down. Now I basically like to brief you on why this performance have been so and division wise what the company is basically performing and what can be the outlook based on what Ashish shall briefly said. So number one comes to the rolling stock division which is the main division of the company because almost 70 to 80% turnover comes from here if you do not consider rail EPC and if you consider rail EPC still 60% of the performance comes from here. So this division as Ashish just shared has backed the largest railway order in the history of the company which is 20067 wagons and this is against the tender which was last issued by railways. We received the order in the month of May. The 20067 order is to be executed in 39 months and thereafter so it means virtually three and quarter year we will have to gear up for this thing and this year we have to perform for six months combatively so roughly we will have to do about 3300 wagons and from next year onwards as per requirement we have to deliver minimum 6600 number of wagons. On top of it the market in private sector is also buoyant and we are getting good enquiries and good orders also and in fact the deliveries are now little prolonged. I will explain the reasons why this is so. As far as the market conditions are concerned we are seeing that railway industry has never seen that kind of buoyancy in the market. The only thing which we need to do is now deliver and that is what we are all gearing up towards that. We did not only this is the order book even the railways has further indicated that they require further more wagons and they gave another tender so the position is remaining positive and

this is all emerging out of railways target of improving the trade to 3 billion tonnes compared to 1.4 billion which is present and earlier the plan was for 2030, the minister wants to peep on it to 2027 so in five years if railways wants to improve almost two and half times naturally the first and foremost thing which comes in this thing is the track and the wagons so wagons and locomotives and track these three are the essential and where the focus of railway is there and this is not a one time thing and all. Railway are basically assuming that yes their market share has to go up and more and more dependence on road has to be eliminated. Today the railways share is roughly about 27% of the total freight movement in India which by 2030 the railways is planing at least 40% if not more and just to give you the idea about this thing, it was 80% when India got independence this is 75 year of that. It was 80% through rail at that point of time in movement and with all the green movement, pollution issues reducing the carbon foot print and all those things I think the focus on railway will increase more and more in the coming year so this is how basically it is and the railway has ambiguous target of CAGR of 16.5% which is none of the government segment has ever assumed about. This is what railways has done apart from this there is a very robust demand coming out of private sector because they know pretty well the railway will be buying only standard type of wagons which are open and closed types rest all the type of wagon requirement will be have to be met by them through their own sources so all specialized end requirement need to be made by them. This apart the logistic movement which is now picking up very fast in India and with the larger participation of the private sector so we are having a big demand from new emerging logistic company and they are all giants in their field including the multinationals like Adani, like NYK, like GATX, like 2X so all these people are emerging very strongly in this field including leasing companies and logistic companies. TCI is also coming in a big way so it is a long list about this thing and they all want to build up the population because they cannot garner the market share until the population of wagon is built up by them so there is a sizeable demand which we see coming from this sector up to next 3 to 5 years so this is how basically it is going about and gradually all the specialized manufacturers will look for manufacturing, will look for procurement of wagons for specialized freight cargo only like for aluminum, aluminium wagon for fertilizer the fertilizer wagon for food grain the food grain wagon and not the general types of wagon so this will all give a lot of hedge to organization in the segment to improvise on new designs come with innovative ideas and whereby the haulage capacity can be increased in freight incidence on the end user can be brought down. The order book as we explained is now close to 10,000 Crores. Now I come to the basic reason that why we have not been able to perform and the primary reason was non availability of wheel sets which railways they released the large order, the immediate instruction for the ministry came was this thing no wheel set to be supplied by railway factory for private wagon users and they permitted that private wagon user can import the wheel set for their requirement including import from China, good enough but then the issue is existing that demand is robust, import from China takes time and suddenly when the cleared the

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imports the prices also got started shooting up so we had to take up with all the customers, we had to renegotiate with the price because the wheel set price was based on the domestic prices and the imported prices today has shot up. There is an interest and demand because of Russia Ukraine war and Ukraine as a source being drying up so China is remaining one of the reliable sources only globally and as a result the prices in China has shot up and that is what we were trying to work out, negotiate and all these things and Ashish will share with you later that how the results for this negotiation has ended up to those thing. It has been ended up positively. Now our production got seriously impacted because at the beginning of the year we have only the private sector orders and since the wheel set for private sectors were not available we were sitting on haunches without doing any production or rather doing only the process production but not actually delivering any wagon and if you see my performance for the quarter one I made only 20 wagon for railway which we had committed to them and delivered, apart from that 100 wagons we could do only private which we could manage and apart from that no private and that is the result why it happened. Also the order which we received this time was for a type of wagon which is BCNA. BCNA wagons we have not done in last 5 years from this plant and as a result we were required to do prototype and as you know the prototype takes two to three months so we were busy doing prototype which I am glad to share with you has already been approved and now we have started a commercial production from this month and we have already started delivering this BCNA wagon and you will see substantially movement in deliveries during the quarter two onwards. Regarding the wheel set also at least the railways are now gearing up by themselves importing the shortage items that is the axels from China and the assembly at their end because they have the availability of the wheel set. At least that particular you are maneuvering the railway has been able to supply the required quantity as of now for the railways orders so we do not think that there will be challenge in receiving the wheel set to meet the railway obligation and railway will do whatever they require because the ministry will be very keen the delivery must come whether the import the wheel sets or the import the axel and assemble the wheel set or they divert the maximum quantity towards freight all these measures railways will be taking so that availability of the wheel set for this railways is there. Regarding private we have also placed orders for import and our delivery will start coming from sometime from November onwards and once the delivery start coming from November onwards then we will start delivering and accordingly given delivery schedule to all our customer for private wagon orders. With this basically I foresee that the wagon division especially the rolling stock wagon division will be doing well, will start improving from quarter two and do the best performance during quarter three and quarter four as of now as the situation emerges. Coming to steel foundry division, now steel foundry division was in first quarter was impacted for couple of reasons, main reason as no suction in the wagon plant was there so there was no production which was feasible to make and store because it requires a whole lot of working capital and all those things. As it is our working capital is really blocked in whatever material we already

produced which was awaiting the wheel set so steel foundry in the first quarter did suffer the production and all those things, but from second quarter onwards as the delivery in the wagon front is improving the suction is also improved and the steel foundry is also gearing up to produce to the requirement of this things. The positive for us is that the kind of requirement which emerges out of the wagon requirement which we need to deliver to the railways will require a amount of casting which is today is a challenge for steel foundry to produce and we have to really gear up make sure that our production capacity will improve substantially from what we have been doing over years and meet the requirement for the wagon so that the wagon plant is not wanting for this thing. On top of it as you know we have a large export commitment which we certainly like to meet because the export market we have developed with lot of efforts over the years and this export market which we have developed has now started yielding results as new customers also approaching and they are all coming from developed countries and the demand pattern over there is also improving because of the global turmoil but we are restricting over obligations to them to the extent basically we can only meet the requirement and not committing any additional quantity as of now until and unless we have been able to improvise the production or improve the capacity of our steel foundry. The steel foundry as you know has never produced more than 20,000 to 21,000. It is a maximum production they ever achieved. Now we have planned the production capacity to increase gradually first to 30,000 and then to 35,000 this of course requires some balancing equipment some minor expenses and all these things. We will be carrying out all these things. The plans are all ready but yes we are targeting to increase the production capacity to almost 36,000 tonnes which will be in operation from next year middle. With this we will able to control the domestic as well as export requirement and once we stabilize with that then we will look with the possibility that how can we further improve without making any massive capital investment and moreover as you aware in Calcutta expansion of capacity is restricted because we come in the orange zone and we have not been able to expand the melting capacity. With this whatever innovative we can do we are doing and we are making sure that the production goes up. Regarding the (inaudible) 18:56 division our operation suffered a bit because the prices of all the commodities which are going in this had shot up like nobody business due to again the global turmoil which is going on the steel and other all commodity items. They are shot to the roof resulting in this thing that yes the margins have really seriously impacted and whatever we are doing we are trying to restrict ourselves so that we are not serious challenge on the working on funds and whatever funds are available to that extent only we are doing this thing. We are not booking any orders details we will share with you once the question and answer session starts and Ashish takes over that and other divisions are basically doing the steady level. We are not focusing too much on those division because they are comparatively very small and hence the demand so strong and bullish in the rail wagon sector that is the area where we are focusing today so this is the basic summary of the

working result which we have this year. Now I will hand over to Ashish to summarize and add further to this.

Ashish Gupta: Thank you Vijay ji. Before I proceed further may I request our Executive Vice Chairman Mr. Mookerjee if he has something to add before I proceed with on further remarks on what Vijay has told?

Indrajit Mookerjee: Thank you Ashish I think you go ahead. If there is something which I can chip in I will do it at the end so why do not you carry on.

Ashish Gupta: Thank you Sir. Thank you. So picking up from where Vijay concluded so in terms if you look at the last few months primarily our major loss has been because of availability of wheel sets and this is something which is controlled right now we could not do anything about it and therefore we were not able to produce. In fact if you look at the results our WIP or the inventory went up by approximately 75 Crores. We had wagons ready produced, close to 200 wagons ready and produced just waiting for these sets and so we did not stop the production we kept producing so that when the wheel start to come we can look to cash as early as possible so we already procured all the raw materials and steel for the wagons when these came from the railways board and later they allowed imports of wheels. The entire wheel market globally is also undergoing churn because one of the major countries supplying wheels globally was Ukraine and you are all aware because of the war going on this entire market is completely disrupted and so the entire world is moving to China. I am happy to announce that we have been able to block capacities in China. We have opened our LCs and we are expecting to start so I would say it was a blip in our performance in terms of number of wagons that we have produced. We are happy to state here that we should be able to cross approximately we are planing to cross 900 wagons in Q2. The other thing which I would like to mention here to the group is, if you look at the railway order it is typically a 35 month order which will be delivered in 39 months. Within the first three months actually has been allocated for the purpose of preparation of prototypes for the supply chain etc., so to that extent I think we are well prepared and we are going full throttle next month onwards and with prototype approvals that have been done we have started the production now and wheels have started to flow in so to that extent we are very confident that we will go full throttle in terms of execution. In fact happy to announce that we have strengthened our teams. We have recruited a lot of youngsters now we are getting into three shift operations so we will look forward to delivering now in the next few quarters and this dip which was there in Q1 should be thing of the past and questions if any from the investors.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kaustav Bubna from BMSPL. Please go ahead.

- Kaustav Bubna:** So I had a few questions firstly wanted to understand clearly why has Texmaco specifically faced the shortage of wheel sets because if you look at another listed competitor in their rolling stock division they have not really suffered as much as this company so I mean if this shortage is going on from Ukraine because of shift and supply from Ukraine and also government diverting wheel set supply to public for public needs I mean other companies should be affected so why only Texmaco from at least the listed players who we investors can see from.
- Ashish Gupta:** If you look at our opening order book beginning of the year we did not have any significant railway order so therefore we could not get those supplies. The other thing which happened was these wheels came in to diameter, only the 1000 mm dia wheel set and the other is 840 mm dia wheel set now as luck could have it most of our order book and generally 80% of my private sector order book needed wheel sets of 840 dia and we have been sourcing these wheel sets since January because they did not have the molds to do it. The production was supposed to start in the month of March which is what we had based our production plan on, but unfortunately till the month of June this production did not start so therefore it is the product mix which did not allow us to get those wheel sets so I hope I answered your question.
- Kaustav Bubna:** The next question as per your press release Ashish you will be leaving the company for Greener Pastures so could you just let us know give us some clarity on who will take over your position what is happening on that front because we have got any clarity on that yet and also could you on that point just reflect during your duration as MD how has the company evolved because clearly delivery is still lacking so could you speak a little about those two points.
- Indrajit Mookerjee:** The first point I would be volunteering to answer so Ashish please go ahead with the second part of the question which is the question of the evolvement and the evolution of the business during your tenure.
- Ashish Gupta:** So if you look at my tenure we did lot of efficiency improvement in terms of rationalization of manpower. If you look at the EPC division we closed down old legacy contracts. We did clean up of old project. In fact more than 70% of the old projects we have closed so the last two years has been spent on improving the strength of the organization in terms of efficiency improvement, cost reduction initiatives, right sizing the organization, getting back our mojo on design and on technical progress so last two years has been typically spent on preparing for the future. In fact that is the theme that the entire management is working on is to get back our face back in the sun and also to strengthen the organization in the long term so if you look at the way we have performed in terms of reducing our creditors, reducing our banking exposure so lot of strengthening of the system has been done in the last two years, there has been lot of focus on the market development. We have the largest order book as far as the

private sector is concerned and we have strengthened our marketing teams. We have fresh team. We will be going around the market. Developing new wagon designs. We have also entered the export markets once again. We have recently done a very, very innovative design for a steel company in Africa. It is not a thing which you can achieve overnight but yes last two years has been very focused on figuring for future and I think as a company we have done very well and today we are sitting on a very large order book and the order book is much beyond what the Indian railways order book is and I am very happy to say that our focus on delivering good quality, innovative designs have come back and we are now focusing on niche products with higher margins so that is how I would sum it up. Last two years what we have done. I would now invite Mr. Mookerjee to respond to the first part of the question.

Indrajit Mookerjee: Yes firstly I would like to start by wishing Ashish all the best in his future endeavor. This was a personal decision of Ashish to look for as you said Greener Pasture. I would say more than greener sometimes you look at future and you get great opportunities and you do not like to give it up, but Ashish has a very short but very eventful year because there are lot of things he has changed and he has mentioned very clearly that these take time. You cannot just make it to happen overnight, but the way we look at we see that we are in the process of emergence and we would be back through our glory as we used to be very, very soon so that is my personal impression and I also think it is a genuinely realistic impression because lot of things are happening. Before I come to the specific question of the managing director, I would like to say once again emphasize we got caught napping during this quarter because we wanted to have a proper mixture of the private and railway order because we obviously had a large chunk of private orders which should get us better margin whereas the peers who are continuing with the railways orders because they had pending railways orders so we got caught napping because of the wheel supply and because of the wheel supply when railway wheel factory factor decided that they would only make supplies for the railway wagons we had no wheels and secondly also some of these wagons required wheels of different dimension which railway factory failed to produce and I do not know whether they have started producing now or not.

Ashish Gupta: 840 dia production has started but that will primarily go for the maintenance of the road rolling stock so there are no plans as far as railways order book is concerned to supply them for private manufacturers.

Indrajit Mookerjee: As a result of that as you all have seen. I am sure you have seen what has happened to our inventory. The inventory went up by something like 75 to 80 Crores because we made the wagons. We made half of them or full of them except the wheels and they were piling up and that is why had they had gone out in the market we would have also had the same numbers as the peers have done so I just wanted to clarify, it had been very nicely clarified by both

Mr. Vijay and Ashish. Coming back to the specific questions of managing director yes we will have to look for a managing director to take us to a newer future because things are changing, railways improving. We need to change. We need to improve our manufacturing technology. We have to bring in some managements tools, green manufacturing, qualities, more automations coming so the board has decided that we will go for search of managing director to replace Mr. Gupta. Of course these things take time. It cannot be immediate but we are on the search. Thank you.

Kaustav Bubna: Okay thank you so much I will get back in the queue.

Moderator: The next question comes from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Yes good afternoon Sir. Thanks for taking my question. Sir couple of questions from my side. First would it be possible to get a break up of the 10,000 Crores order book into various segments like heavy engineering, steel foundry, rail EPC etc.

Hemant Bhuwania: The total order book as of 30th June was 9525 Crores, the breakup being heavy engineering work 7900 Crores, steel foundry was 115 Crores, Kalindee was 960, Bright Power Division was 350 and other subsidiaries and associates are around 200 Crores. Out of heavy engineering division the rolling stock comprises of around 7700 and remaining 2200 is hydromechanical bridges and high tech.

Parvez Akhtar Qazi: What would be the wagon order book in this?

Hemant Bhuwania: The rolling stock wagon order is 7700 Crores.

Parvez Akhtar Qazi: And my second question is regarding our current debt status so what would be our current gross debt?

Hemant Bhuwania: We are having a long term debt of around 135 Crores and the working capital debt of 700 Crores.

Parvez Akhtar Qazi: My last question is where do we see our debt level going ahead considering that we have a big plan of ramping up execution.

A K Vijay: Basically on a capex side we are targeting to invest close to about Rs.100 Crores and this funding will be done primarily from borrowing which we are basically already tied up some borrowings to extent of 75 to 80 Crores and balance will be from generation. The working capital vice we are only looking for ramp up about 100 Crores in the engineering division

because we need to increase the production. We need to double. As a result of this thing there will be a big pressure on the steel and other requirement which are all being bought in cash so we will looking for an enhancement of about 100 Crores over there so that is where we are basically putting a break and want to restrict our borrowing to achieve the production in respect of what we have explained to you earlier from here onwards.

- Parvez Akhtar Qazi:** Sure Sir. Thanks. That is it from my side and all the best.
- Moderator:** The next question comes from the line of Sandip Sabharwal from Asksandipsabharwal. Please go ahead.
- Sandip Sabharwal:** Do you have guidance for the kind of margin you be able to make and operating leverage you will be able to capture as the order execution picks up.
- A K Vijay:** Let me take the question. As far as the guidelines for margin our company policy not going on that but I can answer your question in a manner whereby the kind of productivity which we are talking about and the kind of production we have basically planned, the margins are bound to improve because this industry is a volume game and the moment the volume game your expenses are more or less constant irrespective of what actually you are producing so if you see my first quarter result my expenses are still too high whereas the production is hardly anything so this is basically the trend of industry and we cannot substantially control the cost in a quarter or two quarter if the production goes down so as a result of this thing once the production picks up which is bound to do from quarter two onwards automatically the margin will start improving about thing and certainly we are hopeful that we will end the year on the positive note. Thank you.
- Sandip Sabharwal:** What specifically the payment cycle with railways follows.
- A K Vijay:** As far as the wagons are concerned the payment cycle are fast. If your bills are in order and you are actually delivered the wagons to railways as per their necessary approvals the payments normally comes not in 7 to 10 days. Normally in a quarter end there can be challenge because railways has to get the new budget allocation from their existing but then as far as capital is concerned it is planned and the fund availability is always there. The issue comes in case of rail EPC there also fund availability is not serious challenge but the process of bill passing is something which always becomes a challenge. The process is very long and it requires the kind of documentation which I hope Ashish you will be able to answer that better than me.
- Ashish Gupta:** See fortunately our great EPC project always the metro corporation and DSP and these are typically well funded projects so normally 45 to 60 days is the payment cycle that we get in

the EPC business right now and since most of this project are not short of funds we currently do not have a situation where we are not getting paid because of course not being available this typically becomes the case for government contract so we are well placed over there and the private sector orders also the payment is easy.

Sandip Sabharwal: And do you also have the capability to participate for the Vande Bharat things.

Ashish Gupta: We are currently not in the passenger mobility business actually.

Sandip Sabharwal: Alright thank you.

Moderator: Next question comes from the line of Kaustav Bubna from BMSPL. Please go ahead.

Kaustav Bubna: On this private wagon order could you give some sort of indication on what the market size is or the business opportunity rather for the next two years so like how we know that Texmaco got a 20,000 wagon order from the public sector. Could you give some indication on for the full market what could the wagon order potential be for the next two years and how much market share does Texmaco aim to have here and what is the point of all of this if there is a shortage of wheel sets for this segment for this opportunity.

Ashish Gupta: See wheel sets now that the imports have opened we have placed the order for imported wheel sets and this is all the price game as far as the offers are concerned so wheel set November onwards would not be an issue so that is on the wheel set issue secondly if you look at the type of wagons which Indian railways is ordering so these are typically general process wagons so this does not cover wagons to carry container it does not cover wagons to carry fly ash, alumina, cement, etc., plus the demand which is coming from this power sector because now if you look at NTBC is going for its own racks, big steel companies are buying their own racks so this typically would be serving the general of the demand I would assume that close to 2000 wagons every year would be ordered by the private sector every year for the next few years. I am not talking about next two years and if you look at the national rail plan also and the plan which is there up to 2026 and 2030 a substantially amount of wagon have to be procured by the private sector to actually achieve that plan so the market will continue to grow and typically Texmaco has been getting a lion share of this market and we have been typically 50% plus on the customer acquisition as far as the private sector is concerned.

Kaustav Bubna: And what is the margin difference between private and public.

Ashish Gupta: I would put your question into right perspective. See the Indian railway orders it comes with a price variation clause so the risk in these contracts is very, very low so I would say the margins in the private sectors orders are significantly higher, but these are also not very

simple wagons to make. The designs are more complicated and sometimes there are lot of imported components also so Vijay are we allowed to give some number on margin difference.

A K Vijay:

If you get the margin thing but as you rightly said the margin in respect to private wagons orders are comparatively higher than the railway order the reason being the railways is a bulk buyer so they generally go for a large tender where everybody is interested to participate so margins is always under some pressure where as private orders go specific and focus for private parties basically go up for quality manufacturers so they do not buy from general manufacturers they only buy from quality manufacturers and moreover since they are owning the wagon unlike the earlier days on the NWI scheme the wagon owned by them only for namesake. The wagons were actually owned by railways then and railways was only supplying them the number of wagons in spite of the rates which they own and nothing more but now the private sector is owning the wagon. The same wagons are coming back to them. The same wagon is being used and life of wagon as you know is 30 to 35 years so that is very important for them that they get a good quality wagon whereby the cost subsequently is not much and the downtime is not much. Today the maintenance is with railway so maintenance is not a big worry to them but certainly still if the downtime is there then they are not going that much of haulage movement for themselves so these are the issues thereby the people are basically very selective when the private sector come and as a result you will see the maximum coverage from private sector always come through Texmaco historically also and presently also.

Kaustav Bubna:

And last question when will the revenue start coming in from this 6000 odd Crores government tender.

A K Vijay:

I already explained in my opening statement that yes from Q2 onwards this will start.

Kaustav Bubna:

Okay great thank you.

Moderator:

The next question comes from the line of Manish from Prayas Securities Pvt. Ltd. Please go ahead.

Manish:

I just wanted to know the company acquired in 2013 Kalindee rail almost for 800 Crores and market cap of Tex is below 800 Crores.

Ashish Gupta:

I do not know from where you got these numbers.

- Manish:** I know Sir. I am the shareholder for your company for humpty number of years go back check your history. I am telling you the market cap of Kalindee rail what we brought is for 800 Crores almost 10 years the market cap of Tex is below 800 Crores.
- Ashish Gupta:** Your tone must be very conducive. Please listen your information is wrong. I cannot say anything more than that but kindly recheck your information, recheck your data you are making some serious mistakes.
- Manish:** Gentlemen what is the cost of acquisition of Kalindee rail in our books.
- Ashish Gupta:** That we have to refer the record launching but it is not even 100 Crores.
- Manish:** Then you have to go back. You paid Rs.68 to Rs.70 per share for almost 12 Crores shares.
- Ashish Gupta:** How you are talking about this. We did not buy all the shares. We brought only limited number of shares so your calculation are all wrong.
- Manish:** We brought the company for 800 Crores you might have not paid the whole money but you brought the company with a market cap of 800 Crores and today the market cover excel after doing right issues and several things is below 800 Crores.
- Ashish Gupta:** I think this question cannot be answered by management because you are not willing to listen so I am sorry for that.
- Manish:** You can explain me whatever you want.
- Ashish Gupta:** I told you that your numbers are wrong.
- Manish:** Okay agreed so what is the status of Kalindee rail which we bought over a period of time.
- Ashish Gupta:** Now that question is over now you are coming in the status of performance of Kalindee rail.
- Manish:** Yes everything including the tex rail everything in how many years you expect the shareholders of the tex rail will be rewarded see everybody is getting salary, everybody is getting whatever they want and shareholders are left in the jerk.
- Ashish Gupta:** Maybe because the shares have not performed well.
- Manish:** Because the numbers have never been there.

Ashish Gupta: Navin ji this answer I think better be taken by SKP we cannot answer on this call. Not Mr Poddar. It is to be answered by Navin Pachisia he is there on the call but your questions are Kalindee has not performed well over the years we understand that we are working on that direction and according to that the results are there in front of you and it is not that the management is taking salary without working. The management people are equally concerned and bothered about this thing and they are putting their blood into it. Please you refrain from such comments because being a shareholder you are welcome, you are part owner of the company but please understand we are also working sincerely diligently all the management team is working diligently about this thing. We are working on best towards improvement and if the management feels that yes the team is not doing well management will certainly keep changing the team.

Navin Agarwal: Manish this is Navin Agarwal from SKP. If you have some specific questions please take them up in case there are some unanswered question I will share my coordinates with you. You can forward them to me I will take it up with the management and get back to you. Is there anything else that you have right now.

Manish: See traditionally I do not know how long all of you have been associated with the company. The other company, market cap of Tatercear Wagon used to be below Tex rail and we are nowhere there.

Navin Agarwal: Manish the management will be able to answer questions related to Texmaco and not Tateger. I appreciate that so if there is anything please go ahead otherwise you can share your concerns and queries with me and I will take it up with the management and get back to you. Thank you very much ladies and gentlemen that was the last question in the queue. As there are no further questions I would like to handover the conference to Mr. Indrajit Mookerjee for closing remarks. Over to you Sir.

Indrajit Mookerjee: Thank you Navin. It has been a pretty challenging time for us. I think the management is all geared up and I am not surprised that some of our owners which is the shareholders could be agitated, but I think I would only make one request to the gentlemen who was very agitated for some reason is that we need your help to be patient because the company is turning around and I think we will keep on seeing much more brighter results to come from the next quarter. We had problems. We did not produce as we wanted to, but I think as Ashish I think said in one of his remarks it was a blip, we see huge growth potential in our heavy engineering as well as steel foundry and we also see that we had certain issues and problems in our EPC business which is Kalindee which we are tackling and it is getting very much under control so that the situations would be different in quarters to come and the bright part is sitting with a real right part because we see a tremendous amount of opportunity coming into right path. So that is in summary. I want this to be known to our share holders because the results were

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not very good so we ourselves suggested that we are confident to tell everyone what this blip had come in and so hopefully we have been able to serve part of our purpose and I would like to thank all of you for your patience not only in attending the conference but I would request you to hold on to see how we are moving and back us for our future growth. Thank you very much.

Navin Agarwal:

Thank you Sir. On behalf of SKP Securities that concludes the conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines. Thank you and have a wonderful day.