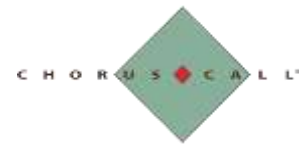




“Texmaco Rail & Engineering Limited
Q1 FY '24 Earnings Conference Call”

August 08, 2023



MANAGEMENT: **MR. INDRAJIT MOOKERJEE – VICE CHAIRMAN –
TEXMACO RAIL & ENGINEERING LIMITED**
**MR. SUDIPTA MUKHERJEE – DEPUTY MANAGING
DIRECTOR – TEXMACO RAIL & ENGINEERING
LIMITED**
**MR. A.K. VIJAY – EXECUTIVE DIRECTOR
– TEXMACO RAIL & ENGINEERING LIMITED**
**MR. HEMANT BHUWANIA – CHIEF FINANCIAL
OFFICER – TEXMACO RAIL & ENGINEERING LIMITED**

MODERATOR: **MR. NAVIN AGRAWAL – HEAD INSTITUTIONAL
EQUITIES – SKP SECURITIES LIMITED**

Moderator: Good morning, ladies and gentlemen. Welcome to the Texmaco Rail & Engineering Limited Q1 FY '24 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 management opening remarks. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal, Head, Institutional Equities at SKP Securities Limited. Thank you, and over to you, sir.

Navin Agrawal: Good morning, ladies and gentlemen. It's 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, Vice Chairman; along with his colleagues, Mr. Sudipta Mukherjee, Deputy Managing Director; Mr. A.K. Vijay, Executive Director of Finance; and Mr. Hemant Bhuwania, CFO.

We'll have the opening remarks from Mr. Mookerjee, followed by a Q&A session. Thank you, and over to you, sir.

Indrajit Mookerjee: Good morning, everyone. This is Indrajit Mookerjee, and it gives me tremendous pleasure in welcoming all of you to our investor call, where we are going to discuss about the company, our company's performances and we will be very happy to answer all the questions which you would like to ask us. So feel free to ask questions. Whatever -- we may not be fully successful in satisfying all your questions the way you want it, but we would -- as before, we would like to be transparent, and we'll let you know whatever we feel about your questions and what your answers are.

I have also a great pleasure in introducing you to a new person who's joined our Board, and we are very, very happy to have Mr. Sudipta Mukherjee, who has joined us on 1st of June 2023 as a Deputy Managing Director. Mr. Mukherjee comes with a great track record as well as experience in the industry and his addition to the Board as well as to the company is of immense support to the organizations, and I'm sure as investors to the company, you all will be also very happy to know that Mr. Mukherjee is with us, and is in full swing operating with us.

So having said these words, you know that we are -- the railway industry is doing well, and this is an industry which is coming out with endless opportunities every year, which is in line with the government's plan, national rail plan to be to be more specific, so more -- railways is trying to get more freight movement through the railways rather than from the track movement.

And all this put together, I think we are -- one of the purpose is to reduce the carbon emission. And as you all know, that the percentage of freight to be carried by the railway, there is a target for steep growth, and we are all players in the same mission to help it to happen. So we are a part of that mission, and we feel very proud to be a part of it.

The order books are full. We are also looking for new orders that are flowing in. We are trying, and it's a question of how you improve your situation on the operations and how you make it

available at a proper cost, lower cost, productivity, quality. These are the things which are of prime importance in our mind. Also, we also have, in our mind, the growth opportunities, because we're also looking at various growth areas, which are all connected with the rail segment, because we decided that we should only try to grow, where our competency levels are high and not go everywhere.

So putting all this together, I'm feeling that things are getting in the right place and we are also attaching more and more deals -- as the days pass, we will see better results to come.

With these few words, I would like Sudipta to say a few words, and then we can open up or we can have Hemant to speak a little bit on the financial side. And then we'll open up to discuss all questions. Sudipta?

Sudipta Mukherjee:

Thank you. It's an honor and a privilege to having the -- I mean interacting with you on this occasion, and this is my first such opportunity on behalf of Texmaco. So I'm Sudipta Mukherjee:, I joined as Vice Chairman Mr. Mookerjee has explained, joined as MD -- as a Deputy MD from 1st June 2023. So you know, as in almost everything, what is in the order book and all this for the company as of now, and as Mr. Mookerjee has also touched upon, the National Rail Plan 2030.

So actually, along with those orders and if we talk about the National Rail Plan, so what it calls for, it touches the areas like enhanced rail network, electrification, energy efficiency, trade capacity enhancement, modern rolling stock, experience of passenger enhancement and all these areas.

So what I find that Texmaco is very uniquely placed in terms of catering to many of these segments. And when we also hear that this is not the end, I mean every day, there are certain or the other excitement in and around the whole railway industry happening in India, while we also had, I mean, off late that railways is still aiming to infuse around INR5.25 lakhs crores investment, towards the enhanced trade movement. So Texmaco being the primary manufacturer and one of the largest manufacturer in the country, can have a long-term view and a plan.

And of course, along with the rolling stock, along with its unique connections, collaborations, JVs and particular focus to components, which is embarking into new plethora of opportunities, which make the company more stringent in the way forward and its performances. And I mean, this is what it is, and it's a very exciting time for the company, while we look forward to the opportunities with a positive side, with our unique capabilities. Still we are working inward to have more and more -- shine in those areas where -- which will make us perform better in the coming days and unleash as much as possible, and come out as one of the most preferred and one of the most successful company in the segment.

So I would be very happy to answer if anything, if you have, and we as a team and I would also invite Hemant, if he has to say something on the results and take you forward and then we will be happy to answer -- for any questions. Thank you.

Hemant Bhuwania: Thank you, Sudipta. Thank you, Mr. Mookerjee. Actually, the results were out on 4th of August, and I believe they must be in your hand. And now I -- Mr. Mookerjee and Mr. Sudipta has briefed about the industry. We request the floor to be open for the question and answer session. We will be more than happy to answer your questions.

Moderator: We have a first question from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Congratulations for good set of numbers. My first question is regarding wagons. Right now, we are executing around 300 to 350 wagons as per Indian railways data. Like we have a requirement of more than 500 wagons per month for Indian Railways. So like then we can ramp up on the execution side. If you could throw some light on the margin side on the wagons? Like if you look at, our margins are a little lower compared to our competitors. This is my first question.

Sudipta Mukherjee: So this is Sudipta here. I mean we have almost started making 500-plus wagons in last 1 or 2 months. Are we correct that the performance was not up to the mark in the few of the months, and there are certain reasons and issues for the critical component supplies, which we have only option to buy from the dedicated source from railways, and subsequently, certain design and other issues. But we have started touching 500 figure, and we are growing, and we are confident that we'll be able to consistently do it and even surpass 500. I mean, whatever the stipulation of railways. Other than the invite we will be performing immediately and touch upon other private sectors also from the --10 months.

Balasubramanian: Okay, sir. Sir, what would be the order book size as of now and like in terms of wagons and [inaudible 0:11:20] and you're also forming JV with of the European company. So like -- what kind of opportunities we have -- that the government have also announced around 50,000 wagons in the coming months. So if you could throw some light on that?

Sudipta Mukherjee: Yes. Excellent question. Actually, it will sum up and it will throw open the other new things which in Texmaco we are doing currently. So how we are looking at the business? One is that with the new railway order, Texmaco was one of the largest and, in fact, the second largest order getter in the segment from railways. So we have overcome the initial issues of supply chain and all other things. And we have dedicated the production setup for adding to the railway requirement, as I have also answered in my -- addressing to you in my first question.

In addition to that, it has other opportunities. Of course, as I have mentioned that, we have created a dedicated setup for catering to the domestic private sector, and you will immediately see -- I mean it has already started, but further it will be boosted up and consistent performance in that segment also in addition to the railway. And other than that, to increase the capacity, because we have a huge infrastructure and we have other manufacturing plants also, we were looking for -- in the parts for right opportunities, where we are bringing in this new European JVs, which will also start manufacturing wagons in the coming days and other components of the freight industry.

And I mean, along with that, so we will clearly have 3 very good capable setup of catering to Indian railway, as well as private segment of the domestic market, as well as export market, so -- and components. So these are the 4 areas where, very clear concept of having dedicated

production process and systems are in process of making, and in 3 or 4 cases, it's already been done. And in the JV new plant, of course, it will take a few months to set up, but the work has started.

Hemant Bhuwania: Subramaniam, we also adjust them on the order book. So currently, the company is having order book to the tune of around INR8,000 crores, of which rolling stock is INR5,400 crores. Our Kalindee division is INR1,000 crores. Bright Power Division is INR550 crores. Hydromechanical Bridges is INR100 crores, steel foundry is INR500 crores, other subsidiaries and joint venture is INR450 crores. So it is totalling around INR8,000 crores of order book.

Balasubramanian: Okay, sir. But on that steel foundry side, like what would be the capacity utilization? And we are also planning to demerge our Rail EPC business. So when that -- this demerger will complete?

Sudipta Mukherjee: Can you repeat the question because we couldn't hear you very well?

Balasubramanian: Okay. Sir, steel foundry side, like normally your capacity utilization...

Moderator: We have the next question from the line of Aakash from Dalal and Broacha Stockbroking.

Aakash Sawant: Sir, could you come again on the order book numbers?

Hemant Bhuwania: Sure. The order book is stood at INR8,000 crores, of which my rolling stock is INR5,400 crores. Rail EPC, Kalindee division is INR1,000 crores, Bright Power is INR550 crores, Hydromechanical and Bridges division is INR100 crores, Steel Foundry is INR500 crores. Other subsidiary joint venture is INR450 crores.

Aakash Sawant: Okay, sir. Got it. INR550 crores was for?

Hemant Bhuwania: INR550 crores was for Bright Power overhead electrification division.

Aakash Sawant: Okay, sir. Got it. Yes. So sir also -- sir, in the outlook, you have mentioned there are 4 key levers that you have for the growth trajectory. So one is the engine-driven wagon, second is the private sector values that you all are focusing on. What are the export margins that you all are focusing on? And fourth is, what you have said is the components for railways, freight? So wanted to understand, as a fourth lever, sir, what kind of components are we involved in providing to the railways? And what kind of market size do we look at?

Sudipta Mukherjee: So once we talk about the components, basically, we understand that the freight and rolling stock component, the backward integrations or whatever. So with our JV, there is an opportunity to come into few teens of it, so which -- some of them already existing, but the market was not, I mean, open in that sense and some of them are under development. So in terms of figure, it is difficult to tell you at this point of time, but it should be around how much -- so exactly, it is difficult to tell, but it will be a substantial business way forward in terms of the trade components for India and maybe for global market.

Other than that, there are certain dedicated business, which we are looking for -- we are already -- which is already existing, is fabricated components in terms of locomotives, in terms of fabricated bogies. And for all these, most of the customers are from export customers. So there, we are having an opportunity to cater to the European market of freight rolling stock and others.

Indrajit Mookerjee: So this is Indrajit Mookerjee:, just wanted to supplement of -- what Mr. Sudipta Mukherjee: has said, is that, as you all know, that we have a pretty high precision and modern facilities for making such components, which we normally call our high tech division. And this is the right time to utilize the high tech to its fullest, and that's what we are trying to do, is to use the high tech facilities to cater to the component market. We may need to do a few marginal investments there, but these are all very precision and high technology machines, which are going to be used for addressing to the market that Mr. Mukherjee has just now said.

Aakash Sawant: Got it, sir. Also, sir, I guess, by the end of 2023, FY '23, we had around 16,000 odd wagons pending to be delivered to in railways, right?

Sudipta Mukherjee: Yes.

Aakash Sawant: Yes. And those wagons we need to provide them by August 2025, right? So what is the broad production plan? And how many wagons are we planning to produce this year for a monthly target that you are now planning to achieve by this year and by next year. So what is the outlook there for this year and next fiscal?

Sudipta Mukherjee: So far the present contract is concerned for railways, so we have a plan to supply a little more than the asking rate, but it will be in the range of 450 to 500 wagons a month. And in addition to that, we will be doing the other wagons.

Aakash Sawant: Okay. So 450 to 500 wagons for supplying to Indian Railways? And in addition to that, you'll also be producing for the private sector, right?

Sudipta Mukherjee: Yes.

Aakash Sawant: What will be our total monthly capacity? What will be our rate of production, sir? For wagons?

Sudipta Mukherjee: In totality now, we are in the range of 500, few less few more, but you will see the performance -- I mean, the performance is continuously improving, and we are hopeful from the current month itself, it will -- actually, we can touch upon all these segments differently with our targets.

Aakash Sawant: Okay, sir. So I mean will you all be able to -- let's say, by the end of FY '24, will we be at the rate of like 700 to 800 wagons per month?

Sudipta Mukherjee: Look, that is always a good target to have, but as I said that the -- roughly the market is -- I mean, the requirement is that Texmaco is all geared up to reach that target. But I will not say today, it's not about a forecast. I've given a glimpse from which you have been able to calculate, I am happy. And in fact, we are working in and around -- to achieve that in and around with immediate effect.

- Aakash Sawant:** Okay, sir. So basically, you are trying to say that we'll be around that rate of 500 wagons per month for at least the short and medium term?
- Sudipta Mukherjee:** More numbers, you will see -- saying accurate number is of course fine, but more than that, you will see that all these 3, 4 segments, our performance would be much more strong, and hold from this month itself, as it has been in last couple of months or so.
- Aakash Sawant:** Correct. Correct, sir. Yes. I mean, there is definitely a ramp up in terms of production. Also sir, I think on one of the business channels, Hemant sir had come and spoke about the penalty or some provision that you all have a big impact on the expenses in this quarter, due to which you all had a big impact on the EBITDA margins. Wanted to understand more about it? Is it a penalty that we are paying or what what is it exactly?
- Sudipta Mukherjee:** Can you repeat your question once more?
- Aakash Sawant:** Yes, yes. So I think there is a very low EBITDA margin this quarter, right, of a very high production. So one of the reasons that was highlighted was that, you all have made a provision for the downsizing of orders that were made by Indian Railways, right?
- Sudipta Mukherjee:** Yes.
- Aakash Sawant:** So is it a penalty, is it in the nature of a penalty that you are paying to Indian Railway or what is it, and do we expect any further hits on our P&L in the coming quarters, with respect to that?
- Sudipta Mukherjee:** Look, in the contract of -- I mean in Indian Railway contracts, normally what happens that, you have a timeline to supply and even if there is a certain thing minus, as a matter of process, the options of the contracts are being exercised. So then there is a process of appeal and there is a process of going into it. And while you still are on the execution of the contract on a later date, the final decisions are being taken. So in that way -- I mean, in terms of certain tranche, which the company is executing, we took a call for a deferment or to start the first tranche prior to that. So there were certain financial implications as per the contract, which were foreseeable. So to make it clear and to start with a fresh listing, we have made this provision.
- Indrajit Mookerjee:** So actually, let me also add to Sudipta [inaudible 0:24:15]...
- Moderator:** Sir, we are unable to hear you?
- Indrajit Mookerjee:** I'm saying that this is Indrajit Mookerjee. So in addition to what Sudipta has mentioned, I would like all of you to know that we made a conscious decision about this provision. And also, we wanted to be absolutely transparent in saying, that we felt that this amount that we have decided to make a provision for the time being, we have to discuss with railways further. So we are doing that because there are certain clauses which are not very reasonable. But in order to go forward, we decided that we will make this a provision, but we'll continue to discuss with railways, because we think we have very strong grounds for -- to argue on this amount. So that's the only addition that I wanted to say.

Aakash Sawant: Got it, sir. So you all will be appealing for it, but currently, you all have taken a conservative provision in the books?

Sudipta Mukherjee: Yes.

Aakash Sawant: Yes, sir. And just wanted to know on the -- I mean, are you planning to enter the passenger rail segment, or are there any plans to venture into metro or passenger coaches or Vande Bharat?

Sudipta Mukherjee: We definitely have our aspiration to move to the passenger segment. But we have decided that instead of jumping into it, we should gradually build our competencies and then move it. And keeping that in mind, we have -- as I think Sudipta had already mentioned to you, that we have embarked a new strategic business unit, a new profit centre, which is the components. Now the components -- so making and manufacturing, is a very logical step towards moving into the passenger segments, because that's where it would require a lot of fabrication work.

So this is a very logical move to that. And then our aspiration is that, there are so much of demand and opportunities in the market, we need not get into, to join the fray and try to get something in a hurry. But we are preparing ourselves in the various dimensions, so that we are prepared to enter into the passenger movement. So it is taking a bit of time, but we want to get it right first time. We don't want to get into a new business and start making losses. So we are - - so that's the situation. The answer to your question is, yes. But it is a little long run than immediate entry.

Aakash Sawant: Got it sir. So we are planning to move forward steadily, which makes sense. Also, sir, last 2 questions from my side, what is the order intake? New orders that we have taken on our board - - in our book this quarter? And secondly, the new railway tender that's going to come for steel wagons of around 40,000 to 50,000 wagons. What kind of order potential -- win potential do we have in that tender that is going to come?

Sudipta Mukherjee: Look, we are steadily -- over the years, we are steadily focusing even a little less than 30% of the order, which we -- whatever the railway comes up with. And this is the first consistent order book, and we -- whatever we are executing was the first of its kind, which has made everybody to think of a long-term plan. And I think the initial planning and the homework has been done well. And once I said that we have been able to create excess capacity, in addition to whatever be the asking rate of the present contract.

So we'll be definitely eyeing at -- in the new tender for a continuity, in terms of Indian railway order book, healthy order book. And Indian Railway has been one -- I mean, the main customer for the company so far. And we definitely want it to be in the good books in terms of our production capability and along with our foray into other dimensions of the Indian Railways.

Aakash Sawant: Got it, sir. So we -- will you be planning to avail at least 25% to 30% of that tender?

Sudipta Mukherjee: I said a little less than 30%, it may be 20% to 25% or whatever it depends on the coating. You know there is a coating process, L1 and all this. So I said that we will eye as much as possible, because we have enough capacity now to produce.

- Aakash Sawant:** Got it. And what is the order intake for this quarter?
- Sudipta Mukherjee:** Around 1,500 wagons, 1,500, 1,600 wagons.
- Aakash Sawant:** They must be on the private side, right?
- Sudipta Mukherjee:** Yes.
- Moderator:** We have a next question from the line of Sandesh from HSBC.
- Sandesh:** Yes. Sir, I wanted to ask you 2 questions, firstly, on how do you see the order outlook bid pipeline for wagons from Indian Railways and from the private sector for the current year?
- Sudipta Mukherjee:** So we are all hearing as you have heard that there are certain new tenders Indian railway is coming up with. I have also read whatever the figure, I mean, someone had questioned that 40,000 wagons tender is coming. So in addition to that, there is a requirement in the market for private rakes of around, I believe, around 200 rakes orders available in the market, which will be scouted by various private players.
- And out of that, we may have, of course, again, I say that there are many manufacturers in the market. But in terms of delivery and all these things, we may eye at around -- overall Indian Railway and private, that a 30% stake -- near 30% stake of the old potential. And we are also -- maybe very hopeful, I mean, for this financial year itself to have around another 300 to 500 wagon orders from export market also.
- Sandesh:** And sir, which are the main countries which you export to?
- Sudipta Mukherjee:** We export to basically historically various African countries. But now we have, of course, certain new opportunities which have come up in European market also. And other than that, we have been -- U.S., Australia and all these things are also with the existing customers.
- Indrajit Mookerjee:** Yes. Actually, we have a really strong export of our foundry product to the U.S. And we are -- our product is considered to be [inaudible 0:32:41] the demand is ever growing there. And as Sudipta mentioned that currently, we are trending around in -- our market share is pretty high in the African countries. We also earlier supplied to many European countries also, also neighbouring like Sri Lanka and Bangladesh. Right now, we see also an uptick in demand from Europe, because Europe is suffering for want of components and wagons, because of the dried supply from Ukraine. So that throws up pretty good opportunity. So these are all our countries of concentration and we have a separate team looking into the export market.
- Moderator:** We have a next question from the line of Kaustav Bubna from BMS PL Capital.
- Kaustav Bubna:** Hi sir. I had a couple of questions. Firstly, this INR400 cores to INR500 crores which you were talking about in terms of capital raising, what will it be used for? What would the incremental capital raise which will happen and how much ever time, what will the money be used for?
- Sudipta Mukherjee:** We got the question. We have requested Hemant to respond to that.

Hemant Bhuwania: Hi Kaustav. Kaustav we had got an in-principle approval from our board to raise up to INR500 crores in one or more tranches. So we are talking to few of the financial advisers on this, that what would be the mode of raising the capital. And once we materialize on that, we can definitely come back to you again, on what would be the exact quantum and the mode of raising funds.

Kaustav Bubna: No, no, no. My question is not on the mode of raising funds. My question is, why are you raising these funds? What will you use these funds for?

Hemant Bhuwania: There are primarily 3 reasons to it. One would be definitely on -- the working capital requirement for our Heavy Engineering and Steel Foundry division. Second would be -- certain portion would be required for our Rail EPC division. Third, that we have certain high-cost borrowings, which we will want to reduce that. And the fourth is that there would be certain capital expenditures that we were required to do. So the funds would be mostly utilized towards that.

Kaustav Bubna: Okay. Now my next question is on the demerger of the Rail EPC business. If that business is suffering, right, and has -- I'm assuming has a big recent portion of debt on it. Why are you demerging it? Don't you want to have good financials in that business when you list it -- when it lists separately? And is there any plan to -- what are your plans in this business? We haven't spoken about it on this call. How do we plan to realize this? Are we looking for investment in that business? Are we looking for external investors in that business? Because you spoke about restructuring in the last many months and I just wanted an update on how you're looking at the same business?

Moderator: Sir, we are unable to hear you.

Sudipta Mukherjee: Yes. See, basically, the core thought that, yes, a demerger of our EPC division into 2 of -- initially they thought that demerger or a transfer of 2 EPC division into 100% subsidiary by the way of slump sale. But then our lawyers and consultant advised us, that no, demerger would be a better option. So we are going ahead -- Board has recommended that yes, we evaluated the proposal and we go ahead -- we should go ahead with demerger -- we can think of demerger too.

The reason is that we have a different management altogether for Rail EPC division and for our rail engineering steel foundry division. So we thought that it would be better that we separate these 2 companies. Secondly, we need to have a special focus on Rail EPC division. So we think that yes, it should be diverse. And further, the policies and the principle of a brick-and-mortar business cannot be tuned or in line with the Rail EPC division, so we thought of demerging this.

Moderator: We have a next question from the line of Ankur Agrawal: from RC Wealth Solutions.

Ankur Agrawal: What is the debt in the book, sir?

Sudipta Mukherjee: Ankur, you are still not audible. I will request the moderator if you can put in the question to us.

Moderator: So he is asking about the debt?

Hemant Bhuwania: So currently, we have a debt long term and working capital combined together to the tune of INR1,000 crores, of which around INR165 crores is the long term debt and around INR830 crores, INR840 crores is the working capital debt.

Ankur Agrawal: Sir, what was the reason behind the cancellation of the order by the Railways?

Sudipta Mukherjee: Ankur, the railway order has not been cancelled. So it is a judicious and conscious call of management to surrender this order, the second tranche of order. Actually, what has happened, we have received an order of 20,000 plus wagons in May 22, which was to be delivered over a period of 39 months in 6 equal tranches. So the company has successfully executed tranche 1. Company is currently executing tranche 3. So what financially suited best the company, the company has taken a judicious calls of surrendering tranche 2.

Ankur Agrawal: That repeat order that you will get is it over now?

Sudipta Mukherjee: No, the order that we have surrendered, we have surrendered order.

Ankur Agrawal: How much have we supplied to the Railways in the month of July?

Sudipta Mukherjee: Can you come again, please?

Ankur Agrawal: How much have we supplied wagon to the Railways in the month of July?

Sudipta Mukherjee: We did 476 in the month of July.

Ankur Agrawal: Any plan to reduce that?

Sudipta Mukherjee: Reduce?

Ankur Agrawal: Yes, to reduce that?

Sudipta Mukherjee: Why to reduce our production? Yes, we didn't get you, why we should reduce our production?

Ankur Agrawal: No production, debt.

Sudipta Mukherjee: Debt. Ankur, I just mentioned that once we have this fund coming in as an additional equity, so once the certain portion would be utilized towards the reduction of high-cost debt.

Moderator: We have our next question from the line of Hari an individual investor.

Hari: What is this quantity of second tranche that you have surrendered, sir? And the second question is regarding, is Bright Power included in this demerger, sir?

Sudipta Mukherjee: Not getting you. Can you please repeat your question?

Hari: Sir, what is the quantity of second tranche that you have surrendered now?

Sudipta Mukherjee: 3, 3, 4, 5.

- Hari:** Okay, okay. And is Bright Power included in this demerger, sir? Bright Power is included in demerger, sir?
- Sudipta Mukherjee:** Yes. Bright Power forms a part of our Rail EPC segment. So Bright Power and Kalindee, both would be demerged.
- Hari:** Okay. And the last question is like, we are expected to ramp up every quarter the turnover, but the first quarter, the turnover is less than the previous year fourth quarter. Like we are expected to be ramping it up? Like any specific reason, sir, not reaching the turnover?
- Sudipta Mukherjee:** In terms of the -- I mean, you are talking from the last quarter to the previous quarter, so there's certain challenges in terms of the -- some design and brake system issues. So I mean all over the countries, there were certain issues of supply of one of the company, which led to a disruption in the supply chain for brake system for plate rolling stock.
- Hari:** The problem has been solved, sir?
- Sudipta Mukherjee:** Pardon?
- Hari:** Is the problem sorted now sir?
- Sudipta Mukherjee:** Yes, it is sorted out now.
- Moderator:** We'll take a question from the line of Harshwardhan Pisal and Individual Investor.
- Harshwardhan Pisal:** First of all, congratulations to the Texmaco team. Sir, I have a question. We are expecting a 10,000 order wagon from the coming 40,000 order tender. So what -- if it materializes, what will be the execution period of that order?
- Hemant Bhuwania:** Harsh, just a correction over there. We never said that we would be expecting an order of 10,000. The tender what we expect is for 40,000 and our share generally is between 20%, 25%. So if we extrapolate the number, the number comes to 10,000. So in case the number is 10,000, we would be happy to accept this order in our domain.
- Indrajit Mookerjee:** Yes. Actually, I wanted to add to Hemant, is that it will be a management decision of how much order to take at what price, because as you know that we have lots of demand. So we obviously would like to go for those wagons or those units, which will give us better margin. So this is very premature right now to talk how many numbers of orders that will come to us.
- Harshwardhan Pisal:** Okay. But what will be the execution period for that order? Means 12 months, 18 months if it gets -- if it passes through?
- Indrajit Mookerjee:** We have no idea. We are depending, and we are making all our statement based on hearsay. So it will be not correct to state any specific numbers or time period for supply, because orders -- because the tender is not yet out.

- Harshwardhan Pisal:** Okay. And one last question, sir. Let's say, if in next 18 months, railway floats another tender, would we require another fundraise to take in that order, in the next 18 months, after this order so when railway comes with another tender?
- Indrajit Mookerjee:** Not required.
- Moderator:** We have a follow-up question from the line of Balasubramanian from Arihant Capital.
- Balasubramanian:** Sir, I just want to understand capacity utilization on the steel foundry business side?
- Sudipta Mukherjee:** Steel Foundry, we are -- whatever we are planning as on today, we are almost having more than 85% utilization, and we are investing further capex and our production will further go up in the next 3 months' time. And also the company has further plans in and around the steel foundry, which maybe in the coming years, we will be able to let you know.
- Moderator:** We have a follow-up question from the line of Sandesh from HSBC.
- Sandesh:** Sir, I wanted to understand how is the margin profile for your wagon business? For both the Indian Railways and private? And is the understanding correct that private sector is slightly more better in terms of margins for the wagons?
- Sudipta Mukherjee:** It is very difficult to -- I think you've asked a very difficult question. So I don't want to say margin in quantified terms, because that's not correct. But I must say you that, yes, the margin, as you know, it's not a very big brainer, that the margin will depend on the price of the wagons. And the private wagons, normally we did at a higher price. So obviously, the margin will be superior.
- Sandesh:** Okay, sir. And sir, any standard like -- is it 1% or 2% high, based on your historical experience, any ballpark that it is usually 1% or 2% higher or if you can mention that, that would be helpful?
- Sudipta Mukherjee:** It depends on the price and of course, the requirement specific to product. So it's very difficult to define that how much percentage, but we are hopeful to keep better margins in terms of our improved efficiency. And, of course, our capability enhancement -- capacity enhancement.
- Moderator:** We will take the last 3 questions for the day. We have a follow-up from Kaustav Bubna: from BMSPL Capital.
- Kaustav Bubna:** So basically, in the last -- since October, whenever we got the first railway tender from the Indian railways, since then, and now including this -- expected 40,000 to 50,000 wagon order, that would total about 140,000 wagons ordered in the last 1, 1.5 years, right? So I wanted to understand, what is the total amount of wagons that Texmaco expects the railway industry to get under the National Rail Plan until 2030 or whenever that is, so that we could kind of understand what is the order potential for these wagons for the next 3 to 5 years? Or more.
- Indrajit Mookerjee:** You should be able to answer, because this is not 3 years...

Sudipta Mukherjee: So it's a very, very thoughtful question. But as I said and as all of us have mentioned that, we see a continuity of the current scene, at least in the coming 4 to 5 years. If not more, because we are equally excited the way you are. But what we -- we can assure you that we are capable to deliver and meet with the requirements.

Indrajit Mookerjee: We have prepared ourselves and prepared even more, to see...

Kaustav Bubna: Is there any way you could give some sort of inclination as to, what that number could be? I mean, is it another 2 lakh to 3 lakh wagons? What is it -- is it possible?

Sudipta Mukherjee: Sir, it's very difficult for us to predict something. But as you know, I mean, all of us know that railway -- this government's focus to strengthen the infrastructure and with all these plans. Still, I believe things are evolving. And we are part of the journey, we can only introspect and make ourselves ready to cater to, but going through a definite number is -- predicting a definite number is, we are not the right qualified person...

Indrajit Mookerjee: Actually, this is going to be a speculation, which we should avoid. But as Sudipta has said, that the first 90,000 or whatever the wagon orders for, that was for a period of 3 years. So the hearsay is that there will be more orders flowing in. So I don't know how long -- what will be the requirements for their supply. But you yourself can make your own calculation, based on the railway, what a very high percentage of falling by themselves, and they want to go up their market share by, I think, 15% or so in a span of 4 to 5 years. So I think you would be able to do a better calculation than us.

Moderator: We have a next question from the line of Hari an individual investor.

Hari: The turnover of this EPC is very low compared to capital employed. So can you throw some light on that, sir?

Sudipta Mukherjee: I would request Mr. Vijay here. And so far, he has been silent. So I thought he should speak on the expense of energy.

Ashok Vijay: Basically, in the EPC business, as we earlier explained to you also, we have 2 wings. One, basically, which is known as the Kalindee division, the other one, which is known as the Bright Power division. As far as the Bright Power division is concerned, we are constantly progressing and progressing well. Our targets for Bright Power is in the near future to go more than double. And we are working on that direction. The orders, we have opened a new era of the orders, basically targeting the export market. So first target is the Rail EPC business, other is the Kalindee, we are also getting export orders in price order.

As for the Kalindee division, we have earlier also informed investors, that it's a basically considered view and decision is taken by the company, [inaudible 0:52:17] not for large. Rail layout businesses, which is one of the focus areas, which Kalindee used to do earlier. Basically, the big difference is, this involves a lot of capital to be deployed over there and we get stuck for no fault of ours, because there are so many other industries also involved, including the people who are doing the earth work and people who are doing the river bridges and all. So this is the

area where we really have to come out of this and do only limited jobs, which is a smaller area and the developed area.

Apart from that, the other areas of focus, which we are doing, our strength area, are signalling the last left track and AFS. Now in all these 3 areas, we are doing well. We are booking new orders also. But since we are not doing much on the track laying on the ground. So that is about -- volume-wise, we are getting a little lower of that, but it is not going to impact the company's performance, as per the margin bottom lines are concerned, because that is a low margin business, where we would not like to focus rather, we will put our resources on the capital available, into the business and where the markets are better, and we can really do a better performance.

So it's a transaction which we have at present -- at this moment of time is there. But yes, you'll find that both the rail EPC divisions will be doing much better in the coming period.

Moderator: We'll take the last question for the day from Harshwardhan Pisal an Individual Investor.

Harshwardhan Pisal: I had a follow-up question to my previous question. If railways float another wagon order in next 2 years, do we have capacity for -- to take in that order? Or do we -- would we require a fund raise then after a year or so? After, let's say, we get this 20%, 25% orders of this 40,000 wagons. After this incremental order comes in, do we have capacities for that?

Sudipta Mukherjee: There are 2 parts of your question as we have understood. In terms of the production capacity, of course, the way things are planned and has shaped. So normally, orders are -- remains in a continuation and to be delivered for a period of time. So we do not find any challenge, because we're into the business of making wagons only. So we explained and we hope that your word become true and more orders we get. So then our endeavour will be fulfilled.

And in terms of raising fund to manufacture wagon, so the raising fund for manufacturing wagon, it may be a bit too immature to tell that what is going to happen after 3, 4 years. But the way the plan has been made to execute and for growth of the company in all the trajectories. So we feel that we'll be able to earn also.

Harshwardhan Pisal: Okay, okay. Actually, I'm covering this railway sector since last 2 years, I do think that many more orders government might float next year as well.

Navin Agrawal: Thank you very much, ladies and gentlemen. This is Navin Agrawal from SKP Securities. I'd now like to hand over the conference to Mr. Indrajit Mookherjee for his closing remarks.

Indrajit Mookerjee: It's been a pleasure last 1 hour talking to our good well-wishers. And I must say that we are looking to a brighter future, and we expect that we will deliver through our organization. We have also stepped up the organization, and we are looking at various measures of capacity improvement, cost reduction and also new areas to move into. One of them I have already stressed upon on the component business, I think, which is going to be a very good business for us.

Mr. Vijay has already said -- mentioned that we are trying to consolidate some part of our -- to consolidate the business in some part of our EPC and some portion like electrification has shown us tremendous opportunities. We want to cash on them. But we don't want to go gung-ho and do everything like a wall-to-wall carpet. We are choosing where to go, which fits into our future strategy and vision and what will make us to make good money.

So it's a very well-structured strategy, which we are following. And with the good wishes of all of you and something very unforeseen striking us, I think we are in the right path right now. So I would like to thank all of you for your participation and wish you all the best, till we meet again, 3 months from now. Thank you.

Moderator:

Thank you very much. On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.