



“Texmaco Rail & Engineering Limited Q3 FY2024 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Texmaco Rail & Engineering Limited Q3 FY2024 Earnings Conference Call hosted by Nuvama Group. 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 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. Parvez Akhtar Qazi from Nuvama Group. Thank you and over to you, Sir!

Parvez Akhtar Qazi: Good morning friends. On behalf of the Nuvama Group, I welcome you all to the Q3 FY2024 conference call of Texmaco Rail & Engineering. Today we have with us from the management side Mr. Indrajit Mookerjee - Executive Director and Vice Chairman of the company; Mr. Sudipta Mukherjee - Managing Director of the company; and Mr. Hemant Bhuwania – Chief Financial Officer of Texmaco Rail. I would now hand over the call to the management for their opening remarks. Over to you, Sir.

Indrajit Mookerjee: Good morning and I wish to welcome all our well wishers and the investors for this call. I would also like to thank you for sparing your time to discuss business with us. I also would like to admit that you all are our very valuable partners and all our inspiration on business comes from all of you and we would be very happy if we can satisfy or if we can meet your expectations. We continuously thrive to do the same thing.

We had a quarter which ended on December 2023. So we had a board meeting in which our unaudited results were cleared by the board of directors and as you would see we have already published the results in the national dailies as well as we informed the stock exchange, that you would see that we have a increased growth on the sales turnover by somewhere at about 12% and the profit before tax has gone up to the extent of about 45-50%.

Now I am happy to report that we touched record productions of wagons which is the best ever that we had seen in the recent past from our multiple workshops, multiple manufacturing facilities, which we have in Calcutta. We also have been able to work on the cost front; of course, the cost reduction is an ongoing exercise. In addition, our QIP, which allowed us to raise funds and that made us to retire about 200 Crores of high cost debt. So, I must also admit that the impact of that cost reduction is not too high in this quarter because our QIP process was finished only in the month of December. So the impact that we got is only for one month. So this is what we have done now and I think I should spend a little more time in looking at the future as we see before I would request my esteemed colleagues to chip in and say their views and answer to the various queries.

I think the future looks very good, and if you look at the macro level, the investment in the rail segment is somewhere close to about 2.4 lakh Crore that has been the investment budgeted, and I think about very large amount of that is getting invested, which is a very good news that whatever the Government of India and the Ministry of Railway have announced or allocated as budget, and it is getting invested, which really means that capital is getting formed and that is a very good sign for us. The second thing that we see that this is going to continue in order to keep pace with the growth of the GDP target that the country has. Now out of this 2.4 lakhs, which is the yearly budget for the whole year that the railways have allocated for Indian Railways a substantial portion is coming in the zone or in the domain where we operate. So it is a question of really making it to operate, with skills, with efficiency and with also effectiveness. So we promised during our last call as well as when we had gone to our investors in December that we have a strategy which has got two prongs. One is the strategy on the short and medium-term. In the short and medium-term we have decided that we should like to get the best value, extract the best value out of the places, out of the areas where our competencies are the best. When I say this, I would say that Texmaco has been in operations for the last 70 years, making wagons for last 70 years, and we know that we have a very strong competencies in the building of wagons, in the design, in the development for newer generations of wagons. So we decided that we will concentrate on where we excel but then this also gave rise to other benefits, and these benefits are, if you want to make wagons, you need lots of components. For example, we need the foundry, the casting items, we need other mechanical components. So we decided that we should be moving into this area and deep dive to get the best value out of our foundry. So we expanded our foundry capacity marginally and we also did whatever was possible to debottleneck our foundry operations, we have raised our capacity by 20%. We also are very strongly looking at the other component business which could be for India as well as it could be for exports. So that is a new strategic business unit that has been formed, which is going to look after only the components and we see the future to be excellently good. So this is what we have decided to do as far as the immediate medium-term exercise because we strongly believe that the allocations on freight movement will keep on going up. This budget is one of the pointers which I have said that three more dedicated corridors are going to come up and when that comes up, you need more wagons and now you need advanced wagons. The wagons which can carry more load which can reduce the carbon footprint and I am happy to say that we are very strongly we have revamped our design and development group to work in this direction and I could also say that we are talking to some of the international majors also to see how we could improve our wagon designs and cost of manufacturing etc. So that is the medium-term. In the longer term as you would see that out of these 2.4 lakh Crores which is a allocated budget up a substantial part of it is going for commuter mobility, which is really the mobility of the passenger movements, be it Vande Bharat, be it urban transportations in terms of Metro or the light Metro, which has been

announced in this yesterday's budget, there has been an indication of that in Honorable Finance Minister's speech. So with all these together, we feel that that is an area which cannot be left behind, but we want to move to that area having been properly prepared. We just do not want to be a player just going in without bringing in much value. So some actions are also going on in this direction and hopefully our team will be very happy to announce to you that in course of time our entry plan into the commuter mobility. Having said this, I once again would like to thank all our investors who have had belief in us, who all have had trust in us to make us to grow and I must say that you are the inspirations based on which we work.

With this, I would like to hand over to the team, which is Sudipta, whom we are very happy to have. He comes with a wealth of knowledge in the industry, in the freight car industry and also with Hemant Bhuwania who is our energetic CFO, I think one of the youngest CFO that Texmaco ever had. I strongly believe this will take us forward. May I now open the forum for question? Any question that comes your mind, we will try to be honest. We have always been honest to respond. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Piyush Bora from Stambha Investments. Please go ahead.

Piyush Bora: First of all, thank you so much for the good set of numbers. I have three questions. Now as per the deviation report, working capital requirement was 250 Crores. Does by increasing this amount will reduce your short-term borrowing? This is my first question.

Hemant Bhuwania: So to reply to this, yes, you are absolutely right. While we were on road, we had committed that our working capital requirement would be 250 Crores and 250 Crores would be for reduction of high cost debt, 100 was for Capex and 150 was for general corporate purpose. So we wish to make a statement that as of December, 200 Crores of high cost borrowing has already been paid and the balance 50, if you ask as always, has already been cleared. So the commitment of 250, we have honored. Out of the working capital requirement of 250, we have drawn till date around 180 Crores for reduction in creditors, inventory and making the working capital smooth and the balance amount is still lying with us.

Piyush Bora: And could you please give the break up for general corporate purpose amount of 132 Crores? Means what is going to cover under that?

Hemant Bhuwania: As we told earlier that this general corporate purpose would be primarily for investment in our joint venture companies. We have 3 joint venture companies, Touax, Nymwag and

Webtech, and this apart, there might be some ups and downs in Capex on working capital. So we have kept up on that.

Piyush Bora: Now my second question is regarding your Hindalco JV. Could you please put some light on that because I have read this in our annual report and the same data is also available in Hindalco. Hindalco, I guess have the corporate announcement for that, but we do not have any, that is why, could you please throw some light on that?

Sudipta Mukherjee: This understanding was done for co-promoting new technology wagons and of course also for the passenger mobility. How to introduce aluminium and how to have eco friendly solutions around. So having said so it requires our ecosystem to be built in and both the companies are working together. So in the suitable time we will get to know. It is too early to comment on that and exactly when it can be launched, but the working is on.

Piyush Bora: So do you have any number of total market for that?

Sudipta Mukherjee: I am sorry, I do not have any number to help that. But I can give you a premise that on which we thought of doing this and what is the relevance of it. If you see that with the growth trajectory of bringing down the logistic cost, I mean the logistic cost through railways and railway is also looking for new technology wagons where they pay to tier ratio of the freight rolling stock is better and it is upgraded than what we have today because normally majority of the rolling stocks were historically of steel and then we introduced some rolling stocks and of course aluminium maybe a very good solution in certain product specific transportation and of course as you know the life cycle cost would be much lesser. So it is more on a futuristic kind of a technology sphere which we are looking into through these understanding in the trade as well as in the passenger mobility.

Piyush Bora: Okay. Thank you.

Moderator: Thank you. The next question is from Rahul Jain from JM Financial. Please go ahead.

Rahul Jain: Sir, congratulations on a good set of numbers. My first question will be what is the scope of work in passenger rail side do we do, and what can be the opportunity for us on this passenger side, and again what are the long-term plan for this business?

Sudipta Mukherjee: To answer you straight yes, the company is actively considering, but for us the thought process is more into the entering into the ecosystem of this first because there is a huge growth and huge traction towards the growth of the passenger mobility, but if you say that our understanding is that we are largely dependent on global supply chain and which may not be in real terms in a proper ratio, in terms of the requirement of the rolling stocks. So

our focus would be primarily to enter into that segment first, and gradually of course we have certain other understandings with few global majors also. So we will wait for the suitable time to get it.

Indrajit Mookerjee: Can I just chip in Sudipta if you allow me. We are taking a very systematic, disciplined approach towards our migration or towards diversifying our business to passenger mobility. So in this there are a few elements which are essential for bringing value to this and these elements are in bits and pieces. For example, you need to do certain things on engineering, electronics, car body, shells, etc., etc. and we have the general competency, we are at this point of time are developing our specific competencies in these areas and that is what we are doing right now. Now once we do that, we ourselves will attract the global companies to come to us instead of we go and approaching them, they will come to us because everyone in this world knows that in the passenger mobility that India investment is one of the largest in the world which could run into something like I would reckon we will be in the range of 1.5 lakhs Crore. So people, all the global majors, whoever are not present, are interested, they also tell us, but in order to make them to be more attractive, we are looking at these elements and that is why Sudipta had mentioned that this disciplined approach is not an endless process. we will come to a conclusion and we will tie up things quite quickly, and definitely we will keep our investors informed of that and that is the time we will be ready for entry because I think there are lots of rooms for more players to come and play, but we have to play profitably. We do not want to get to a situation with the doubt that we may not make sufficient money because return on investment is something which is number one in our mind.

Rahul Jain: What I collect is that whatever you do on the passenger side will be more with the global tie-ups, what usually happens in the industry so that the things are readily available. Is my understanding correct.

Indrajit Mookerjee: To some extent correct because we also get global support, otherwise the vendors do not simply buy someone to make metro trains who does not have experience. So obviously there certain qualification is there, certain amount of requirements and the qualifications from the buyer side and we have to satisfy them and that is the reason I mentioned that we decided to move with all the arms and ammunitions in our possession so that we will be one of the suppliers of choice to the vendors. I am sorry, I meant wrongly, I did not mean vendor, I meant customers.

Rahul Jain: Sir my second question will be, after paying off the debt, and also utilizing working capital money from QIP. How much interest cost should we expect in Q4 as well as full year of FY2025.

Hemant Bhuwania: You see we will be in this year financial year 2024 we will be repaying the total debt, high cost debt of 250 Crores, as was commented, and this was borrowed at somewhere around 12% to 14% interest. So on an average you see that there would be a net saving of around 30 to 35 Crores in terms of interest finance cost next financial year.

Rahul Jain: So total 30 to 35 Crores interest cost saving will be there, Right.

Hemant Bhuwania: Finance cost, yes. Saving on account of finance cost.

Rahul Jain: Sir my third question is can you give how many wagons did we produce in Q3 and what was the peak production during the quarter or till date, and also what is the production target for Q4 coming year that is FY2025.

Sudipta Mukherjee: To answer you in Q3 we produced 1756 number of wagon and we were 750 wagons plus in a typical month two month basis what we committed earlier also, and in the coming quarter I mean you can expect a growth of around 30% on the wagon production, and this trajectory of growth will of course continue to the extent anything beyond 1000 per month.

Rahul Jain: So that will happen by mid FY2025 that can be expected.

Sudipta Mukherjee: Yes of course. I said that, I repeat that in the next quarter also you can find minimum 30% growth over and above whatever we have done last and this momentum will go till it stabilizes or around little more than 1000 and also just to assure you that we are also not stopping there, we are looking beyond.

Indrajit Mookerjee: One more thing I am saying that you would be happy to know that the production in the company has gone up by more than 300% with very marginal investment so the incremental wagons are giving phenomenal rate of returns. I am sure we have come to a point when we need to increase our capacity but as Sudipta has said that we see very clearly through proper manufacturing process, bringing in technology in manufacturing, we are seeing ourselves to growing at that drastic rate as Sudipta has said, well there will be a point where we have to think of increased capacity if the market remains buoyant.

Rahul Jain: So what I understand is that once we cross 1000 wagons per month of production that is where you will start doing additional Capex right now whatever was happening was with the minimal Capex. Is my understanding correct?

Sudipta Mukherjee: You are very right, but I am interested to put it in the other way round, that we thought that will definitely need Capex to go beyond anything which we are producing in the 1700-1800 per quarter this time, but without waiting for the Capex, we have been able to do further few

engineering and we are confident of achieving during the course of introduction of that Capex to reach to that kind of a growth of 30% or even more. So which is actually what Mr. Indrajit Mookerjee wanted to mention that the return on this growth would be much higher and maybe after putting those Capex, our capacity would be much more beyond 1000.

Rahul Jain: Sure, sir. My next question will be, how much ton of production happened from the steel foundry in Q3? If you can give that number, which you usually give.

Sudipta Mukherjee: Yes. So Q3 we produced around 10500 metric tonnes and in nine months, the production was around 30600 metric tonnes, and we are also happy to let you know this will also grow in the coming quarters, from the immediate next quarter itself.

Rahul Jain: Last question is, can you give the order book break up? The overall order book break up.

Hemant Bhuwania: So the total order book stands at 8500 Crores plus as of date of which freight car would be somewhere around 5750, infra and green energy would be 1100, rail electrification 900, steel foundry 325, joint venture and other subsidiaries 425.

Rahul Jain: What was the last number JV...

Hemant Bhuwania: Joint venture and other subsidiaries?

Rahul Jain: How much was that?

Hemant Bhuwania: 425.

Rahul Jain: Okay, sir. That is it from my side. Thanks a lot for the answer and all the best.

Moderator: Thank you. The next question is from the line of Bala Subramaniam from Arihant Capital. Please go ahead.

Bala Subramaniam: Good morning, Sir. Congratulations for good set of numbers. My first question regarding like what would be the mix of private and railway wagons in this quarter, Sir?

Sudipta Mukherjee: We have produced around 400 wagons of private and around 1360 of railway wagons.

Bala Subramaniam: On the export side, like we have seen a lot of traction from African countries and especially in that US, Australia and the African countries. So what is our export share in this quarter and are we getting any traction in those countries?

- Sudipta Mukherjee:** Yes, absolutely and we already started manufacturing wagons to supply to Liberia and from the next quarter you will see that the dispatches are on, and, I mean, many, at least three to four more opportunities are of active discussion, and we hope that by the time we finish those by next September, so we will have more in the kitty, and last quarter, we exported to Cameroon.
- Bala Subramaniam:** Sir, in this 100 Crore Capex specifically like for what and when the Capex will be completed and I have seen that document like for repayment of debt and working capital, the funds has been utilized to more than 180 Crore on each. But on the Capex side, it has been not utilized till now.
- Sudipta Mukherjee:** I will hand it over to Hemant, but as you have to understand that our fund raising the whole process was completed in the month of December only and we are talking in January. So it was not possible for us to exhaust the fund within the short span of time and the break up and all these I think Hemant can explain to you.
- Hemant Bhuwania:** Yes, you are right, 100 Crores of fund was raised for Capex of which there has been certain commitments already made. However, the outflow of the fund has not happened as of now as and when the purchase order are being matured, the payments will be made. So we are from out this 100 Crores and we expect that yes within this year this Capex of 100 Crores would be met.
- Indrajit Mookerjee:** You asked some questions on exports, is that right?
- Bala Subramaniam:** Yes, sir, exports like regarding like US, Australia and African countries like what are the tractions you are getting?
- Indrajit Mookerjee:** Yes, I think very apprehensively which Mr. Sudipta Mukherjee our Managing Director mentioned to you, but I just would like to add one more point on top of that. I think it is important. This, I do not know whether you are aware, but Texmaco has a joint venture with the wagon manufacturing company from Czech Republic and that happens to be one of the top most manufacturer of Europe and we are building a wagon manufacturing plant under a joint venture with them. One of the purposes of this joint venture is to access the European market. So I expect strong participation of our wagons as well as our wagon components in the European market. So that is going to boost up the export further and also on firmer footing. So there will be some buyback by them. So I think by 2025 this will start getting reflected because this is the time required for building up the factory. So I thought I will just keep this for knowledge of all our investors.

Bala Subramaniyam: Got it, Sir. Thank you, Sir. What is the capacity utilization levels on our steel foundries and that wagons plant, and are we facing any supply chain issues which has happened earlier?

Sudipta Mukherjee: Capacity utilization of the foundry, we are in the level of 85% or 90% of that, and of course we are doing certain more upgradations to increase the upper limit and in terms of wagon, we still feel that we can do further better from whatever we have in terms of infrastructure available with again the little engineering into it, putting engineering and I mean arranging it in a different way. So for wagon I cannot say that what is the percentage because it is ever growing and we feel that further capacity of around say at least 40% can be increased from the existing one which we are of course doing and working upon. This is on a continuous focus that how we can improve further from the existing one and if required we will also look beyond. Have I been able to answer you or you have any point to mention.

Bala Subramaniyam: Sir, my next question regarding our supply chain especially on that wheel set side like earlier if you look at 10 to 12 months back, not only our company, the whole industry was facing the issues for wheel sets like right now what are the scenarios on that wheel set side and the supply chain side?

Sudipta Mukherjee: Wheel set has improved a lot because the railway factory has increased their production in terms of the requirement of railways are concerned, and for private sector we will see as it gets always improved and we do not find any problems with wheel sets at least. On the other component of course, while we were having the business, I cannot comment what others are doing, but Texmaco had a very strong and focused and a proper planning for backward integration of various items and components, which we developed for our own use as well as also for the market. So, I mean, we have been able to manage it in that way. It has not been a struggle for us and we do not find it immediate problem for us in the coming days in the level which we have committed.

Bala Subramaniyam: Any plan in future to enter into wheel sets manufacturing, Sir? Wheel sets manufacturing and the components.

Sudipta Mukherjee: The opportunity arises definitely we will look into it. But at the end of the day it has to, I mean, we have to always keep our focus, as Mr. Mookerjee has emphasized also that you need to earn money and it should not be on a knee jerk reaction. Many things which sounds very good and is very good for the optics, but we are into the business and we have to mean business. So if it is commensurate to the capacity we require and there are abundance, so there is no point to get into a business. I am not talking specific, I am talking in general. So if that situation arises, definitely will look into it. It is in the radar.

- Bala Subramaniyam:** Got it, Sir. Thank you, Sir.
- Moderator:** Thank you. Next question is from Janam Shah from Ventura Securities. Please go ahead.
- Janam Shah:** Hello Sir. I have only one question, that it was mainly regarding as the Finance Ministry yesterday said that 40000 rail bogies are to be converted to the Vande Bharat standards and they will be used for the Vande Bharat trains. So are there any implications or anything that we would be having or the manufacturing or anything that could benefit like the refurbishing could help us?
- Indrajit Mookerjee:** It is a very, very interesting question and I must compliment you for being right on top of it. It is, I think you may have heard before us. We are interested.
- Janam Shah:** So we have like we have the bandwidth to just refurbish and probably restructure.
- Indrajit Mookerjee:** We have been thinking of it even before the budget announcement to increase our, as again I said our value addition. So we are in the process, but I think it is too premature to say as what we are doing right now. But as an investor, I would like you to say and feel satisfied thinking that this is very much in our strong focus to build our competences to move in this direction.
- Janam Shah:** Okay, sir. Thank you so much.
- Moderator:** Thank you. The next question is from Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Good morning Sir. Few questions from my side. Sir, your operating margins are still shy of this double digit mark. So once you reach this thousand wagons per month mark, what could be your operating margins?
- Hemant Bhuwania:** We cannot comment on the forward-looking statement. So yes, operating margin requires a lot of improvement. We are working on that and definitely going forward you will see a much improved number in terms of my operating margin.
- Sudipta Mukherjee:** So, you also must have seen some improvement already in this quarter. So, I hope that this will continue.
- Ankit Babel:** 30% growth in wagon production in Q4. I understand it is on the base of Q3 which was 1756. On this base you are expecting a 30% growth right.

- Sudipta Mukherjee:** Yes, I just indicated the growth for better understanding.
- Ankit Babel:** Pardon.
- Sudipta Mukherjee:** Yes, it is on the last quarter. If you refer the last quarter I indicated a figure that you can expect.
- Ankit Babel:** So around 2250 to 2300 wagons is your target for the current quarter that is the Q4 approx.
- Sudipta Mukherjee:** We are planning on that. You are right.
- Ankit Babel:** With repayment of high cost debt you believe your interest cost will come down by 30-35 Crores in FY2025, right?
- Hemant Bhuwania:** Yes, absolutely.
- Ankit Babel:** So the current run rate is around 35 Crores on a quarterly basis, which is around 140 Crores. So is it fair to assume that your interest cost would be around 100 Crores next year? Even at a higher top line.
- Hemant Bhuwania:** Absolutely yes. This reduction of interest cost will definitely help us in improving our bottom line and the number we have told reduction of 30-35 Crores that should definitely happen.
- Ankit Babel:** I had one more question in this was that the incremental growth which you would be witnessing in your revenues, the working capital requirements for that would be from internal accruals or you will increase your debt?
- Hemant Bhuwania:** That would be probably the internal accruals as such.
- Ankit Babel:** And from 1st of April, the demerger of Kalindee Rail would be there, right.
- Hemant Bhuwania:** Effective date is 1st of April. However, if you see this BSE, the designated Stock Exchange has sent the scheme of along with all the documents to SEBI for its approval and SEBI generally takes two to three weeks time for its approval. In the meantime we have started approaching the lenders also for the NOC. So once we get a clearance from SEBI and the lenders, we approach the NCLT and we expect that by mid of next financial year, the demerger should happen, but effective date will be 1st of April 2024.

- Ankit Babel:** Once the demerger will happen around how much debt it will take away from the balance sheet.
- Hemant Bhawania:** That would be around 200.
- Ankit Babel:** 200 Crores that will go away, okay, and what would be the top line of Kalindee Rail for this year? This full year.
- Hemant Bhawania:** We will not be able to comment on the full year. For the nine months we can tell around 360 Crores.
- Ankit Babel:** And the profitability.
- Hemant Bhawania:** So they are the breakeven or marginal profit. So they are not making money over there.
- Ankit Babel:** So this Kalindee Rail has a lower margins and that could be one of the reasons why your overall margins are lower. So once this goes away, your margins will go up.
- Indrajit Mookerjee:** Yes, actually I also want to, there is sometimes some things which do not come to our eyes all the time. You would see that the reason why Kalindee's margin has come down. Is because there are lots of additional work has been done by Kalindee for which we have not been paid. So these are all have got into and accumulated to the recoverable claim from the customer and as you know, the claim process in India is a very sluggish process. So we have our dedicated agency now working with us to recover the claims as quickly as possible under the practical circumstances. So, if you would look at this notional claims, the financial numbers will look quite different.
- Ankit Babel:** Sir, my last question is, you did mention that you are targeting 1000 wagon per month, mark, maybe from the Q1 onwards and you also expect it to accelerate from here also. So, based on your order book and the execution timelines, so for next year, what are your plans as compared, I mean, as far as the production of wagons or the volume of wagon is concerned for the full year? I mean can it be like 12000-13000 wagons or more or what?
- Sudipta Mukherjee:** You see in this quarter we did around 1756 wagons next year as we told that yes we expect a certain growth or what the numbers were told will be somewhere between that and further from that number also we expect a growth of around 20%, 15% from there. So yes, next year if you see on a collective from 12 month basis that we will have a much improved number what we have shown in nine months. So yes to answer to your question there would be a substantial jump in terms of revenue.

- Indrajit Mookerjee:** Possibly then we will taper off with our manufacturing capacity and then beyond that we have to look at that in 2025-2026 we have to look at depending on the market situation, we have to somewhere assess whether we need to go up on our capacity maybe we have to build looking at the railway budget outlook, but our present capacity I think will squeeze out the best by the end of by next year.
- Ankit Babel:** Just one more additional question. What kind of inflows you are expecting in FY2025? Order flows from the wagon side.
- Sudipta Mukherjee:** I think we have been typically holding our take around 25% to 30% of the market and we feel that there will be off take of wagons of around 25000 to 30000 more tenders should come. So already another 12000 is on the horizon other than the 10000 advanced wagon and we believe that another 20000 should come in couple of months. So we will definitely maintain that thing other than the private, our focus should be on the private market more other than our shareholding in the railways.
- Ankit Babel:** Why I was asking this question was that if you execute some 12000-13000 wagons next year and for a further growth in FY20206, you need at least 15000-16000 worth of wagons as inflows in this year. So do you have this year means FY2025, so do you have that kind of a visibility?
- Sudipta Mukherjee:** We have a visibility, but only I would just try to correct you a bit on the other thing as I said that we will focus on private more and if you see from the order to conversion ratio, it is only a lead time of six months on an average. So I do not have around 18 months, I mean, around 18 to 19 months order book in this asking, I mean, performance rate in which I am performing including the growth. So private wagons will keep on coming in every month or every quarter and railway when the tender will come, I feel that we will be very comfortable for the coming months.
- Ankit Babel:** So Sir, I am talking about cumulative, I mean, private plus tender based wagons in totality somewhere around 15000-16000 wagons is we have that visibility.
- Sudipta Mukherjee:** We will share whether we will give 15000 or 20000 because if railway comes up with an order of 20000-30000 I cannot commit 15000 and order we will take, I say that we will continue to maintain because it is always a progressive and now it is a long-term contract. The last order which we have received of 3400 wagons also so that is also over a period of 18 months. So whatever will be progressively coming in, I said that we will definitely eye at maintaining a 25% to 30% stake in the railway tenders and of course we eye more to fill up our basket towards the private customers and exports. The private market is very buoyant.

We expect with the declaration of these corridors by the Honorable Finance Minister, there will be a big boost in the private procurement.

Moderator: Thank you. Next question is from Mehul Mehta from Nuvama PCG. Please go ahead.

Mehul Mehta: Yes. So what I want to know is that if I look at capital employed in segment wise in terms of wagon business, there has been four time increase in capital employed Q-o-Q. So in quarter three FY2024 over quarter two FY2024 and even in steel foundry business there is double digit like 13% increase Q-o-Q in capital employed. Despite like in revenue growth being in single digit. So what would have led to this capital employed growth? That is my question.

Hemant Bhuwania: Capital employed, yes, it has gone in mainly because of the reason that we had paid high cost debt for our heavy engineering and steel foundry business. That has led to more and more of , what do you say, 300 Crores of capital employed. Secondly, if you see in steel foundry also there has been certain Capex that we have done this year in steel foundry as well as in freight cars. So that has also led to an increase in the segmental assets and the net what you say this capital employed.

Indrajit Mookerjee: So I think in terms of the capital which is taking place and giving results out there is a lag.

Mehul Mehta: Apologize to repeat the question, but like in when you are saying repaying of debt, despite that there is four times increase in capital employed I am not getting to understand because when you are repaying then capital employee goes out. So hope my question is correct.

Hemant Bhuwania: You see the segmental liabilities, if you see quarter-on-quarter, my liability was 1200 Crores for heavy engineering which has come to 950 Crores and similarly you see in my capital the segmental liability which was 161 for steel foundry has come to 111 Crores. So this is primarily on account of reduction in my trade payables and reduction in my borrowing cost.

Mehul Mehta: My second question is with regard to export business, how would it have been like say for the quarter export and domestic business revenue break up in terms of quarter three and nine months?

Sudipta Mukherjee: So out of this 10000 I can tell you the quantum the figure is not yet ready here. I mean, in terms of the foundry that in the last quarter that we are saying that we discussed around 10500 metric ton. So out of that 2500 would be around export and in the wagons I think it was around 25 wagons which were export in the last quarter out of 1756.

- Moderator:** Thank you. Next question is from Mohit Kumar from ICICI Securities. Please go ahead.
- Mohit Kumar:** Good afternoon, Sir. Congratulations on good set of numbers. My first question is you did mention about you are expecting wagon tender in the next 6 to 12 months, but I understand that there is another tender of 20000 wagon which is expected to be closed in March. Do you think that the tender is on time and we get closed in this particular quarter or do you think it will get delayed and do we have the capability to participate in this particular tender?
- Sudipta Mukherjee:** I will come to your last question first, that we have definitely the capability to participate in this tender. We definitely have the capacity to produce further wagons and I cannot speculate on behalf of our esteemed customer that whether it can get delayed or not. But apparently looking at the various procurement requirements which is coming up, I can share my belief that I strongly believe it is as per a long-term plan which Indian Railway has and it is here to sustain for another 7 to 8 years minimum with the same consistency if not more. So I do not find any extraordinary reason which I cannot speculate that it can delay the requirement.
- Mohit Kumar:** My second question is of course we closed the tender in this particular quarter, why was there under subscription in the last tender in the sense of the 20000 wagon, they completed only 11000 wagons, the competitive intensity in this particular tender.
- Sudipta Mukherjee:** So railway is now coming up with all these tenders where they do not go by your historical capacity. What was active per year for a manufacturer, they give you the opportunity to quote that during the, I mean, in the given time of the procurement cycle or the delivery period has been stipulated in a contract they give the manufacture an option that how much you will be able to deliver. So it is based on those declarations they could complete that 10000 plus wagon and the balance were kept on arranged and we expect that it will be clocked with the tender coming very soon. So that was the reason.
- Mohit Kumar:** So given the fact that we are the same set of people who are participating in the tenders and all this capacity is full. Does it mean that the new tenders will come, it will not come for delivery for FY2025 and 2026, it will come for FY2027 because given that I think this tender the delivery timeline was FY2027, 2026.
- Sudipta Mukherjee:** It is difficult to speculate. I do not believe. I believe there are enough wagon building capacity in the country and I believe that, I mean, many are working in and around it, it is a matter of choice and a moment when you did not have a choice then you go for it. But when you know that there are multiple things coming in, you are also having the opportunity to

do away your strategy that whether you want to come in or you do not want to come in. So I can give you an example. I mean few weeks before there were a 1000 wagon tenders 500 and 500 which were not a regular type of wagon and the delivery period of that were for six months. So people who have felt that yes, we can do, they opted for it. People who have felt that we do not want to, they have not opted for it. So it is not a loss in a way, it is a calculated risk every time you get into a contract. So you need to weigh yourself and then what you can digest, whether you are affording to take. So we are very clear and focused in our approach that we want to choose that much where we continue to make our business profitable as committed and even beyond.

Mohit Kumar: Understood, Sir. My last question, out of 5760 Crores of freight wagon order book how much is private and the related question is that how is the inquiry pipeline from the private wagons?

Sudipta Mukherjee: Mohit out of 5725 close to 1100 is for private and the balance is for Indian Railways and the intake of private orders, you see that in the current quarter we have executed close to 390 wagons exactly have executed and the inflow of orders for private was close to 400. So whatever we are executing on the private, we are getting back those orders by the way of repeat. So intake of orders is not at all a challenge.

Mohit Kumar: Understood, Sir. Thank you and best wishes, thank you.

Moderator: Thank you. Next question is from Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Thanks for the opportunity. For the freight wagon and order book, so can we give the number of wagons that are yet to be delivered as of December?

Sudipta Mukherjee: So we have our order book of close to 17000 wagons, of which 14500 is for Indian Railways and 2500 approximately is for private. So to answer you, maybe if I am able to that the order comes on transit and so far after closing of the December transit we are ahead of the monthly asking rate and to complete our third tranche of the 20000 order book we require around 460 wagons to further deliver of that particular time in the month of February.

Vaibhav Shah: Sir, so 17000 wagons pertains to 5725 Crores of order backlog.

Sudipta Mukherjee: Come again, I did not get you.

Vaibhav Shah: So 17000 number of wagons pertains to the 5725 Crores backlog that we have as of December.

- Sudipta Mukherjee:** So yes, we have an order book of 17000 wagons or 5750 in terms of value. Yes, absolutely right.
- Vaibhav Shah:** And secondly, what would be the debt as of December?
- Sudipta Mukherjee:** So debt as of December is around close to 800.
- Vaibhav Shah:** And which should have reduced to 750 now.
- Sudipta Mukherjee:** Yes, in terms of if you say absolutely. Yes, 100%.
- Vaibhav Shah:** Okay. Thanks a lot Sir. That is all. Those are my questions.
- Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to Mr. Parvez Akhtar Qazi from Nuvama Group for closing comments.
- Parvez Akhtar Qazi:** We thank all the partners for taking out time to attend the call. Sir, do you have any closing comments to make?
- Indrajit Mookerjee:** Thank you very much for the questions which came from our investors. Actually I would take it little differently. I would not say that the questions came for answers. I think these questions also gave us lot of thoughts for our improvement. So I would like to compliment all those who took the pain of going through or I would not say pain, but who took all the time to go through our financial results and had asked us questions. So I would genuinely take you to be our partners and we will try in future, we have a very vibrant team at Texmaco and we would try our best to meet up to your expectations in the future. I would like to thank you for taking part.
- Moderator:** Thank you very much. On behalf of Nuvama Group, that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.