

30th October, 2024

*National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex
Bandra (E), Mumbai – 400051*
Symbol -TEXRAIL

*BSE Limited
P. J. Towers,
Dalal Street,
Mumbai – 400001*
Scrip Code - 533326

Dear Sirs,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a copy of the transcript of the Conference Call with analyst / investor(s) held on Monday, 28th October, 2024 at 11:00 a.m. (IST).

The same has been uploaded on the website of the Company i.e. <https://www.texmaco.in/wp-content/uploads/2024/10/Q2FY25-Result-Concall-Transcript.pdf>.

We would also like to confirm that no unpublished price sensitive information was shared / discussed during the Conference Call.

This is for your information and record.

Thanking you,

Yours faithfully,
For **Texmaco Rail & Engineering Limited**

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“Texmaco Rail & Engineering Limited
Q2 FY '25 Earnings Conference Call”

October 28, 2024



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

MODERATOR: **MR. NIDHI SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Texmaco Rail & Engineering Limited Q2 FY '25 Earnings Conference Call hosted by ICICI Securities. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nidhi Shah from ICICI Securities. Thank you, and over to you, ma'am.

Nidhi Shah: Thank you. On behalf of ICICI Securities, I welcome you all to the Q2 FY '25 Earnings Conference Call of Texmaco Rail & Engineering Limited. Today, we have with us from the management, Mr. Indrajit Mookerjee, ED and Vice Chairman; Mr. Sudipta Mukherjee, MD; and Mr. Hemant Bhuwania, the CFO.

Without much delay, I would now like to hand over the conference to the management for their opening remarks. Over to you, sir.

Indrajit Mookerjee: Good morning to all of you. This is Indrajit Mookerjee. I'm the Executive Director and the Vice Chairman of Texmaco Rail & Engineering Limited. I'm delighted to welcome you -- all of you, for Q2 and H1 financial year '25 earnings discussion. We had a very action-packed quarter and we have achieved many goals, which we want to do. So I trust that you have already reviewed our financial results and accompanying earnings presentations, which are available on the stock exchanges.

A significant development in H1 FY '25 was the completion of our acquisition of Jindal Rail and Infra. Now we have named it as Texmaco West Rail. This acquisition marks an important and very significant step in Texmaco's strategic growth, enhancing our market reach, establishing Texmaco as a leader in the freight car industry and also in the domain of new developed and advanced high-tech wagons. So this is one of the pursuits that we wanted to do, serving purpose of we being becoming a pan-Asia player.

And secondly, our pursuit for global excellence and be a baby step towards becoming a global player. Big integration process has advanced or has moved very smoothly with synergies being fully captured as per the expectations. The acquisition has also as I said before, increased our revenue share from the private sector freight cars, which as all of you will know, will lead us to have higher realization per car.

In Q2 FY '25, Texmaco achieved continued growth and operational progress. Revenue reached INR1,346 crores, while EBITDA was INR149 crores with an 11% margin. PAT for the quarter was INR74 crores, reflecting a 5.5% margin. For the first half of FY '25, Texmaco's revenue from operations amounted to INR2,434 crores, underpinning our growth -- growing market, market presence and robust demand across demand -- across the segments.

EBITDA for the H1 was INR272 crores with an 11.2% margin and profit after tax stood at INR133 crores with a margin of 5.5%. Operationally, we reached a new milestone in freight car

sales with 2,927 units delivered in Q2, of which 72% were for Indian Railways and the balance fulfilled private and export orders.

Additionally, our steel foundries in Raipur and Belgharia produced 11,156 metric tonnes of castings and railway components, making a year-on-year increase of 3.5% and highlighting our ability to meet rising demand while sustaining our leadership in the steel foundry industry.

Now this growth is, as you all know, is limited to the capacity, and we are doing -- we are taking many actions of debottlenecking the foundries. In addition to that as you all know, that we also are in the process of building up a new foundry in Odisha.

Looking forward, our order book is at INR8,200 crores with freight car business accounting for 72% of the same. With the added capabilities of Texmaco West Rail, we are very well positioned to further expand into the private wagon manufacturing space. Our strategic priorities for the remainder of FY '25 and beyond include enhancing operational capacity, expanding our international footprint and continuing to drive integration benefits with Texmaco West.

Notably, Texmaco has been awarded the 3-star export house certification by the Government of India, affirming our role as a valued contributor to India's trade landscape. Texmaco remains focused on sustainable growth, operational excellence and strategic innovation to deliver long-term value.

As we enter the second half of the fiscal year, we are committed to strengthening our market position further in line with the industry developments. With these few words, I would request Mr. Sudipta Mukherjee, our Managing Director; Mr. Hemant Bhuwania, Chief Financial Officer, to address to you and take up any questions which may come to you. Thank you very much.

- Sudipta Mukherjee:** Thank you. Hi. Good morning, everyone. This is Sudipta Mukherjee and with me Hemant.
- Hemant Bhuwania:** Hello, good morning, all of you.
- Sudipta Mukherjee:** So I think the perspective is being -- and the achievements have been narrated quite aptly by Vice Chairman, Mr. Mookerjee. We'll be very happy to answer your questions together.
- Indrajit Mookerjee:** We are open for question and answer.
- Moderator:** The first question is from the line of Viran Patel from Balaji Investments.
- Viran Patel:** Congratulations for the fantastic results. We were not expecting this kind of results, but we have beat our expectations. So many congratulations on that front. Secondly, I have three questions to ask you. One is how we have funded Jindal Rail. So how -- from where the money has come, how we have funded it?
- My second question is, I was going through your announcement dated 25th October, where you are looking to get into opportunities of real estate. So I just wanted to understand what -- where all we have land banks or how we are going to get into real estate fleet.

And the third question is how many wagons now we are producing per day or per month? So these are my three questions. I would be very happy if you reply to me.

Sudipta Mukherjee: Mr. Patel, just we couldn't hear the first question properly. While I could hear the Jindal Rail word, balance, we were not able to hear.

Viran Patel: I said how we have funded it, from where money from which -- have we borrowed the money or it is from internal accruals, how we have done it. The current balance sheet reflects that money has already been paid and the current liability is already accounted to on that side.

Hemant Bhuwania: To answer to your first question, the entire Jindal acquisition has been completed on 3rd of September. The fund has been remitted, and it was done through internal accruals from the company and certain portion from the QIP funds, which were there. So on the second and third question, our Managing Director, Mr. Sudipta, will answer to it.

Sudipta Mukherjee: So I think the second question was the enabling resolution for the real estate development. So you all know that we are in a process of restructuring the company and while we are in the trajectory of growth. So we thought that we have to take care of our redundancy and whatever the best utilization of various assets are possible in the way forward, we will put the company into more sound footprint.

So the company has many such lands which were never thought of being utilized as a part of production enhancement or any production facility there, and there is no possibility or rather could be a higher return can be faced if it could be developed or utilized on -- rather than manufacturing.

So those redundancies, we want to convert it into assets and convert it into some good returns for the company in the way forward. So that's why we thought of having a kind of enabling resolution to get into. Otherwise, it's not like that we want to become a real estate company. It's only just to enable us to move ahead and start working on that.

And third, I think you mentioned about the wagon production, if I'm not mistaken. If you see that by H1, we have already manufactured around more than 5,300 wagons. So from there, at least this we will maintain and we expect that we'll be further improving upon in and around this. And you will get more better product mix, including the private and specialized wagons.

Moderator: The next question is from the line of Nikhil Abhyankar from UTI Mutual Fund.

Nikhil Abhyankar: Congrats on a good set of results. Sir just Infra Rail and Green Energy segment continues to remain a drag on our profitability. So what is the -- and if I'm not wrong, we were looking to demerge this from our business. So what is the status over there?

Sudipta Mukherjee: So Nikhil, we have received the approval, and you know that these things require a kind of a process. In the last call also, we have mentioned. And we are committed for the separation of that wing so far and we are progressing with right earnest. So in the appropriate time as a significant progress happens, you will be able to know. And our -- as I say, right earnest, we are

very much keen to do it as fast as possible and we are on right track and right speed of the process.

Nikhil Abhyankar: Should we expect it to happen in FY '25?

Sudipta Mukherjee: Sir, of course, our intention is common with you, but you know that the government machineries and statutory obligations are there where it is very difficult for you and me to commit. But expectation is as aggressive as you have and we are with you in line.

Nikhil Abhyankar: Sure. Sir, and the second question is regarding the order inflow. So can you tell us what is the quantum of tenders which are open right now? And how much do you expect ordering from the railways in this year?

Sudipta Mukherjee: To be precise, Nikhil, this financial year, I think around the nature of the tender from railway has shifted to small, small, small tenders. And we have been actively taking in part in the wagons, which are higher remunerative and we can deliver. I can give you a glimpse that when the largest order came out, so our asking rate for railways was 600 wagons per month.

Now with the accumulation of further order, it has gone up to 800 wagons per month. But minded that it is considering the fact the performance or the execution we have, and we are not incurring any liquidated damages in any Indian railway orders. So it is coming in, and we are just looking at the best basket of it.

In private, we have got good momentum. And we expect that certain large tenders will come up. And this year and middle of next year, we expect around 30,000 more wagons to come in, whatever we know about -- I mean, the tenders have come up and something is in the pipeline.

Nikhil Abhyankar: So 30,000 from the Indian railways plus there will be the private side.

Sudipta Mukherjee: It could be this 30,000 is an approximate figure, Nikhil, what we hear because as you will appreciate that it may be 26,000, it may be 28,000, it can be 32,000 also. So this is what we have certain visibility and we know some progress has happened.

And if you talk about private specifically, last year has seen the highest offtake of private wagons, which was around 17,000. So worst to worst, we feel that anything between 12,000 to 15,000 over and above 30,000 should be there in the market considering the government push in the infrastructure.

Moderator: The next question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Congratulations on a very good set of numbers. So the only question I have is, of course, the GPWI scheme, if I understand, there was a ban, right, a few, I think, 1.5 years back. Have you heard anything on that on the same? Do you expect the ban to be lifted in the next coming quarters?

Sudipta Mukherjee: Thank you for your best wishes. GPWIS was never -- I would refrain to use the word ban. There was a moratorium in between because what we hear or we have learned that there was a lot of approvals, which was accorded by the government and these approvals were time bound.

Suppose government approves me to -- as a licensee to procure wagon and they give me time that till December 2025, I have to place the order or induct the wagons into the system.

So there were a lot of gap in that on the license issued and the offtake of the wagons. And that's why they put a moratorium and just to have perhaps a feel of it, somewhere we also have learned that there were certain kind of congestion because of the improper distribution of the routes. So it was a moratorium for the time being.

And in between, I think a lot of meetings government had initiated and the industry houses participated. And around -- we expected around 200 racks were supposed to be procured. Out of that, already we have started seeing a traction and kind of -- we expect that within this financial year itself, in last couple of months, we have seen around 40, 50 racks already been ordered being placed.

And we feel that this momentum will continue till these 200 racks are being procured in spite of the moratorium because these licenses were issued earlier and the receipt state of induction perhaps is being decided. And Texmaco, your company is also a beneficiary of it. And I'm happy to let you know that we are turning out this GPWIS racks in the -- perhaps in the best possible time line to the market today.

Mohit Kumar: My second question, sir, is it possible to quantify the synergy we're expecting from acquiring the Jindal West Rail in terms of cost -- quantify the cost efficiency, if possible?

Sudipta Mukherjee: Cost efficiency is very high. That much I can say, and it will be complementary. And it's a very healthy situation because I cannot give you apple-to-apple because the product portfolio and the mixes are different. And that was one of the reasons of acquisition of that company. And -- but we do not find any inefficiency for that company that which will drag, but it will be a complement on a higher side for Texmaco.

Mohit Kumar: Understood. Last question, is it possible to share the Jindal Rail revenue EBITDA in the first half, H1?

Hemant Bhuwania: So yes, Mohit, the H1, they made a total revenue from operation was INR426 crores and their PBT was INR63 crores, INR62.73 crores to be exact.

Sudipta Mukherjee: Mohit, just to add to you that if you see that we expect that we will be better off maybe even in the commodity wagon if we do apples-to-apples because our foundry capacity is going to be a complement to Jindal, which was never there.

Moderator: The next question is from the line of Aman Soni from Nvest Analytics Advisors LLP.

Aman Soni: My question is specifically on freight car division. We performed decent in this year in terms of volume. Can you help me to understand going ahead in next 1 or 2 quarters, what kind of order inflow do you see in this segment? And what kind of execution do we see here in second half?

Sudipta Mukherjee: So Aman, to answer you, I can only share our vision and ambitions because placing order is not in our hand, but seeing the momentum and the market, what we believe that we -- while we will maintain our position of percentages and rather we will grow on that in both the categories of

wagons, including export. And if you see that today, we are in a position, as Vice Chairman also mentioned, in a leadership position, and we have the highest capacity to cater to the Indian both railway and private as well as exports.

So to answer you in one sentence, we'll feel that the progress of order intake should be better. And our execution will at least remain in the same trajectory, and we feel that to excel in both the categories.

Aman Soni: Sir, by the end of this year, like by end of Q4, what kind of run rate do you see in the freight segment? Like in this quarter, we did around INR2,900 crores, right? So what kind of run rate do we see by the end of Q4, sir?

Sudipta Mukherjee: Sir, we have produced 5,300 wagon in a consolidated manner half yearly. If you multiply by 2 because we cannot go down, so it becomes 10,600. So we will be any time near to that or bit even a little better to that.

Aman Soni: So are you saying like H2 is going to be in line with H1 only? No growth will be there, right?

Sudipta Mukherjee: I said minimum, this is itself is a growth, maintaining this is also a growth. And we expect we'll do better than this. The H2, we expect that we will be doing better than H1.

Aman Soni: Perfect.

Sudipta Mukherjee: I cannot give you absolute figure, but it would be better. That's what we expect.

Moderator: The next question is from the line of Abhijeet from ICICI Securities.

Abhijeet: Congratulations on a very good set of results. The first question is on our capacity plans. Right now, if I understand correctly, the capacity is in the range of about 3,000 units a quarter. That is for the freight wagons. And for the quarter 2, the volume seems to have reached the peak utilization of about 95%, 97%. So in that context, sir, in H2 and in FY '26, what is going to be our capacity expansion plan?

Also a related question. So if we compare our gross block from Q4 to Q2, that has seen expansion of about INR400 crores and basically doubled. And that proportionate expansion has not been seen in revenue. So I mean, assuming Jindal Rail acquisition, the utilization for Jindal Rail capacity has not reached its peak. So how is the ramp-up going to happen in second half and FY '26 pertaining to Jindal Rail?

Sudipta Mukherjee: Abhijeet, thank you. I would like to answer the first part first and then maybe Hemant can touch upon a bit. And if anything is required, we can jointly answer. To answer you regarding the capacity, it is not in our mind actually, to be very honest, that we don't feel our capacity is 12,000 or 10,000 or 15,000.

Capacity of production is kind of elastic in terms of freight rolling stock when you have a decent infrastructure. It's a question of utilization with the right product mix that what is your business plan vision, what is the market and where you want to go.

So, so far, I can assure you so far Texmaco is concerned with all its three manufacturing units and the coming joint ventures which are coming, there will be no limitation in terms of flexibility, agility and capacity in terms of numbers of production of rolling stocks.

And even if you -- so unnecessary, we do not want to use our resource because we know that within the present setup even with a kind of requirement, we can do better. That's why you have seen that we are very keen and focused on expanding our export portfolio.

So these are -- I mean, to answer you, I don't -- we don't need any CapEx to do that. So these capacities, you can see that it's not a problem and not a challenge for your company. In terms of foundry, yes, it is important. And if you have seen that last 1, 1.5 years, we have been continuously improving on the existing facility even from 30,000 to today's run rate in the half yearly, we have almost done 21,000 metric tonnes and which you even only multiply it will become 42,000 tonnes, which is also highest in the country.

And further to that, we have certain visions and ambitions to reach to newer markets, and we are setting up a new foundry in Odisha as in Vice Chairman's speech, he has mentioned. So I feel that this 10,000, 12,000 or 1,000 a month is a misnomer. Most important is what you do and what is the mix. Second part, Hemant, he was asking for some.

Hemant Bhuwania: Yes. The second part, you mentioned that there has been an increase in the property plant equipment that is on the CapEx part. Yes, there has been an increase, which is mainly on account of acquisition of Jindal Rail since you are seeing the consolidated results. So it includes the numbers of Jindal Rail. So Jindal Rail, the net fixed asset addition has been to the tune of approximately INR300 crores. That is why you see an increase in fixed assets.

Indrajit Mookerjee: In the gross block.

Hemant Bhuwania: Gross block.

Sudipta Mukherjee: Abhijit, have we been able to answer you or you have any doubt or any question?

Abhijeet: Sir, one thing related to this and also in continuation with the earlier participant's question on the synergies between the acquired company and Texmaco. So in that sense, it seems like the asset turnover, fixed asset turnover for Jindal Rail right now seems to be on a lower number compared to our existing business. So in that context, how is the ramp-up going to happen? And how are these margins and turnovers going to pan out going forward with the acquisition and the expansion panning out?

Sudipta Mukherjee: So Abhijeet, if you see, maybe I will not be able to -- or will not be able to give you a numeric number to the cause of this. But I just would like to remind you of a point that Jindal Rail suppose it has a 120 acres of land and 2 railway siding. And we are only today in -- within 50 acres of it. And there, as I said, that increasing or having a better mix or reach to a better market is not at all a challenge. The balance land, we have other visions and plans going forward to gain fully utilize and create more value adds, not to expand for wagon perhaps.

Abhijeet: Right.

- Sudipta Mukherjee:** We have a few plans which we are working and progressively, we'll find that...
- Indrajit Mookerjee:** I'd just like to add to Sudipta's answer is that, see, the synergy from Jindal is not only restricted to cost. It's restricted to the market synergy because it has given us a tremendous reach to the private segments -- the private sector market, which have a higher realization. And we have now in a situation when we know which is going to be where -- which orders will go.
- And secondly is that our capabilities are with the product is so high because it's going to be from generic orders to the generic wagons to the high-end wagons, and we are doing further development. So I think the market synergy and value capturing has been very high in addition to the numbers, which are very important to increase. And I think Sudipta was saying, sometimes product mix is more important than band numbers.
- Moderator:** The next question is from the line of Rahul Jain from JM Financial.
- Rahul Jain:** Congratulations on a good set of numbers.
- Sudipta Mukherjee:** Rahul, we have a problem to hear you. There is a background noise.
- Rahul Jain:** Congratulations on a strong set of numbers. My first question is your H1 production has been very strong. And with acquisition of this Jindal Rail, the production will increase, maybe...
- Sudipta Mukherjee:** Again, your voice is getting faint, Rahul. Kindly if you speak a little louder. We are not able to hear.
- Rahul Jain:** So sir, I was saying that your production has been very strong in H1, right? And with acquisition of Jindal Rail, can the production increase to 1,000 wagons per month plus? So can this go beyond that? And also, if you can highlight that your market share might increase because you might be able to provide additional wagons in the market. So can that be a case over the next 1.5, 2 years?
- Sudipta Mukherjee:** Rahul, I think, yes, you have captured the answer correct. In both the -- in all the questions, the answer is yes. We will have better market share. We have more agility to supply. We have multiple most variety of products to cater to the market. We have the -- we believe that we have a very strong technical capability even to have a tailor-made and curated solution for the customers. And our numbers are not limited to 1,000 wagons a month. It is much beyond.
- Rahul Jain:** Can you give that number, if possible...?
- Sudipta Mukherjee:** No, I cannot give you that number because it depends on the mix you know. You are in the market since long. So you know that in product mixes determine the number. As I have tried to explain in Abhijeet's question that it can vary. I mean, if suppose something a new design comes up tomorrow.
- So as a matter of a capable company, can I decide that it is more complex and I will only make 100 wagon a month? No. So we have to be capable. We have all the flexibilities to do much beyond 1,000 and product mix is important rather than having that number.

- Indrajit Mookerjee:** Rahul, I'll just add -- this is Indrajit Mookerjee. I'll only amplify on Sudipta's point. And I think he made a very important point that our capabilities are there. We have the capability and flexibility to do anything from one to the other end. And that's more important because once you have the capability, you can always use that capability when the opportunities come or when we develop opportunities ourselves. So that's more important than how many actually numbers we are doing. We can do any numbers.
- Rahul Jain:** Right, sir. Got it. Sir, my second question is, so there will be higher private sector wagons supplied, which can have a higher margin. So can we see the -- your margins, which was around 10% operating margins, which was around 10% in H1, can this move to 12% to 13% over the next 1.5, 2 years with private sector wagons contributing more after the acquisition of Jindal Rail?
- Hemant Bhuwania:** So Rahul, absolutely, yes, what you mentioned, we all are working towards the common goal to increase the EBITDA margin, what the numbers you mentioned. And yes, we are hopeful that with the increased percentage of private portion in comparison to total supply, the EBITDA should go up in the coming days to come.
- Rahul Jain:** Sure, sir. Sir, if you can highlight what is private sector wagons margins, if you can just split it up for us?
- Hemant Bhuwania:** So private is always better than what we have in terms of railways. And after private, we have export. Export is even better than what we supply to private. So that is how the pricing has been done and the contribution margin has been -- is generally defined in the industry purpose.
- Rahul Jain:** Sure, sir. Got it. Sir, how much was the export this quarter? And which products did you export?
- Hemant Bhuwania:** So export was on the 2 segments. One was on the freight car, we have exported to Africa. And second was export is on account of steel foundry, wherein we export railway castings to U.S. and Australia. The total number of export, I'll just...
- Sudipta Mukherjee:** We have also exported to Europe, wagon components, I mean, wagons into knockdown parts.
- Hemant Bhuwania:** And the total export number, yes, I have now, Rahul, it is INR185 crores in H1.
- Rahul Jain:** Sure, sure, sir. Sir, what are your plans for new products in the next 2 to 3 years, if you can mention that also because you have several land available after this Jindal Rail getting acquired?
- Sudipta Mukherjee:** So it is progressive in nature, Rahul. And I mean, many, many things we are looking forward to. So far the -- I mean, maybe in railway segment and even beyond railway. So to be specific in this call is a little difficult for us. But you -- we know that you are very keen, I mean, with us, and we will keep on informing you as we progress.
- Moderator:** The next question is from the line of Mahesh Bendre from LIC Mutual Fund.
- Mahesh Bendre:** Sir, you just mentioned that the new facility at Jindal, we have extra space where we can look out for new ventures. So I mean, over what period of time we will be able to hear something about the new business plans?

Sudipta Mukherjee: Mahesh, thank you for your best wishes. You know, I mean, being in the trade that we keep on working on something and what matures -- I mean, in the last two acquisitions, you have seen Texmaco's agility that when we found it is profitable, we committed to you and the market that we want to take up businesses, but not for the sake of it. But we want to make it a story that where we can really perform and take care of every stakeholders' interest.

So given on the right chance, we are working on various possibilities and we'll keep you updated. But to be specific now, it will be very difficult, but it can -- something may also happen very quickly, but defining time line is difficult, right?

Indrajit Mookerjee: Let me also add to Mr. Mukherjee's answer. See, if it is within the -- our present domain, then we have a very clear growth path, and we have a very clear growth direction. And that, I think we have mentioned it earlier also that we are trying and developing the component business, which are the components of the freight cars.

And that's why you must have seen that we are trying to -- and that's what Mr. Mukherjee has said that we are exporting freight car components in knockdown conditions, and we are talking -- and we also have an aspiration to take our export strength to be a global player of supply -- global supplier. And that's the reason why we are also very much concentrating on building up our global capability center.

We also are looking at revamping our foundry capacity by putting in a new foundry, which perhaps will be mostly export-oriented and will be going to the countries outside India and developed countries like U.S. and Australia, et cetera. So these are -- within our domain, we know that we have a very clear growth path. if you are asking outside the rail segment, then I think we'll have to wait for something to come up. Right now, we are not in a position to say.

Mahesh Bendre: Great, sir. And sir, the operating margins at the consolidated level around 9.8% for the last 2 quarters. Now given the -- I mean, the scale we are acquiring where our revenues are growing fast, some point of time, economy of scale needs to come up. So will this add into a substantial -- in terms of margins will add significantly over the next 2 years? Will it change the margin trajectory from maybe 10% to 12%, 13% kind of level, fuel and operating side?

Hemant Bhuwania: So Mahesh, yes, what you mentioned, yes, absolutely, we are working towards a common goal to increase our margin. So as I mentioned earlier also, since more and more execution on the private side is our endeavor. And as it happens, you will see definitely an improvement in the operating margin also.

Mahesh Bendre: Sure, sure. And sir, last question from my end is that the debt level -- net debt level has gone up with the acquisition. It's around INR800 crores now. So when we look out for new businesses, new venture, is there any limit we have placed in terms of taking further debt on the balance sheet?

Hemant Bhuwania: So Mahesh, this will be too premature to answer that whether any further debt for the new acquisition or anything would be added to it. So generally, we work on a debt equity of 70%-30%.

So depending upon the case-to-case basis, the call would be taken by the management, whether to add debt to it and if the internal accruals are sufficient, whether to meet the funding through internal accruals for any future projects. So depending upon the future projects on a case-to-case basis, a decision would be taken Mahesh.

Moderator:

The next question is from the line of Harshit, an individual investor.

Harshit:

Congratulations on the great set of numbers. Sir, I had a couple of questions, if you can just help me. So firstly, could you give us an update on the global tender for modern wagons? So the order was more or less in process before the election, but actually took a backseat after the election. Any update on that, sir, if you could give us -- throw some light on that? And if there has been any kind of prequalification round for those wagons, sir?

Sudipta Mukherjee:

Okay. Harshit, it's a point of -- I mean, it's a question which is very close to our heart. But I cannot be the spokesperson of Indian Railway, but I can only share with you the information I have in and around it. So last time, when it came, so of course, perhaps the -- whatever be the reason, it got on hold.

But now I think Indian Railway has done a significant kind of decision where they have decided that to send a kind of high-power delegation to -- from railways to Europe and America to go through a few companies to study that what are the kind of rolling stock they use and what is the difference we have in India and what it calls for.

And I know it by virtue of the fact that perhaps a few of our associates are also getting visited. So maybe we expect and we hope -- wish that coming back, a proper specification maybe they will be again initiate to do. And from a market perspective and dealing with customer, I can say that there is a requirement of higher capacity and efficient rolling stock in the country and I believe that Indian Railway is very much conscious about it, but they are taking time because it would be a long journey because the maintenance regime will change and many new things, the life of the product will increase.

And so taking time is not a problem, but it has to come as the railway market is gaining momentum, and we are ambitious to make a more reliable, trustworthy, safe rolling stock. Third is in terms of eligibility, I'm not sure. But of course, government would love to work with inclusivity.

But I can say on behalf of your company that we are -- whatever be the eligibility criteria, so far if it is in line with all the global tenders done by other railways because we have started qualifying in many international tenders. So we have all the eligibility and we have the capability to get into it because we are having our own bogeys with our joint venture partner, Wabtec. We have our wagon designs, and we have some American companies also with us associated. So brake system and everything.

So we are very well placed and keenly looking forward to something new and new design wagons. And irrespective, we are working on a few new designs for the market, considering there is a possibility of very good private sector investment of private wagon optic and DFCC

are also getting operational more and more. So we are very well positioned in this advanced type of guidance for the country.

Mahesh Bendre: Right, sir. Sir, just one follow-up question. So basically, there hasn't been any communication or indication from the government side around that for us, right, at the moment?

Sudipta Mukherjee: Nothing official about it. There was an advertisement of Pepsi, I believe.

Mahesh Bendre: Thank you, so much sir. That's really helpful sir. That's really good insight from your end and all the very best sir.

Sudipta Mukherjee: Thank you so much.

Moderator: The next question is from the line of Mahek from Agility Advisors.

Mahek: Yes. So sir, just wanted to understand more on the execution time line of the orders in the Infra Electrical segment. So we have close to INR1,700 crores of the order book and in H1 has been quite subdued. So if you could just highlight how -- what is the time line? And how are we planning to increase the revenue generation in that segment?

Sudipta Mukherjee: So it is -- we don't consider it subdued, Mahek. If I spelled your name properly, I was not able to hear. So I think it is one of the most profitable segment of Texmaco. And we will do further better from here, and we are very confident about it. You will see much more better results on a year-on-year basis also or in the next quarter or the second half of the year.

Indrajit Mookerjee: We have also repositioned the entire electrical division. We have repositioned it from a purely railway play to non-railway play also. And that's paying up very, very -- that's paying up very profitably. We are very bullish on this division and particularly the capability of the organization and its goodwill in the market.

Mahek: Okay. So any time line like is it a 3-year order book or a 2.5, 4-year order book? Any specific time line that is by when we need to complete these orders, the INR1,800 crores orders which we have...?

Sudipta Mukherjee: It's a INR1,700 crore order book we -- so every contract has its own this thing. And we can only say that the top line, you will see that it will multiply in the coming quarters and years. And it's a progressive nature so far the orders are...

Indrajit Mookerjee: And the orders are flowing in. And in fact, we are looking India as well as outside India. So all that is flowing in. I mean a little bit of patience, you will see this divisions completely what we are saying that we will be walking that down.

Sudipta Mukherjee: And along with -- as I mentioned about top line, but I must add that bottom line will be very strong of that business too.

Mahek: Okay. Understood. And sir, second question was if you could please provide a breakup of the volumes of wagons between Texmaco Rail and Jindal Rail?

- Indrajit Mookerjee:** So in terms of order book, you want to...
- Mahek:** No, volume, the wagons, yes, in terms of execution.
- Hemant Bhuwania:** So Texmaco Rail did -- Texmaco, that is Texmaco Rail and Engineering did executed an order of 4,410 wagons and Jindal Rail did 891 in H1 last quarter 2. And in quarter 2, Texmaco Rail did 2,443 and Jindal Rail did 484.
- Mahek:** So we can see a pickup in the volumes from Jindal from H2 as well, right? Because they do have good order book available?
- Hemant Bhuwania:** So yes, Jindal has a very good order book, but the type of wagon which they execute is not a commodity specific. It's a very -- it's a commodity-specific wagon. And it's a specialized wagon. So you won't see the number -- same numbers what Texmaco does and the same number what is being done in Jindal rail. So definitely, the numbers in Jindal Rail will be relatively lesser because they do specialized wagons and the lesser of commodity wagons.
- Mahek:** Okay. Okay. Understood. And sir, last question was we -- Jindal has a technology to produce double decker wagons. So how are we expecting any significant synergies due to that technology? Any good order book tenders which are available and we would be participating? How should we see that segment?
- Sudipta Mukherjee:** Mahek, thank you for asking this. So your -- both company, I mean, erstwhile Jindal now Texmaco West and Texmaco Kolkata, both are capable to produce double decker wagons. And we'll be happy to know that where the synergy comes from because we were the 2 companies who are part of the design of the double decker wagons. So Jindal owns a design, which is being called as ACC1, which is a one notch higher progressive technology than the erstwhile automobile wagon being procured by Indian Railways.
- And ACC1 recently from a company called APL Vascor, we have got in September an order of 3 racks to deliver to them. And for Texmaco, Texmaco is in the final stage of approval from Indian Railway for designing ACC3, so which is again a different variety of a double-decker wagon.
- And today is the most leading design in the market, which is going to be. And it could be a game changer because it can also accommodate tractors. And whatever be the shortcomings in the other type of designs, we have tried to take care of that, and it comes with a global flavor of safety and reliability.
- So we believe that the automobile companies are where looking for an efficient logistics solution where they can reduce the carbon footprint in their company by doing so many trucks enter at the same time, they wanted an efficient logistic where they can reduce their logistic cost. So we will be having the most versatile portfolio of the next-generation automobile wagons to say, and we expect this segment will grow significantly in the coming quarters to come or the months to come.
- Mahek:** Okay. And this would be a higher margin product, right?

- Sudipta Mukherjee:** We expect, sir.
- Mahek:** Okay. Okay. And sir, last question. So the capacities which we...
- Sudipta Mukherjee:** We will get special type wagons. And definitely, these are special.
- Mahek:** Okay. Understood. And sir, sir, last question. The capacity which we have currently in the Texmaco rail, including the Jindal one, so what is the peak revenue which we can generate from the same? Any ballpark number?
- Sudipta Mukherjee:** Sir, again, to be very honest, this is the number we never think because any -- if I talk about any number, it only restricts me. We believe, I repeat that the product mix is the determinant of a number. And we are very much focused on our capabilities, and we believe that we have no limitation to achieve any number for any of our work.
- If you see that in H1, we have already achieved 5,301. If you multiply, it goes to around 10,600 wagon per annum but we expect that H2 would be better for the company. And whatever be the mix, we are irrespective, we will improve our numbers. That's what we believe and we are working for. And in the coming days also, I mean, we want to continue to grow and bring better values for our stakeholders. I'm sorry for my roundabout answer, but because any number limitation actually, we do not want to rely upon.
- Moderator:** That was the last question. I would now like to hand the conference over to management for closing comments.
- Indrajit Mookerjee:** This is Indrajit Mookerjee once again. And I would like to thank all the -- all those present here for their patience and for their interest in your company. I can only close by saying that there has been action packed here, action packed half year, and we are strictly following what our strategies and tactical plans are. We are -- and that's what is giving us certain results.
- So I think what we are doing is that -- we have a very structured plan. We are not doing anything which is -- which suddenly whimsically comes to our mind and we are following that path. And we continue to do that to add more and more value to our shareholders in the future to come.
- And I would be very happy to share our plans wherever anyone wants can call me or our team. And also, I would also welcome if anyone would like to come and see our facilities either here or in Texmaco West. So we are -- we have transformed ourselves to a pan-India player. We have transformed ourselves to be a player where we would be in a stronger mind with stronger product offerings, offerings which others can't do it.
- And also, we are getting future ready, not only in the freight car, but also the freight car component business. And of course, we are looking outside the freight car, but I think, as I said, that will gradually come.
- So with these few words, I would like to offer our seasons greetings and happy Diwali to all of you. And I would expect that even better time to come when we meet next time. Thank you very much.

Sudipta Mukherjee: Happy Diwali to all of you.

Hemant Bhuwania: Thank you, and happy Diwali.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.