20th May, 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 Friday, 17th May, 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/2024/05/Q4FY24-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We would also like to confirm that no unpublished price sensitive information was shared / discussed during the Conference Call.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**

KISHOR KUMAR RAJGARIA
Digitally signed by KISHOR KUMAR RAJGARIA
Date: 2024.05.20 17:56:59 +05'30'

K. K. Rajgaria
Company Secretary &
Compliance Officer

“Texmaco Rail & Engineering Limited

Q4 FY '24 Earnings Conference Call”

May 17, 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. NIKHIL ABHYANKAR - ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Earnings Conference call of Texmaco Rails & Engineering 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 an 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. Nikhil Abhyankar from ICICI Securities. Thank you and over to you, sir.

Nikhil Abhyankar: Thank you, Manav, and good morning to everyone. So on behalf of ICICI Securities, I welcome you all to the Q4 FY '24 Earnings Conference call of Texmaco Rail & Engineering. Today, we have with us from the management side, Mr. Indrajit Mookerjee, ED and Vice Chairman; Mr. Sudipta Mukherjee, MD; and Mr. Hemant Bhuwania, the CFO. Without wasting much time, I would now like to hand over the call to the management for their opening remarks. Over to you, sir.

Indrajit Mookerjee: This is Indrajit Mookerjee. Good morning to all of you, and welcome you to today's call. It is a moment that we would like to share with you in regard to our company's performances. Our yearly results were approved by our board yesterday and also the Q4 results at the same way. So I'd like to say that we are in the journey that we had been -- that we have promised to all our well-wishers and the investors to the company that there are certain very specific vision, strategy that we have.

And we also have a very strong tactical plan and we are in that move right now to make the best out of the positive situation of the rail industry in -- specific mention to manufacture -- manufacturing of wagons or freight cars whichever -- whatever way we want to term it and also our component businesses which includes steel foundry which includes component business.

So I'm happy to report that for the year we have increased our sales by almost 57% from the same period last year and profit has gone up by 532%. Now I also must add that this is in spite of the fact that we already have our EPC division together and that results are already a part of this profit that we have -- just now I have said, just like the fact that EPC exhibition has been a nonperformer, has not done as we expect it to do and so some of the burden had to be taken. Otherwise, things would have been even better.

But be that as it may, we have a very clear plan for EPC division. We have plan for our -- increasing the production. We promised that we will go up on our wagon production to a level of 600 to 700 range in the month. And I am very happy to inform my friends that we have touched a level of 850 numbers, and we are doing all our best to keep a sustained movement. There are a lot of management tools. We have, to some extent, restructured the organization. We have brought in some balancing equipment so that this is not considered or this is not a flash in the pan, but it would be a sustaining improvement.

So this is as far as -- we also -- I think I have missed in here that we have also with debottleneck our foundry which is in casting capacities to by about 20% by adding balancing equipment both in Urla as well as in our Belgharia. And as you know that Belgharia is one of the iconic unit of -- if I can use that word again, as far as the steel foundry is concerned because the product from our Belgharia, which is a Calcutta foundry is the only company whose product is approved by the Association of American Railroads.

As a result of that we already export to the global measures in the U.S and we expect that that's going to be another very strong market. There are certain plans also are in the anvil for foundry expansion. We also have to say that our component business, we are giving our refocus to the business because that's something which goes very strong for the manufacture of the wagon and the market is very strong, particularly the market in Europe and the US. because of various geopolitical reasons which is supporting India, not only in this respect, but for all engineering aspect, all engineering products, the export market in Europe and the US are very, very strong because China's export has come down in the US and the Europe is suffering because the Ukraine's production has come down.

So all this put together, I look to be very strong run for the future, and the plans are in place. With the good wishes of all of you, hopefully, we will be able to achieve our target even for the coming year.

Having said this, I give it back to you -- for any questions which three of us are here. We have Mr. Sudipta Mukherjee who is our Managing Director. We have Mr. Hemant Bhuwania who is our Chief Financial Officer and we would be three of us together, we'll be very happy to address to any questions, any doubts that you may have in regard to operations of our company.

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

Piyush Bora: So I have two questions. Out of that -- firstly, congratulations management for the good set of numbers. Now my question is regarding the margins what we have posted in this quarter. In spite increasing sales, we have seen a decline in EBITDA margin which stood at 7% in this quarter.

This is the lowest which is -- with compared with our peers like JW or TWL. So could management provide a guidance and the steps which are -- which management is taking to increase the margin and any scope of improvement they are seeing in the future trajectory?

Hemant Bhuwania: Yes, you are absolutely correct. So if you see the Q4 results which shows that I would like to focus on the other expense which previous quarter was INR23 crores which has gone up to INR47 crores. So there has been two items which we have considered in quarter 4 which has made the results a bit on the lower side as compared to our peers and competitors.

So one is on account of Rail EPC Division, that is Rail Infra and Green Energy which Mr. Indrajit Mookerjee just explained. There was a loss of around INR13 crores which has been booked in the current quarter, that is Q4 of the previous financial year.

This apart, there was also a bad debt written off to the extent of INR14 crores in freight car division which has been considered over here. So if these two expenses had not been considered yet, the results would have been at par, as we mentioned with our peers and competitors.

Sudipta Mukherjee: Piyush, this is Sudipta. In addition to Hemant what he has explained I just would like to touch upon on the scope of improvement for the future. The answer is yes, you will find that the EBITDA percentages will improve significantly in all the segments. So, that I want to confirm to you.

Indrajit Mookerjee: Yes, you can -- this is Indrajit Mookerjee. You can take Q4 to be our kind of a guidance which are a few one-off items which Hemant has just now mentioned, which is the some write-off as well as some non performance of the EPC business. But if you take those two one-off items out from the other expenses, that gives us kind of a guidance parameter. Even after taking this out, I think we are at about 11% EBITDA level on the Q4. So the rest of it is mathematics.

Piyush Bora: Okay. So are you expecting that in future we will able to clock that? So you are optimistic for that?

Indrajit Mookerjee: Yes, that's our plan and unless something very unforeseen we should be able to achieve those numbers.

Piyush Bora: Okay. That is the part of business. That is not a big deal. Now my second I can say instead of question, it is -- it can be a suggestion. Instead of giving dividend as I have seen that management declared dividend of INR1.50 -- means like INR0.5 to per shareholder. Why management is not looking to reduce that in our debt? Because in this quarter, I can see that out of INR34 crores operating profit margin INR28 crores we are paying as an interest cost. So by instead of distributing the dividend, we can reduce that in our -- the absolute debt. So can we have that thought process? Is there anything?

Sudipta Mukherjee: I think Hemant you also did we had debated this internally sir and I think let Hemant will give an answer for this.

Hemant Bhuwania: So, Piyush, yes, there are certain divisions which we have declared and dividends are declared because there are a few tenders which comes up which some of the conditions in the tender mentioned that the company should be a dividend-paying company in the last 3 years or 5 years. So that is one of the reasons. And secondly, since last year, we had made a profit of INR28 crores. This year, we made a profit of INR178 crores, PBT. The Board has taken a call that the dividend percent be increased to 50%.

Sudipta Mukherjee: I just want to add, Piyush, to you that -- see this is the starting of a good journey for us. And we are confident that -- we are confident that we will be able to continue with this journey. And I think it's -- we our board felt that it is important that we also share the good news and the numbers that we have done with our shareholders.

And this is the reason why it has been done. If you look at the payout ratio is it not too high -- moderate payout ratio. So we thought that -- the board took a decision that it is important that the confidence of the shareholders are also boosted by showing that your -- it is because of you that we have done it because the investors who have supported us during our time when it was not very good. And that's a very small payout -- payback that we can give to our investors.

Piyush Bora: Okay. Understood.

Sudipta Mukherjee: We have a confirmed plan, Piyush, to reduce the debt and we are confident that we will be generate enough.

Hemant Bhuwania: That’s not an issue because we are generating fund.

Sudipta Mukherjee: Yes. So it's not a challenge for us at all.

Piyush Bora: Actually, I was not aware that into tendering there is a certain requirement. This is a new thing which I came to know today. So thank you.

Hemant Bhuwania: That's okay. But for us, the primary driving force us to say that -- to pay this little confidence to our investors because you have -- which stood us earlier and we should give it as one of our goodwill to you. And I think it's not a goodwill it's something which you should also share with us.

Piyush Bora: Thank you so much. This is the question I have and once again thank you for considering my questions and congratulations for great a set of number.

Moderator: Thank you. We have our next question from the line of Rahul Modi from Nippon India Mutual Funds. Please go ahead.

Rahul Modi: Sir, couple of questions from my side. Firstly, if you can just throw some light on how the EPC business is shaping up because I believe, as you mentioned that there were losses this quarter. But that's okay in terms of quarterly, but from an annual point of view how do you see the business ramping up? And as you mentioned in the opening remarks, there's a plan. So some thoughts around that. That's my first question.

Secondly, on the write-off that we've taken on the bad debts, how old were these bad debts? And was it private? Was it government dues which are there? And thirdly, some thoughts on the order book currently and the order inflows that we see during the quarter?

Hemant Bhuwania: So Rahul, I will take the second question first on the bad debt. So yes, this bad debt -- the bad debt what we have written-off -- the amount which we have written-off. All these amounts were more than 4 years' old in our book, and we had written off in this quarter.

Moving on to your question on the EPC part. Yes, EPC, again, we have two segments over here. One is Rail Infra and Green and second is Infra Electrical. So yes, Rail Infra and Green Energy had a lot of INR13 crores in this quarter which we have considered.

So two plans you must be knowing. One is on account of demerger of Rail Infra and Green. And secondly, we have stopped taking all long-term contracts for this division, for this segment. There are no long-term contracts currently, which are inflowing to this division.

There are a few old contracts three to four old contracts which are currently under execution, which is Bangladesh, one of the majors. Second is Bangalore Metro this WDFC and EDFC. So yes, we all are working together that how fast these core orders can be completed. And once these orders are completed, there can be certain more amounts which needs to be provided for. But as and when we progress, we'll come to know on that.

Sudipta Mukherjee: Along the third question order inflows.

Indrajit Mookerjee: All our pending -- as Hemant has mentioned, the pending projects are all coming to a close, excepting, I think two projects which is Bangalore Metro and Mumbai Metro. All others are -- all major projects are coming to a close. And of course, the Bangladesh Railway. So we are -- we have taken a conscious decision of not going and bagging any more orders for the time being until we decide to reorganize our EPC business strategy.

And secondly, as we have mentioned earlier that we also have decided to demerge. But whether we demerge or no demerge, we also have to -- even if it's a demerge company, we have to take care of the business. And I think it's not very judicious decision to demerge up this business in a situation, even in the demerge company when the rail segment is looking so encouraging.

So I hope that the purpose is to reduce -- continuously reduce the drag from the EPC to our Texmaco and I think you will see it as we progress.

Rahul Modi: And this last, sir, on the order book in terms of the wagons business, the order book ratio and what kind of order inflows that you've seen during the quarter?

Indrajit Mookerjee: I request Mr. Sudipta Mukherjee, our Managing Director to respond to you.

Sudipta Mukherjee: So the order book we have as on date is more than 14,000 wagons and it is continuously coming. And if you see the situation in the market, I mean, so far, the requirement is concerned, there is around 15,000 plus wagons already floated by railway and your company has keenly participated in those. We are awaiting opening of that.

And further in this financial year, we feel that there will be another 20,000, 25,000 tender is expected to come. Other than that, there is a significant growth in the private wagon requirement. With the push by the government in the infrastructure segment, there is a requirement of specialized wagons in terms of cement industry and steel manufacturing companies. And also along with this, the movement of coal, you know, of utmost focus by the government and by all stakeholders.

So last year, I think it was one of the best year in terms of procurement, where we have seen around more than 5x, 6x procurement in a particular year. And in this year, already around

17,000-plus wagon tenders have been floated by the private companies. So we believe that consistency of 14,000, 15,000 minimum per annum would be there.

And if you have seen our results as committed, we have maintained a ratio of 70-30 because we wanted to have a good mix for higher returns. And we believe that we will continue to focus on the pie in the similar fashion, and we also have an intent to grow in the capacity of both of this.

Rahul Modi: All right. Thank you.

Moderator: Thank you. We have our next question from the line of Akash from Dalal & Broacha.

Akash: Yes. First of all, congrats to the management for a great set of numbers and thanks for the opportunity. So my question will be more on the -- with the long-term vision of Texmaco, I mean during the QIP and part the of GIP has spoken about getting into the passenger rail segment as well. So what steps have you taken there? I mean, what new businesses are we looking at within railways?

Indrajit Mookerjee: And it's a very, very good question. I have to tell you that we are exactly walking the talk of what we have said, while going for QIP fund raising for the QIP process. We said that we would like to be first to build our strength in the wagon industry, come back -- if I could use this word within invited commas we want to be back to the glory that we were earlier.

And by doing that, we've decided not to defocus in too many other areas. We wanted to be doing the best what we know for the last 70 years and which is wagon manufacturing. And we also decided that we will go deeper into that segment, and we will be -- being so much of scope there for component business.

So we will do steel foundry business, we shall increase our component business and exactly what that's what we are doing. And that's the result that you have seen in our yesterday's published results. So in a nutshell, whatever we have promised in the QIP, we are walking the talk.

Akash: Okay, sir got the point that you all are focussing currently on freight side. So on the freight side, I have a question like what is the peak capacity, peak potential that we can reach in terms of both capacity and margins?

Indrajit Mookerjee: I would -- Sudipta will respond to that. I think you also -- Sudipta, remind me, you also asked a question on the growth. So we have a very clear vision for the growth in our strategy, and that will pan out. It will play out in course of time where we -- or definitely, we'll have to move out from our passenger dominance -- sorry, to the -- from the freight car dominance to the passenger movement dominance. And there is a very clear strategy for that, that we have in mind.

We want to be in that segment after we are fully prepared. We don't want to take the risk to move to that. That was one question. Your second question, I think, Sudipta, you...

Sudipta Mukherjee: So in terms of capacity, I mean, of course, we call it elastic because for wagon industry, you do not need -- if you have the basic infrastructure with tools and techniques, you can achieve it. But having said that, in the current infrastructure, we feel that we can still grow anywhere around 20% to 30%. And we will also not shy away if the requirement comes more for -- with our further plans of expansion.

Moderator: Thank you, sir. We have the participant disconnected. We'll move on to the next participant. We have next question from the line of Lester Poon from Pedder Street Investment. Please go ahead.

Lester Poon: I have a question about the tender of the contract you received in November last year. From my calculation, the wagon price has gone up from about INR3 million in 2022 to about INR4 million last year. Is that due to different specification of the contract or simply because demand and supply -- types of demand and supply in the industry?

Sudipta Mukherjee: Could you please repeat the question. We don't get you because the voice was not clear in between.

Hemant Bhuwania: Yes. Actually to be very frank with you we couldn't your voice was muffled because of certain network problem maybe. So I please request you to repeat the question and my apologies.

Lester Poon: Okay. I read that last year, in November last year, you received a contract of INR13.7 billion for 3,400 wagons. So that work out to be about INR4 million per unit per wagon. That is higher than the contract in 2022 which was about INR3.3 million per wagon. So that was an increase of close to 30%. Is that due to special features of the wagon or is that simply because of the tight demand and supply situation in the industry? Can you hear me now?

Hemant Bhuwania: Yes. So I could hear you. So the type of the wagon and the design and the specification was different. That is the main reason of increase of price. But I mean it is not related to any demand and supply issue. That is a type of wagon where the value was supposed to be more.

Lester Poon: So it's because of the spec of the contract, so the value of each wagon is higher?

Hemant Bhuwania: Yes -- the answer is yes.

Lester Poon: Yes. So in general the wagon price has been stable despite the industry demand is stronger?

Hemant Bhuwania: Yes. So I mean we do not -- there is not a crisis even if there is in industry, Indian railways follows a certain norms of changing. And there are various types of specifications where you are supposed to quote. And we also, of course, there are steep targets for supply, but we also weigh our ways that in which wagons we want to get aggressive to have better contributions.

Indrajit Mookerjee: No -- I also say there is a discussion.

Sudipta Mukherjee: Railways distribute the back-end on a base price value and that is an escalation, de-escalation matrix, which is being done.

Indrajit Mookerjee: Normally, it goes up as the material cost goes up. So that's a phenomenon. And you also asked whether the industry price is going up. I think there is some -- appreciation in the private segment. The railway is, of course, okay. So I'm just encouraged that the private prime sector also remaining the same, stagnant pricing. But I don't think it puts lot of pressure on us, and that's what we are doing is trying to work on our costs, and we are trying to bring down the cost of production deficiencies.

So in my introductory speech, I said various management tools have been used in the production. And some of the management tools being efficient. So more efficient employer you are, better you are. But currently, this is the situation. I don't know whether we answered your question.

Lester Poon: Okay. I understood. Just and then a short question. When will you reach your target of 1,000 wagons a month?

Sudipta Mukherjee: So as far -- I mean, of course, it is very soon, maybe within a quarter or so.

Lester Poon: Okay. Understood. In our next call, we may hear that you have already achieved 1,000 units.

Moderator: Thank you. We have our next question from the line of Vishal Thakkar from Balaji Investments. Please go ahead.

Vishal Thakkar: Good morning Sudipta ji for the wonderful results. I have two, three questions to ask you. Can you hear me?

Indrajit Mookerjee: Yes, please.

Vishal Thakkar: Okay. My first question is as far as order book is concerned, you didn't mention the value of order book we have. So can you tell me what is the order book value, total?

Hemant Bhuwania: So Vishal, yes, we have an order of close to INR8,000 crores. If you see the breakup freight car division would be INR5,500 crores; Rail Infra and Green Energy would be INR750 crores; Infra Electrical which is Bright Power is INR1,150 crores. Our various joint venture and subsidiary is close to INR500. So all together, it is close to INR8,000 crores of order book for company as a whole -- sorry, we didn't mention this earlier.

Vishal Thakkar: Okay, no problem. Now my next question is regarding the -- what I was looking at the revenue of our operations which is around INR1,100 crores or INR1,100 crores. So when I'm looking at your peers, the cost of material consumed by you and your peers like JWL and Titagarh, your cost of material consumed is coming around 86% of the revenue from operations whereas JWL and Titagarh is 76% of the total sales. Why is the difference of 10% is there? Did you get my question?

Indrajit Mookerjee: The question we got from you, it's very difficult to answer this question because we don't know how others calculate. I would -- I will refrain from getting into the comparison with peers. The only thing that I can tell you is that if you look at the cost, if you at the yearly results, the material cost is...

Sudipta Mukherjee: 82%.

Indrajit Mookerjee: So it's 80%. If you look at it actually you look at 86 because you look at the Q4, but if you look at the yearly results which is the material, I think the material cost is INR2,879 crores and the total income is INR3587 so it's walks out to be 80.2%, but it's very [inaudible 32:46] for us to say what others are doing, I can only say that we are constantly working through various ways to bring down the cost.

Sudipta Mukherjee: So the product mix is also -- which contributes to the variation and in your company, I mean, we almost do all kind of along with the railway, the railway segment, it has been more because our railway orders were more and the type of product, it varies from 80% to 86% or whatever. In some companies, it may be less. We cannot comment on the others, but this is what is...

Indrajit Mookerjee: Actually, as to say that extending on that is, no, it will not be very fair to compare unless we be apple-to-apple comparison. So there are so many factors there beneath. But I can only assure you that in our company, we are very, very cautious and we are taking many actions for reduction of our manufacturing costs through higher productivity and lesser wastage.

Vishal Thakkar: And my next question is regarding the debt part. We owe almost debt of around INR240 plus -- around INR600 crores. Whereas when I look at your financial assets and current assets, we hold investments and bank balance to a tune of around INR860 crores.

Why not we repay some of the debt and reduce our interest costs so that our margin goes up and profitability goes up. So what we are doing about INR860 crores we are already holding in terms of investments, bank balance -- cash equivalents, so many, INR860 crores we are holding. Why not repay the loan?

Hemant Bhuwania: So Vishal, absolutely correct. So this balance what you are seeing INR800 crores, this includes the funds which we have received during QIP 2 towards end of March which was line in the bank escrow account, and we could utilize this only in first week of April.

So just to update, in April, again, we have reduced the borrowing to the extent of INR175 crores in first week of April. So the borrowings which we are seeing, the public result it further goes down by around INR175 crores.

Going forward, as communicated during our road shows that, yes, we plan to make this a debt-free company in next 2 to 3 years' time. So we stand by that.

Vishal Thakkar: And last question is regarding demerger. Are we going ahead with the demerger?

Hemant Bhuwania: So Vishal, yes, we have applied to stock exchanges. They have given certain queries to SEBI. SEBI is yet to approve that. So once SEBI approves, then it would be decided -- we get an approval for that. We have also applied the NOCs from all the lenders. So we have got the NOCs from few of the lenders. A few of the NOCs are awaited. We expect that in another 10 to 15 days' time. And once everything is available, we will take a call on this.

Moderator: Thank you. We have our next question from the line of Prateek Bhandari from AART VENTURES. Please go ahead.

Prateek Bhandari: I just wanted to understand where are we in terms of steel foundry production? What was the number in Q4?

Management: So steel foundry, Prateek, you see, we have done the highest ever production, that is close to 35,100 metric tons against last year of 25,700 metric tons.

Prateek Bhandari: Against last year of?

Management: 25,700 metric tons.

Prateek Bhandari: 25,700. Okay.

Management: So there has been a growth of around 42% to 43% as compared to last year.

Prateek Bhandari: Okay. And you stated that we are targeting wagons production of around about 1,000 wagons per month. So where we were in terms of the wagons production in quarter 4?

Management: So quarter 4, we were close to around 850 mark. So if you see the entire quarter, the entire quarter, we delivered 2,300-plus wagons in the entire quarter. And in the month of March, we delivered 850 wagons.

Prateek Bhandari: Okay. So delivered 2,300-plus wagons, right, in the entire Q4?

Management: Yes.

Prateek Bhandari: Okay. Okay. And -- so like where are we seeing the margins going up for the financial year '25? What kind of guidance you would like to give in terms of the top line and the margins?

Sudipta Mukherjee: So Prateek, forward-looking statement, we would like to refrain ourselves on commenting on that.

Prateek Bhandari: But there will be growth in all these segments that we can commit to you. So commenting on the exact number would be different. But yes, management has a plan for significant growth in all these sectors.

Prateek Bhandari: All right. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Sir, what was our wagon production for the entire year FY '24?

Indrajit Mookerjee: It is 7,028 numbers.

Vaibhav Shah: Okay. And sir, next year, we are targeting 1,000 wagons per month from first quarter or from the second quarter onwards?

Indrajit Mookerjee: So we will achieve 1,000-wagon mark for the capacity or the capability or the sale. We said that within a quarter is our target. And it depends on the combination and value and the mix of the wagon. So in numerics, it looks like it will be 12,000, it could be, it could be even more, or it could be in and around that or even less. £

So it depends on the market dynamics, what kind of private mix and orders we get and all. And to answer you, we are targeting to achieve 1,000-wagon mark within a quarter.

Vaibhav Shah: Okay. And sir, secondly, out of the 14,000-odd wagons orders we have on the backlog, what would be the share of private orders out of that?

Indrajit Mookerjee: So it is in the range of today around 15%.

Vaibhav Shah: And sorry, in value terms?

Indrajit Mookerjee: In absolute value terms, it should be around INR500 crores. And one thing to mention that for private orders, it is not like railway that they planned 2 year, 3 years before. It is a continuous process, and it keeps on -- the inquiries keeps on coming.

Vaibhav Shah: Sir, if I take 15% of share in private, so it comes roughly around 2,000 wagons and value you're mentioning is INR500 crores. So the per wagon value compared only at INR24 lakhs. So -- the math doesn't...

Indrajit Mookerjee: I said, around 15%. And it was, I think, the exact number, if you like to say, it is around 1,000 wagon order we have for private. And actually -- it was my mistake. You are correct, it is INR800 crores, not INR500 crores.

Vaibhav Shah: So INR800 crores and the number of wagons is around 2,000, right -- 1,500?

Indrajit Mookerjee: Yes.

Vaibhav Shah: Okay. And sir, lastly, overall, on the 7,000 number wagons for FY '24, we can see a broadly 20%-odd growth in next year, 20%, 25%?

Management: We will definitely able to grow. In fact -- I mean, to be specific, as I say, it could be even better. I mean we are doing everything to outperform ourselves.

Vaibhav Shah: Okay. Thank you sir. Those are my questions.

Moderator: Thank you. We have a follow-up question from the line of Akash from Dalal & Broacha. Please go ahead.

Akash: Sir, I actually wanted to understand what would be your debt reduction layout like how much are you planning to repay in '25 this year, how much in FY '26? What the broad plan is?

Hemant Bhuwania: So Akash, yes, if you see currently, we have a debt what has been shown is INR241 crores in long term and INR388 crores in short term. Altogether, it's INR630 crores about long term, short term. We have already repaid as we talked INR175 crores in the month of April. So the debt stands at INR450 crores as of now. And the debt reduction, which we have done is mainly on account of long-term borrowings.

So long-term borrowing from this INR241 crores has further gone down by INR175 crores. So now that we have a very small portion of long-term borrowing and the balance is working capital. Working capital we wish to continue. Long-term borrowing based on the internal approval, we wish to pay within financial year '25. If not, definitely by financial year '26.

Moderator: His line got disconnected again. We have Akash's line back with us. I will reconnect him.

Akash: Yes, sir. That was helpful on the debt reduction plan. And secondly my question was on the margins front, sir, our competitors, Jupiter, Titagarh, they have done somewhere around 12% to 13%. So will we ever be able to touch those kind of margins?

Hemant Bhuwania: So Akash, yes, if you see the opening remarks that there were certain aberrations in the Q4 results because of our Rail Infra and Green Energy and also because of the written-off -- bad debt written-off we have taken. So if we remove these two numbers and we compare apple-to-apple with the freight car division to the freight car division of our competitors, I think we should be close to that number. Our EBITDA would be somewhere around 12.5% to 13%.

Akash: Sir, actually, if I remove that impact of INR28 crores that you said, I think that somewhere back to 10%. 12% is still a bit far?

Hemant Bhuwania: How 10%?

Akash: So sir, basically, so we have done an EBITDA of...

Hemant Bhuwania: Akash, you're not considering other income?

Akash: Yes. I'm not considering other income.

Hemant Bhuwania: Okay. What I was saying is after considering the other income.

Akash: But other income will then to increase our base of income -- so then margins should even reduce further.

Hemant Bhuwania: So, Akash -- we further plan to improve on those numbers that we have mentioned. So the numbers which we showed, the EBITDA, including the other income is close to 9.5%, what has been shown in Q4. We'll further try and improve on this number.

Sudipta Mukherjee: So because we have the losses of like the other income. We also have the plus and minus effects because we saw also Q4 also have the carry forward losses and write-offs, all has come in one quarter. So they nullify with each other, but I think your point is taken that the whole exercise is to go up on the percentage EBITDA.

And we are on the constant run for it. So if you look at it as a standalone business, you will see that the EBITDA is rising, and we are obviously taking care of the other issues, other business areas which are affecting the core area. So that's the reason why we are talking of demerger, we are talking of so many other things.

Akash: Got it sir. Thank you.

Moderator: Thank you. We have our next question from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: Yes, my question is on the gross margin front. So you mentioned that we did some capex and some manufacturing related some changes which will lead us to improve some gross margins. So what kind of improvements do we see from that initiative? And by when can we see numbers?

Sudipta Mukherjee: So this is a continuous process we are doing. If you have seen, I mean, the results quarter-to-quarter, it shows improvement. And the gross margins, even if you see that last 8 quarters, the average of this financial year, it has gone up. And we feel that it's continued to grow another -- I mean, the same product category, if we have to say, that it will be no less than the industry standard.

Dhavan Shah: So we did roughly the 20% to 25% gross margins also in the earlier years. So would it be possible to reach out to that number?

Sudipta Mukherjee: Absolutely, yes.

Dhavan Shah: By when can we expect that numbers?

Sudipta Mukherjee: So as I said, that is continuous quarter-to-quarter, we will see improvement, and you will see that happening in this financial year itself.

Dhavan Shah: Okay. In FY '25, so you are saying that we can reach to 22%.

Sudipta Mukherjee: Yes.

Dhavan Shah: Okay. And sir, one last thing is on the freight market share. What is our market share in the overall freight business?

Hemant Bhuwania: Typically.

Dhavan Shah: So I think there are 90,000 kind of wagon order. So what kind of market share for Texmaco?

Sudipta Mukherjee: So it is typically has been -- ranges between 25% to 30% that has been in last couple of years.

Dhavan Shah: Okay. 25% to 30% market share for Texmaco.

Sudipta Mukherjee: Yes.

Dhavan Shah: Thank you so much.

Moderator: Thank you. We have our next question from the line of Rahul Jain from JM Financial PMS. Please go ahead.

Rahul Jain: Thank you for the opportunity. So I have two questions. My first question will be...

Sudipta Mukherjee: You have to be little louder, Rahul sir.

Rahul Jain: Sir, my first question will be -- I mean you are going to achieve this 1,000 wagons per month production in a quarter or so. And once this stabilizes and since the demand being so strong around 30, 35 wagons per annum procurement from the Indian Railways and private side. So do you look to expand your capacities in FY '25 or '26 to take 1,000 wagons -- higher production than what you are doing currently doing or targeting?

Sudipta Mukherjee: The answer is yes. I will use one simple narrative just to make you understand that where your company operates. So our market is the Indian Railway domestic market, the private specialized wagon market, the export market. So I mean, all of our verticals have the access to work beyond our country, and we work in US we work in Europe.

And we are continuously working to grow that market also. As Vice Chairman has mentioned in his introductory remark, that due to geopolitical reasons, there is a focus on Indian companies to come up. While we have a vibrant demand in domestic market, there are huge traction for good manufacturers and qualified manufacturers across the -- I mean in Europe and in US too.

So having said that, we are working to expand our capacity and our footprint to grow our businesses -- I mean, much better than what we are today.

Rahul Jain: Sure sir. Sir, my second question will be, since you see a lot of opportunities in the export market, which are the components you are looking to cater to these opportunities? Also, if you can highlight new areas on the component side you are looking to develop to expand the value chain which will thereby expand your revenue streams in the coming next 2 years to 3 years?

Sudipta Mukherjee: So if you see that what is our, first of all, being in the territory where we are, we are a freight railcar manufacturer. So we are working to grow export of wagon, freight wagon per se, in totality, although there are huge requirement of components. I mean all these exports works well where you are competitive because we are having global competition in and around it. And we are also working to supply components of the freight wagons.

While I say components of freight wagons, it includes fabricated and machine components, which are qualified for the European and American market, and also the castings. So these are the two areas. And along with that, so far, the new horizon is concerned, we are coming into other systems. I'm looking forward to come into other systems with our partners. So far, the freight wagon is concerned and maybe certain ecosystem of passenger mobility, too.

Rahul Jain: Sure, sir. Sir, one last question is what are your plans on passenger coaches side? Can you just highlight anything on that side?

Sudipta Mukherjee: We consider passenger mobility as a segment, not only the coaches making. So for making the coaches, you need certain kind of eligibility, but there are many other things also goes into it, which are very high value added. And in India, we feel there is a huge requirement to have that ecosystem in place, which is not enough in tune with the plan of the government. So we think that we want to build our capability at 360-degree level, and we are working on it, again.

Rahul Jain: Can you highlight some of the components which you will be...

Sudipta Mukherjee: At this moment, it would be too early to comment until or unless I have a clear presence in something. You will get to know in the coming days. We are working on many things.

Moderator: Thank you. We have our next question from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Sir, my questions have been answered.

Sudipta Mukherjee: Can you repeat, please? We can't hear.

Moderator: Sir, his questions are answered. We'll move on to the next participant. We have our next question from the line of Vaibhav Shah from JM Financial. Please go ahead.

Vaibhav Shah: Sir, what are our capex plans for FY '25 and '26?

Indrajit Mookerjee: Hemant, capex plan.

Hemant Bhuwania: So we have done a capex of around INR80 crores last year. We further plan to do a capex of around INR80 crores in financial year '25 also. The entire fund has been tied up. This is basically the funds which we have received from QIP 1, that would be utilized. Certain portion has already been utilized and certain in would be utilized in financial year '25.

Vaibhav Shah: Okay. Sir, secondly, what would be our current wagon capacity as of March '24?

Hemant Bhuwania: So see, capacity, again, what Sudipta told, there is no capacity as such. What we have achieved? We have achieved our 7,000-plus wagons in the entire year last year. Last quarter, we have achieved 800-plus wagons. And from the same facility, we aspire to grow the production to another 25% to 30% very soon.

Vaibhav Shah: Okay. And sir, lastly, within the freight car division, if you can just share the -- maybe the margin numbers for the Steel Foundry business. Were they around 35%, 35% mark?

Hemant Bhuwania: 35%?

Vaibhav Shah: EBIT margin in Steel Foundry business?

Hemant Bhuwania: EBIT margin in Steel Foundry business. Actually, we have merged the segment, Vaibhav that is not readily available. I'll come back to you on this separately.

Moderator: Thank you. We have our next question from the line of Chintan Patel from Abans Investment Managers. Please go ahead.

Chintan Patel: I was just keen to know typically usually what are the considerations when we surrender any of the orders that the government gives?

Hemant Bhuwania: So, Chintan, if you can please come again. Your voice is -- your voice was too low. Can you just speak a bit louder, sir?

Chintan Patel: Yes. So typically, in the past, there have been times when we have surrendered some of the orders. Just wanted to know the -- what is the methodology or what is the criteria that is usually behind the surrender of orders?

Indrajit Mookerjee: Not some of the order...

Hemant Bhuwania: So it is not a question of some of the orders. If you know that railway first time came up with a long-term contract and the orders which were alluded was supposed to be supplied in tranches, and it is called a severable contract.

So where if you do not -- I mean railway can also -- of course, in each contract, there is a term that railway can also reduce and you can also -- I mean, take care of the -- I mean, you can also try to amend the quantity. That's how, in that particular position, we found it prudent business decision to say, buy to a particular tranche of some quantity.

And today, we are producing more than the asking rate and we have got ridden of any liquidated damages of the railway contract by doing so, which is a positive side of the whole thing.

Chintan Patel: So lack of capacity or supply should not be an issue, right?

Hemant Bhuwania: We do not have lack of capacity or supply. I suppose I have a contract with you, where we both as a partner has the right to go out without -- I mean, affecting the relationship or the continuity of the business. So both can look into it for its own benefit, right?

Chintan Patel: Right, right. And...

Hemant Bhuwania: If you also see at that point of time, we also wanted to have a proper ratio and a product mix into our manufacturing portfolio by performing in the private sector where you have better margins, I mean better value. And so we wanted to achieve the 70-30 equation at least for the last financial year, and we have achieved that.

Indrajit Mookerjee: But that surrender was a judicious financial decision by us. It was a really judicious financial decision. It was not a knee-jerk decision at all.

Chintan Patel: Okay. Okay. And finally, 1 final question is with regards to the segmental, let's say, over the next 2 years, that's how most of the planning is then, do we believe the growth rates of foundry should be better than that of the freight car business?

Sudipta Mukherjee: It could be. We have plans around foundry to further expand. But if you see it is -- our foundry is one of the most efficient in the railway segment. And in the -- from the present infrastructure, we still believe to grow around 20% to 25% in this financial year.

Chintan Patel: Okay. And this order book, which we have mentioned around INR700 crores?

Hemant Bhuwania: One thing to add, I'm sorry, that if you see our part of the total production, I mean there is a opportunity, but which we want to respond positively in the export market for the foundry. It has a huge traction and customers are looking forward for a long-term contract. And for this financial year, at least we want to increase our export to more than 50%, whatever we have done in the last year. I'm sorry.

Chintan Patel: And the margin profile of foundry business is better than that of the wagon car business?

Sudipta Mukherjee: In export, it is yes. In domestic, it depends on the market rate, but we believe normally it's better.

Chintan Patel: Finally, this order book is executable over what period?

Hemant Bhuwania: Which order book?

Chintan Patel: The order book that you have mentioned around INR8,000 crores, it's executable over what period?

Hemant Bhuwania: So this is something some contracts are over the 2 years, some are for within an year. But a significant chunk would be done in this financial year itself.

Chintan Patel: Thank you. All the best.

Hemant Bhuwania: Thank you.

Moderator: Thank you. We have our next question from the line of Vishal Thakkar from Balaji Investments. Please go ahead.

Vishal Thakkar: Sir, follow-up question is there. As you mentioned, we are going at 1,000 wagons per month, that is what you're targeting. So looking at what we are presently doing around 850 wagons per month for the coming quarter and then 1,000 wagons for the entire year. So it comes to around 11,500 wagons for the coming year. So are we targeting this kind of numbers for this coming year? That is what you're giving guidance, rough guidance to the investors?

Sudipta Mukherjee: Sir, while we want to manufacture 1,000 wagons very soon, to have that feel we can make 1,000 and beyond. But at the same time, our main intention is to make the profitability better. So more than 1,000 wagons, we would look forward for a better combination of wagons where we can give you better returns of our efforts.

Vishal Thakkar: No. So when I'm looking at your numbers, you said you like in this financial year, you manufactured 7,020 wagons. And with the guidance you are -- the target you're keeping, so it comes to around 11,000 wagons. So are we looking somewhere around this kind of numbers? Or you're still not sure about giving this type of guidance?

Indrajit Mookerjee: While we said that we will be doing in this range of 1,000, it could be a little bit here and there, and the rest of it can be calculated. But we have to be very careful about giving a very proper -- we don't -- it's very difficult to give you a forecast in a forum like this. So we would like to be careful and avoid giving a projection. But we would like to give our intention and our capability to do that.

So our production of 1,000 is a target production. This could be -- this could also depend on the profitability. Sometimes, you may have high profit product coming in. So with a lower rate, lower numbers, productivity. So we've got to really balance which we are constantly doing. So it could be in that region. So that's the best way to put it forward.

Vishal Thakkar: Okay. And there is one personal question I need to -- I have a request for you. There is one more group company of yours, which is based in Belgharia itself, Texmaco Infra. Can you have the management of that company to at least share the investor presentation to the investor because you're based in the same office and same place. So it's just a request to you if you can put forward that because we are investors in that also.

Indrajit Mookerjee: I don't think this is right forum, but I will keep your request very unofficially in the back of our mind.

Moderator: That was the last question for today. And I would now like to hand the conference over to the management for closing comments.

Indrajit Mookerjee: Okay. So I would like to thank all our investors for taking interest in the company. I would -- we would like to assure you that we are working very sincerely and very honestly to achieve what the number -- kind of numbers that we would like you to see. And you -- our whole focus is to improve our production, to improve the shareholder value.

That's the whole objective with which -- the new team is right on. We have a very new energetic team, which is very dynamic. And we also keep on changing some of our strategies depending because of the market environment. Everything is not stagnant. So we also changed our strategy based on what we think is the best. So sometimes what we see now will change. But then if we do the changing, we would like to keep you all involved because after at the end of the day, we are here to increase the shareholders', stakeholders' value. That's one of the major purpose of our operations.

So I'd like to thank all of you for your interest in the company. I hope that we have been able to answer you satisfactorily. But one thing that I can tell you that we are absolutely -- we would like to tell you that whatever we tell you is honest, committed results and honest attempts of doing well.

There is one more -- there are two more areas which have not got touched upon here, and I would like to mention very strongly to you that, one is the area of the risk management. We have a very new setup for risk management with very strong actions being taken with the Chief Risk Officer who is working with us now and -- to ensure that most of the risks are understood well in advance and we mitigate them.

And the second one is our care for ESG. As you would know that one of our foundry already moved to green power or moving into green power that's in Urla. We have similar actions in our other factory, in our other operations to move to green. We have a renewable energy group now which is looking at various other opportunities to take care of that. Our governance is also a very major area.

So I would like to say that we are working also on water harvesting, rain water harvesting and so many other things. So in short, we would like to tell you that ESG and the ERM which is our patented terms of [inaudible 1:07:16]. These two are also very important activities which we are in and I have not been able to mention it because it didn't come. I forgot to say that in my introductory remarks, but I thought I rather -- be late rather than never. So thank you very much once again for your patient listening to our questions and your interest in the company.

Sudipta Mukherjee: Thank you.

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