Management Discussion

Navin Sahadeo - Analyst, ICICI Securities
Thank you, Siddhant. Good afternoon, everyone. On behalf of ICICI Securities, I welcome you all to the Q2 FY27 earnings call of Texmaco Rail and Engineering. From the management, we have with us Mr. Indrajit Mookerjee, Executive Director and Vice Chairman, Mr. Sudipta Mukherjee, Managing Director, Mr. Shibu Mathews, the company CFO, and also Mr. Sandeep Banka, Deputy CFO and Head Investor Relations. So without any further ado, I hand over the floor to the management for their opening comments. Over to you, sir.

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
Thank you very much. Uh, this is Indrajit Mookerjee, uh, Executive Director and Vice Chairman of Texmaco Rail and Engineering Limited. Uh, good afternoon, uh, all our friends, our investors. It's always a pleasure to connect with you. Uh, on behalf of the management team, I welcome you to the quarter two and H1 '27 earning calls of Texmaco Rail and Engineering Limited. Joining me today in this call are our Managing Director, Mr. Sudipta Mukherjee, our new Chief Financial Officer, Mr. Shibu Mathews, our Deputy CFO and Head of Investor Relations, Mr.

Sandeep Banka. I would like to take this opportunity to welcome Shibhu to his first earning calls with Texmaco and look forward to his contribution as we take the company into its next phase of growth. Shibhu has very rich experience in the financial areas, in, uh, in, various kinds of companies and in various places. Our financial results and earnings presentations have been made available to all of you, and, I hope you have had the time and the- to review them. So I will like to take this, uh, opportunity to tell you broadly, uh, of giving a broad commentary of our, uh, operations and what we are thinking of doing and where the business is moving to.

Uh, Sudipta, uh, Shibu, and Sandeep are- will be available to answer all your queries. Uh, when we introduced Texmaco 2.0, uh, we broadly spoke of three areas of focus. The first was strengthening our core freight rolling stock business and our foundry business. The second was expanding into related railway adjacencies, which are basically technologies and components. And thirdly, the concentration onto the export market. I'm happy to state that we are making very successful progress in all these areas.

We are now in almost at the finishing stage of our work in progress. Towards achieving a Texmaco 2.0. Uh, I would like to, uh, thank you for your patient support in our exercise. I think the tipping point has come. Please, I do not want to make an impression that we are moving away from our core business. On the other, on the other hand, Uh, we have strengthened our core business by improving on efficiency, cost control, and bringing in modern design through our GCC, which is operating out of Delhi, as well as our partnership with Trinity Engineering, one of the- one of the major of the US, and Wabtec.

We had We have taken challenges from the formidable Chinese manufacturers very successfully in establishing our footprints in export market with special focus on Africa. We have turned, turned around our EPC business into profitability, although very small, but we see a very strong beginning. And the electrical contracting business is flourishing. Our rail adjacency business, like profitable export to the US, found a bit of rough weather because of, uh, because of constant fluctuation of tariff situation.

But, now I think the stability has come and you would very soon see strong results coming out of it. This is also reflected in our order book, where export has shot up to 54% against 9% on a YoY

basis, fueling, uh, fueling upward trend in the profit margin because the export business has very high profit margin. Dear friend, I would not like to take too much of time but would like to see that the quality of our earnings have definitely changed despite a very, uh, challenging situation which we have encountered.

And that's why you will find that our Q2 results have been better than the quarter one results with all qualities and in numbers. I would also like to say that we have made forays into defense business, which is a completely Uh, which is completely out of the railway business but has the same D&A requirement of manufacturing. So we will- you will hear more about it as we progress. I would like to, uh, tell you a quarter at a glance. Before I, uh, do anything else, I would like to say that the standing standalone revenue from operations was Rs 863 crores.

Which is 15% higher than the last quarter. EBITDA was Rs 88 crores with a margin of 10.2%, and profit had, uh, been Rs 36 crores. We delivered more wagons than last quarter. We delivered about 1,106 wagons, and our foundry also started going- showing upward trend. In producing 6,468 metric tons. All three, all three of our divisions grew in revenue over Q1 in spite of the condition environment that I have already stated. And two of them, which is Freight Car and Infra Rail and Green Energy, improved both PBIT, uh, and, the EBITDA margin.

Our turnover mix is also broadening Freight cars contributed 62.3% of standalone turnover this quarter compared to 68.8% in Q1 and 74.7% same, quarter last year. Infra business, Infra-Electrical business has risen to 27.8% of turnover, which is a massive jump from earlier, from, earlier year. Put simply, businesses outside freight cars also are showing an improvement, and today it makes up almost like 37% of the turnover as against 25% same period last year. These are all some of the actions which we are in where we are strengthening our core business as well as our other businesses are also taking shape.

So having said this, uh, I would like to conclude, uh, and, uh, if you, uh, I would like to hand over to Sudipta, uh, for, uh, for your comments on our business and any questions. I'm sure the team of you and Shibu will be, and you, Shibu, and Sandeep will be answering. Thank you.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Thank you very much. So we should take this opportunity to wish all of you a very happy Diwali. And, uh, of course, we normally follow that immediately after the result, uh, we go for the investor call, but due to the festive season, we have to change the dates and defer it to today. Today is also an auspicious day, but in continuation, what Indrajit has mentioned, I think he has touched upon all the triggers and broad points towards which Texmaco is going. So I just would like to sum up and give you a few pointers, maybe which would be good for discussion and questions.

So let me first make our ambition clear that Texmaco- our ambition remains to build Texmaco into a more diversified and internationally competitive at-late railway engineering company. Delivering sustainable growth and better returns on capital. While we say so, uh, as Indrajit has mentioned out and pointed out about our strategy, so one of the major strategy is the core operational transformation, operational transformation of the core businesses. And of course, uh, the rest remains on the growth and the diversification.

So if you see that we are, as he has mentioned, on a tipping point, we are actually in an inflection point. And the revenue was up, to 14.6% or around 15% from quarter to quarter. And the rail infra also grew around, uh, 41% or 42%, uh, Q-on-Q. And the electrical infra also grew 38% Q-on-Q. So these are the, uh, signals or symptoms on which, uh, Texmaco- I mean, we have been pointing out

to you that how the core operational business are getting turned around. While we had, uh, delivered more number of wagons, but I'm happy to let you know that out of the whole kitty of the order book say around Rs 8,000 crore pertains to the freight rolling stock, and our strong focus on execution and in the leadership of execution will remain in the domestic as well as in the export market.

So this Rs 8,000 crore, if I have to say an indicate of a delivery, of course it spans around this year and the next year, and, uh, If, we go to the other infra and other component business, that also accounts around Rs 3,000 crores to Rs 3,500 crores of order deliverable, executable within this year and the next financial year. As Indrajit has mentioned, uh, that we are qualitatively changing. Yes, that remains one of the major drivers in our strategy, and we are Whatever we are pursuing in transformation of the core, you can see that there is an upward momentum towards which we have been trying to narrate and explain our focus to you whenever we get opportunity.

In the diversification business also, we are focusing and very much on track on the publicly announced partnerships and various initiatives we have done of late. And our objective is to build a business that condenses Texmaco's engineering capabilities, the potential and the capabilities of the company, along with improving the resilience of the earnings along across the market cycles. So this remains the core theme along with our ambition which I started in the beginning, and we intend to evaluate, evaluate each opportunity which comes on our way Of course, with the commercial readiness of it, the capital requirement, and the expected returns, uh, in the nearest terms.

So what I want to emphasize here, that in the way forward of our growth journey, which we are very well positioned in terms of order and focus on execution, uh, and, the profitability, the financial discipline will remain one of the major team of the company also to trigger the whole process and make it a success. So thank you very much. Should definitely look forward for questions. And if, uh, Shibu, you want to just have a run through the numbers, uh, yeah, just for the reference of the investor.

Shibu Mathews - Chief Financial Officer, Texmaco Rail & Engineering Ltd.
Thank you, uh, and, uh, I'd also like to join my colleagues in wishing all of you, uh, the compliments of the festive season. Just to give you a rundown to the major numbers, as earlier mentioned, the income from operations for this quarter ended 30th September was Rs 860 crores. This compares with Rs 753 crores in the previous quarter, sequentially previous quarter, hence we are around Rs 110 crores up. However, as we discussed, compared to Q2 previous year, we are down. It was almost Rs 1,250 crores in that quarter, so we are almost Rs 386 crores lower.

Predominantly in the freight car business. As you all know, orders from Indian Railway has been much less compared to that period. And other income, we are at around Rs 14.7 crore, which compares against Rs 24.9 crore in the previous quarter. There were some non-repeatable items because of which other income this year is- this quarter is slightly lower. On PBT, we are higher by around Rs 7 crore. Rs 44.1 crore in the previous quarter, this quarter we are at Rs 51 crore. EBITDA increased around Rs 7 crores. So despite the challenging environment, we have managed to keep our EBITDA percentage at around 10.2%, which compares with 10.8% the previous quarter.

But as I said, there were some non-repeatable items in the other income for the previous quarter. If you were to exclude that, actually our effective or adjusted EBITDA this quarter is around 70 bps higher. PBT, we almost similar to previous quarter, 5.9%. The amount is 51.2. So these were some of the highlights when you compare the sequential quarter and also Q2 of previous year.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Sure, you can mention about the rating change which we have. Yeah,

Shibu Mathews - Chief Financial Officer, Texmaco Rail & Engineering Ltd.
One good news which you want to convey to our Associates is that CRISIL has rated us as A+ for long-term limit of- limits. Earlier we had a rating of A, so this is an upgradation by a notch. And also in our ESG ratings, we are at the grade of 51 to 59, which is also an improvement for us. These are some of the salient points in the quarter which we thought we'd bring to your notice.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So just to add on, uh, Shibu has, uh, very nicely mentioned the salient points and the headline topics. So of late, uh, obviously we have got few, uh, continue to get few good orders from the private sector and, uh, and of course also from the railway. And we believe this momentum will continue, uh, including some further inflows starting from this month itself, uh, for domestic private as well as exports. And the ratios of the order book today qualitatively changes for Texmaco in terms of the core business.

It's more around 80-85% is private and export, and around 15% to 16% is Indian Railway. So while this pie looks like this, but of course the execution, we remain the top supplier, continue to remain the top supplier to the Indian Railways, as well as also the highest exporter so far, also in this year.

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
I think we are open to questions, so

Questions & Answers

Operator
Thank you. [Operator Instructions] The first question is from the line of Sucrit D Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil - Analyst, Eyesight Fintrade Private Limited
Good afternoon to the team. Sorry, was there a disturbance? Can I continue?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Yeah, can you be a bit louder?

Sucrit Patil - Analyst, Eyesight Fintrade Private Limited
Yeah, am I audible right now?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Absolutely fine.

Sucrit Patil - Analyst, Eyesight Fintrade Private Limited
Yeah, so my first question to Mr., uh, Sudipta Mukherjee is, uh, your revenue fell 30-31% this, uh, year-on-year because I understand Indian Railway orders have slowed down, though your recent, uh, Rs 426 crore, INR427 crore private wagon win shows strong diversification. I just want to understand, as you shift more towards, uh, private domestic buyers and export markets, how are managing the risk of order delays or custom design changes? And what steps are you taking to make sure the factories run at full capacity without, uh, relying heavily on government tenders?

Just want to understand, you know, in case the government tenders slow down, what is the next plan of action?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Yeah, thank you very much for the question. Uh, so, uh, one thing, as you have- I think, uh, whatever you have narrated, uh, it has the answers within it. So this diversification was conscious on part of Texmaco, uh, that we do not want to depend on one single customer or one single domain, uh, say more than 40%. Uh, that's our internal, uh, kind of target we have taken to diversify the portfolio and to have a sustainable growth. Uh, in terms of, uh, the- while we do this diversification and more pie on the private and the export As you have rightly mentioned, it comes with the new designs and new supply chain and a new- this thing.

So, uh, all of this takes time, but the output of these wagons will never match with the numbers of the commodity wagons which we normally used to make or seen in the last couple of years during the execution of the Indian Railway orders, because these are of different types and it calls for a different, uh, I mean, uh, input, uh, in the whole life cycle. So you are not also comparing in terms of numbers, but yes, we are very well protected that even if there is, uh, not much railway order, you can see that I have mentioned in my remarks, uh, opening remarks, that we have around Rs 8,000 crores of freight wagons orders to be executable within this year and the next year.

As of now, and, the order flow is on, and we have a pie of around 85% of the private orders. So we feel that we have a very, uh, clear path now, and we don't envisage any obstacle in terms of execution of these. And, uh, of course, the first half of the year, I also earlier also mentioned that it may remain some due to various reasons, and it is not specific to Texmaco. There were many reasons all over us, but we can expect much, much, much better output and rebound in the next part of the year.

Sucrit Patil - Analyst, Eyesight Fintrade Private Limited
Thank you. My second question to Mr. Mathews is, uh, just want to understand that once we take out the one-time, uh, uh, 75-76 crore, uh, JV gain, uh, your business profit is much lower than last year, if I'm not mistaken, because of higher input costs and lower volumes. I just want to understand a forward guidance on how you will defend your profit margins in case raw material prices rise, and how will you make sure private customers pay on time without tying up your working capital? Thank you.

Shibu Mathews - Chief Financial Officer, Texmaco Rail & Engineering Ltd.
Yeah, so as you mentioned, the exceptional income is a one-time gain and it is not- there's more to meet disclosure requirements. But if you look at our EBITDA performance over the quarter, previous quarter, we have defended our EBITDA quite well by taking multiple actions to reduce waste. Supply chain is working on reducing cost of raw materials. The various initiatives around cost reductions which we are- which we have undertaken. Uh, there are also steps around, say, the finance cost. If you would see, there's a reduction in finance cost compared to the previous quarter, that is Q2 of last year, and even to the last quarter.

Uh, as we- as I mentioned earlier, we are working on upgrade of our credit rating, which is also translating into lower finance cost. There are multiple initiatives in power and fuel in freight negotiations, through which we feel that we'll be able to generate better returns. And also, if you look at the EBITDA margins, it's also improving because of mix, whereby the margins are getting better. So I think the combination of this, we are pretty confident that we'll be able to retain, if not

improve, our margins going forward.

Sucrit Patil - Analyst, Eyesight Fintrade Private Limited
Just a final note to that question, and I'll end my question with this only. I understand that answers the raw material prices area, but what contingency plans have been done in case customers don't pay on time? If that, you know, like it locks up your working capital, just want to understand what is the plan for that scenario also.

Shibu Mathews - Chief Financial Officer, Texmaco Rail & Engineering Ltd.
Customers not paying on time is not a scenario, it's not something which is- there may be one or two exceptions, but we're not seeing a trend. Trend of that in our business in recent years. Because as you know, all our customers are well placed and well known, and we don't work with customers who are of redoubtable background. So we don't see that much of concern. Plus, our entire contracts, we have a significant portion which is advance. So, you know, even before we start manufacturing or even before we procure our materials, a significant part of the considerations already received.

And also we have milestones through which by the time of delivery, by the time of the same, significant part of the revenue is already realized. So we obviously continue to optimize this to make sure, like for example in our export contracts, we are ensuring that most of it is against LC. So we don't see the risk which you envisage of customers not paying as being very significant. It could happen in one odd case where we'll have to take measures, but I don't see that as much of a concern.

Sucrit Patil - Analyst, Eyesight Fintrade Private Limited
Great. Thank you and best wishes.

Shibu Mathews - Chief Financial Officer, Texmaco Rail & Engineering Ltd.
Thank you.

Operator
Thank you. The next question comes from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi - Analyst, Nuvama Group
Hi, good afternoon and thanks for taking my question. So my first question is, we have obviously diversified a lot over the last one one year reduce our dependence on railways. I think the presentation mentions that barely around 1-1.5% of our order book comes from the Indian Railways now. Uh, so, uh, significant achievement. Now we recently received a Rs 400 crore order from Indian Railways, which is, uh, they're exercising the option clause. Uh, just wanted to get your views on- and while this is a short-term order, but wanted to get your views on, uh, Further wagon ordering from Indian Railways, let's say in FY28?

Thank you.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Thank you, Mr. Parvez. This is Sudipta. Yeah, so we, uh, the private orders and the export orders, uh, whatever we are getting, and as I say that there will be a momentum because this is, this was also related to certain capability and, uh, engineering, uh, which we invested in and, the people. So that will continue. In regard to Indian Railway, I mean, we can't have a guesswork, but yes, it was a

very welcome initiative by Railway because you know that certain things for excess- I mean, for increased power generation, Railway needed to invest in transportation of coal.

So the last tender came out like that, and it has a statutory, uh, obligation that who had which contract, and based on that, percentage were distributed. But I think that this is not the end of all, uh, because there are many things which railway is very, uh, consciously focusing and have spent a lot of money last two years on augmenting the infrastructure and, uh, decongest the whole network. Yeah, and with the focus of the Honorable Minister, uh, Railway Minister, that, uh, on the, uh, simplifying the procurement policy, uh, by the private players and the private investment, welcoming private investment in the science So the railway demand has to be looked into in two ways.

What is, uh, these private companies will be investing, the PSUs and undertakings will be investing, and also the Government of India will be investing because the clear mandate is to increase the rail modal share. So we feel that this will continue and the railway will also come up with their orders. But I, I'm, I can cannot just indicate you a time, which I hope you will appreciate.

Parvez Qazi - Analyst, Nuvama Group
Sure, sir. Uh, my second question is regarding our South African order. So, uh, we had earlier got a Rs 4,000 crore orders, now we got Rs 1,300 crore orders for locomotives. Uh, so one, uh, who will do this locomotive part? Will this be done in our standalone entity or will this be done under our Wabtec JV? That's the first question. And second, any color on what kind of execution, uh, that we can see in FY28 on both the wagon and the locomotive part of the order, that would be great. Thank you.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So it looks like, uh, I mean, as per the contract, uh, so the FY28 and plus one quarter, so the FY27-'28 and plus one quarter, that is the delivery of both. Now it was a turnkey solution, and, uh, of course wagon, locomotive, and it doesn't end here. We have to have a maintenance for 15% years, so that will also continue for both. So that also has to come. And regarding the, uh, locomotive, obviously Texmaco will be part of the manufacturing, cannot be, or providing some of the stocks to the integrator, but it's under discussion and you will get to know very soon that how and in what mechanism it will be supplied or supplied from which entity.

Parvez Qazi - Analyst, Nuvama Group
Sure, sir. Thanks and all the best.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
But it will be from India, of course, that I can guarantee.

Parvez Qazi - Analyst, Nuvama Group
Sure, sir. Thank you.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian - Analyst, Arihant Capital
Good afternoon, sir. Thank you so much for the opportunities. Uh, sir, we have signed MOU for wheels JV. Could you please share more updates, especially for this MOU? Because our two other

competitors are almost end stage of their wheelset factories. I just want to understand our purpose and how we are going to take it forward, this wheels JV.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So we intend to be in the wheel business. And we, while we, uh, want to do it, we want to do it in a more, more, uh, complete way. And our scale of product range, we are looking forward that also keeping it in line with the ambition of the country, uh, I mean, in terms of the heavy haul and the high-speed trains. So this is, this is the, in a way, the ambition of Texmaco. So you will get to know further details as we progress, but we can say, as Mr. Indrajit Mookerjee has also mentioned, that we are into very active work in, uh, no, in, and around everything what we have communicated to you.

And, uh, this is in work in progress and, uh, within the, within the timelines.

Balasubramanian - Analyst, Arihant Capital
Okay, sir. Sir, my second question. Our export order book nearly Rs 5,800 crore range, and we made a provision nearly some Rs 700 crore, uh, is majorly for export-related, uh, freight and other things, and including Bangladesh orders. So if I'm calculating, it's almost, uh, 12% kind of range of order book for provisions. Uh, generally Export margins are 14-15% kind of range, but if you already made an adjustment of Rs 700 crore, hardly 3-4% left on the table. So please correct me if I am wrong, like, uh, like, uh, what we went wrong and what are the process and implementations, uh, we have done especially for upcoming, uh, export orders.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So that adjustment has nothing to do with, uh, the future returns. Uh, or the orders what we are doing, because it's not linked with anything specific. It was more of a risk mitigation measure which the company took, and, uh, it's in no way affecting our return on execution what we will be doing, including the export orders of locomotive, the wagons. All the top lines and bottom lines will come, and these are all very good profitable work orders compared to whatever you see. In terms of, uh, I mean, uh, in the, in relation to the infrastructure business, uh, we are happy to let you know that most of the legacy businesses of the company is over.

And, uh, I mean, we are in a very good position to even, uh, we, believe that we are in a very good position to realize few of our old claims also. So we are in a very, uh, sound path and with a wonderful team and focused approach. So the results are no way going to be affected, and it has no correlation with the indefinite things which you were referring to.

Balasubramanian - Analyst, Arihant Capital
Okay, sir. So my last question on the capex side, if I'm looking at the balance sheet or there is no movement compared to FY26 till now. Just want to understand, uh, how we are planned for our capex and what is the progress in, uh, and especially if you look at, uh, uh, debt side also, we could share, uh, because most of the capex, it's linked to debt. So, or like, you could share that capex plan as well as how that debt profile moves over next two to three years.

Shibu Mathews - Chief Financial Officer, Texmaco Rail & Engineering Ltd.
Yeah, so Shibu here. I will not be able to give exact number of our capex spend for this year. This is an evolving thing, but we have a plan and we have executed almost 40% of that. So that will indicate that we're on track. As you know, we have ambitious growth plans across the businesses and we'll be spending in line with that. And as far as debt is concerned, if you look at our balance sheet, we're

actually retiring debt every quarter. Our debt is coming down, and we're confident that whatever we need to spend for our capex, for a growth capex and also maintenance capex, as of now we should be able to meet from our operational, uh, our surpluses, operational surpluses.

So we don't see a need for debt in the short term.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So just to add to Shibu's point on the, uh, capex, in the core business we are not putting any capex because that was one of the beauty that we have not- I mean, whatever we have been able to generate and what we will be generating is only sweating the present infrastructure. So the capex are going to go to Shibu is more on the growth businesses, and you will find it soon as it gets deployed.

Balasubramanian - Analyst, Arihant Capital
No, sir, actually, uh, yes, sir, actually why I'm asking these questions, uh, we have given, uh, guidance of 2.0, nearly Rs 9,000 crores to Rs 10,000 crore kind of top line. So that's why, like, uh, what kind of support capital we are going to infuse, if you could get some sense on it in terms of sales, uh, for capex, or, uh, maybe three to four years timeframe, if you could share more clarity.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So it's again, uh, something that will come back to you. Definitely it's a very, very valid question. Time to time we will come back to you. Uh, it's a combination of organic and inorganic, uh, kind of a process. We will follow a financial discipline, will follow that the business, even if we have to acquire, has to earn money from day one. Fulfilling our criteria of much higher EBITDA and sustainability, technology, everything. So we first came to you to inform that we have earmarked a capex of around Rs 200 crores around different purposes, right?

So balance also we will be coming to you as soon as it actually shapes up. So that's how we are, we are planning. So we, have- I mean, we are on track. We'll let you know in time.

Balasubramanian - Analyst, Arihant Capital
Got it, sir. Thank you. All the best.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Thank you.

Operator
Thank you. The next question comes from the line of Hari Kumar S, who is an individual investor. Please go ahead.

Hari Kumar - Individual Investor, Individual Investor
Thank you, sir. Thank you for the opportunity. I'm audible, sir? Yes. Okay, um, two questions, sir. One is on the- this RVNL JV, it was expected to be a huge opportunity, but when is it going to start, sir?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
So we are waiting for the right size of, uh, tender or opportunities to work with. It is already there, and many things- I mean, uh, the big portions, uh, big topics, or the big tenders which were, you know, it takes a little bit of time. Uh, so that's how it is. It can start any moment. Even we expect that within this financial year, uh, something should come out. A good one.

Hari Kumar - Individual Investor, Individual Investor
Okay. And the second question, sir, on this NYMWAG and how is the European opportunity and how is the NYMWAG potential,

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Sir? We have created a joint venture, uh, in India. Of course, the objective was to bring, uh, new design rolling stocks to Indian market and also to export to the other countries. And so far India is concerned, the company has got the RDSO, is a Research, Design and Standard Organization who gives an approval for a company to start manufacturing. So there is a certification called G-105 certification. We got the initial approval of G-105 certification. And we are, uh, under the condition that first we have to create a prototype or start manufacturing something.

We have applied to Railways, uh, for granting some orders for us to start the prototype. So the plant is almost production ready.

Hari Kumar - Individual Investor, Individual Investor
And lastly, sir, this, uh, castings business- being there is huge potential, why are we not putting more, expanding our capacities in that foundry business?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Ah, very good question. Foundry business, we have already expanded our capacity to a large level. I mean, you know that couple of years back, uh, we were in the range of 20,000-25,000 metric tons. Today we are, I think, uh, the largest, uh, on the railway segment. 60,000 metric tons is our capacity today, uh, in terms of, uh, I mean, combining both the foundries. And I'm happy to let you know that, uh, so far the trajectory and trend is going that other than meeting with our domestic requirement, we'll be having one of the highest exports in, spite of the stringent tariff regime in this financial year only.

Starting from this financial year, and it has a very high growth trajectory we look forward to.

Hari Kumar - Individual Investor, Individual Investor
Are we not constrained of the capacity, sir?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Not at all.

Hari Kumar - Individual Investor, Individual Investor
Okay, thank you.

Operator
Thank you. The next question comes from the line of Viren Patel from Balaji Investments. Please go ahead.

Viren Patel - Analyst, Balaji Investments
Good afternoon.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Good afternoon.

Viren Patel - Analyst, Balaji Investments
Uh, am I audible? Yes,

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Sir, you are.

Viren Patel - Analyst, Balaji Investments
Uh, sir, first of all, I would like to know the- I see that we have an order book of Rs 10,000 crore. So my first question is, when this Rs 10,000 crore of order books is going to be executed? And my second question is regarding the provision of Rs 700 crore, I think last one year or around six months back. There is hardly any exact details about what these provisions are all about, and suddenly why this- suddenly this provision have come, and exact details have not been shared with the investors. So that's a huge amount, and even the CRISIL has not given any update about what this provision is all about.

And in spite of that, you got the A rating. So that's something we are not able to understand. And my third question is, I've been part of this investor call for quite a long time, and you always been very optimistic, you know, you'll be coming up with great results in coming quarters. But, you know, whenever the quarter results comes, we never see that kind of results happening from the company side, and then that is always next quarter happening. So when do we see continuous basis that, you know, we'll be having good quarters and the profits will remain better than last quarter?

So these are my three questions. Hope you can answer me properly. Thank you.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Long question. Uh, so sorry if I, if I go wrong, uh, so because it was multiple questions together, so I may miss the, uh, flow. Uh,

Viren Patel - Analyst, Balaji Investments
If you want, I can break it up in three. If you, can go by-

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
One was, one was the order book when it is executable.

Second that quarter-to-quarter result, and the third was related to some provision. Provision,

Viren Patel - Analyst, Balaji Investments
700 crores.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Yeah, yeah, yeah. Uh, so I think that provision, uh, thing has all- it's, uh, it's I think two quarters or three quarters. We have already given a clarification about that, so there is no point of, uh, again and again. Sir,

Viren Patel - Analyst, Balaji Investments
What, exactly that they will not able to understand what privileges. I don't have the document

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
I don't have the document right now. It's a published document and company given a note on that. Please go through and we'll be very happy to answer you if you have a separately- if you want, we can clarify again. First go through that. I don't have the paper right now with me and, uh, it was, it

was definitely done on, uh, in apprehension of the, uh, situation or the geopolitical reasons to remove the uncertainty, because the company was venturing into a growth path which, actually relates to your question of a sustainable growth.

So I'm very happy to know that in every quarter you, have been participating in the call, and we really appreciate patience and your belonging to the organization. And it is our utmost responsibility to, uh, give the best, uh, out of ourselves and return to you as a shareholder. And if you, if, you are in the calls and if you are noticing with belongingness to the company, then you must have noticed that the company has transformed, uh, last couple of years, particularly from 2022-23 to till date.

And, uh, it was, uh, done at, a time when the company had the highest number of orders from Indian Railways in the history of its life. And the company's history goes back to 80 years. And, uh, I mean, from there to then, today, we have recognized the issues, uh, around the question you have asked, that when we have a sustainable growth. So we came out with a clear thought process that we have to de-risk our business by removing the overdependence. And if our core strength is manufacturing, let us focus on manufacturing.

Let us focus, uh, whatever we, are doing in terms of our core business like freight rolling stock, the foundry, and the other niche components, let us have uh, strength which is global, and that's what we are doing. We have also decided that we will not put all the eggs into the same bucket while we maintain our leadership. And as a proud Indian, we will be a global company. At the same time, we will not, uh, have- we will have diversified portfolio. So this we may mention as strengthening the core.

Through which we feel we will have a sustainable contribution of the business in the top line of the company, in and around, uh, Rs 4,000 to Rs 5,000 crore in the coming days. And balance Rs 5,000 to Rs 6,000, we wanted to create a mirror with various, uh, business plans like our exigencies, like rail passenger mobility components and passenger trains, and also in breakaway businesses like defense and renewables. So these are very well-knit plan of the company. The company has clearly focused last three and a half years, or more particularly last two and a half years, on creating the capability within the organization.

And then once we have got convinced about it, we came to you, published our Vision 2030, which Mr. Mukherjee was mentioning as Texmaco 2.0, and we are on that track. And you can see that the year 2022-23 onwards, or even before that, in the freight rolling stock or in the foundry business, the railway contracts used to constitute, uh, 95% or 90% of the order. And today we are, uh, 80% plus, 85% private and export orders and balance are of railway. So it shows that while we heavily depend or hugely depend on Indian Railway, we are sold out to the story of Indian Railway.

So being Atmanirbhar, we want to be a global Indian company who not only serves the world-class products to the Indian Railway but also supplies to the world as a Make in India project. So this is how is the theme, and we feel we have given you a result which is better than the last quarter. There are some force majeure and geopolitical situation which is not unique to Texmaco. It affects our life. We can't say anything on that, but we are very much on track and we are very much hopeful that we will be giving you better results even from the next quarter onwards.

Viren Patel - Analyst, Balaji Investments
So this Rs 10,000 crore will be executed in-

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
I'm sorry, I missed that, missed that part, but I'm also not sorry because I'm repeating. You have not heard my first opening remark. I mentioned to you that all the rolling stock orders are executable in next 10 quarters.

Viren Patel - Analyst, Balaji Investments
Oh, fantastic. Thank you. So we expect that in coming quarters the result will be better than last quarter. That is how we can look at the company.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
We must expect, and you must have faith and trust in us.

Viren Patel - Analyst, Balaji Investments
Thank you so much. Really appreciate your-

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Thank you so much.

Viren Patel - Analyst, Balaji Investments
Thank you. Thank you.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Sandeep Mukherjee from SKP Securities Limited. Please go ahead.

Sandeep Mukherjee - Analyst, SKP Securities Limited
Yes, sir. Thanks for the opportunity. Uh, sir, what will be the pending number of wagons for Q2?

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
What is the question?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Q2 specific is difficult to say. We have, uh, order book of around, uh, 7,200, uh, wagons, I think, if I'm not wrong. Uh, so which-

Viren Patel - Analyst, Balaji Investments

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
Reframe the question.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
No he's asking the pending wagon orders .

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
No question is different [Foreign Speech] what is the question can you repeat please sir

Sandeep Mukherjee - Analyst, SKP Securities Limited
What if what will be the pending number of wagons number of wagons I am mentioning

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
[Foreign Speech] yes

Sandeep Mukherjee - Analyst, SKP Securities Limited
OK 7000 Yes, sir.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
This is as on as on date.

Sandeep Mukherjee - Analyst, SKP Securities Limited
As on date. Okay, okay, sir. And after execution

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Of after execution of Q2.

Sandeep Mukherjee - Analyst, SKP Securities Limited
Okay, okay, sir. And my next question is, sir, what will be the volume from steel foundry or the steel foundry dispatch in H1 FY27?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
That Is little difficult for me to answer, uh, because it will depend on the, uh, wagon numbers and few orders coming in. But we should be able to deliver in and around 35,000 to 40,000 metric ton minimum, and at least 25% to 30%, which I was referring to, should be, uh, exports.

Sandeep Mukherjee - Analyst, SKP Securities Limited
Okay, okay, sir. Thank you.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
And which was, which was not there? I mean, this is something which is good going to happen with the company.

Sandeep Mukherjee - Analyst, SKP Securities Limited
Okay, sir. Thank you. Thank you very

Operator
Much. Thank you. The next question comes from the line of Hari Kumar, who is an individual investor. Please go ahead.

Hari Kumar - Individual Investor, Individual Investor
Thank you once again, sir. Uh, am I audible, sir?

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
Yes, please go ahead.

Hari Kumar - Individual Investor, Individual Investor
Yeah, okay. The recent government tender, our share of the total order has been less. Is there any strategic reason, sir, or we are not- we don't have the capacity?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
We have enormous capacity, sir. Unfortunately, uh, the government decided to distribute the option, exercise the option quantity based on a specific contract, and it calls for that whoever had executed that particular type on that particular contract got the more order, you know. So it happened in that way, but it is a cycle now. It doesn't stop us to get our option quantity from our order when

government needs this part. Okay?,

Hari Kumar - Individual Investor, Individual Investor
Okay. Got it.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
It's only a matter of timing and optic, and government has been very fair. And we look forward because we have our, uh, certain approaches lying with the ministry, uh, related to the same coal power generation, and it's a good amount, you know.

Hari Kumar - Individual Investor, Individual Investor
Okay, sir. And this power transmission, like, uh, the national grid expansion is going on, sir. Are we eligible? Are we planning to participate in them also, sir? We

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Are already participating in various electrical tenders, and just to give, you a kind of a feel, uh, that we are very hopeful. You can see that our growth has been, uh, phenomenal in terms of achievement of the top line in the electrical business, which is never before. And we crossed- we, I mean, we reached almost 250 crores, and, uh, in one quarter So in a run rate multiplied, it is going- I mean, it has all the possibilities to touch upon four-figure, uh, which is going to be a significant jump.

And, uh, we have our order backlog of around Rs 1,600 crores, uh, to be executable, uh, within this financial year and next four quarters. And thank you, sir. Thank you for the detailed explanation. Yeah,

Hari Kumar - Individual Investor, Individual Investor
Thank you.

Operator
Thank you. The next question comes from the line of Navin Sahadeo from ICICI Securities Limited. Please go ahead.

Navin Sahadeo - Analyst, ICICI Securities
Yeah, good afternoon and thank you for the opportunity. So just to confirm, did you mention that we need not set up any facility or in South Africa and everything can be then exported from India itself. Is that correct or that's still under evaluation?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
That's not correct. We will be putting up a facility in South Africa because we have to, uh, carry out the maintenance and we want to have a much more bigger pie of the businesses. This is not the end of all. This is a very good beginning, we can say. I mentioned that the locomotives, uh, mostly will be supplied from India. It will be- we are looking for a Make in India locomotive to supply.

Navin Sahadeo - Analyst, ICICI Securities
Understood. So then from that perspective, uh, is there possibility of any revenue of the South African order accruing in second half of this fiscal, or it will largely be in the next fiscal onwards only?

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
It will be next fiscal onwards, sir, not in this fiscal.

Navin Sahadeo - Analyst, ICICI Securities
Understood. will have

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
We will have other export orders in this fiscal.

Navin Sahadeo - Analyst, ICICI Securities
Of course, of course. And I always appreciate the way you have diversified your overall order book, so congratulations on that. And that's it from my side.

Navin Sahadeo - Analyst, ICICI Securities
Thank you.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Thanks a lot.

Operator
Thank you, ladies and gentlemen. As there are no further questions, we have reached the end of question-and-answer session. I now hand the conference over to management for closing comments.

Indrajit Mookerjee - Executive Director and Vice Chairman, Texmaco Rail & Engineering Ltd.
I, uh, this is Indrajit Mookerjee. I request, uh, Sudipta to conclude the meeting.

Sudipta Mukherjee - Managing Director, Texmaco Rail & Engineering Ltd.
Okay, uh, so thank you everyone. I mean, uh, it has been really encouraging, uh, the way you participated and asked questions, and your compliments makes us more responsible. And we can promise that we are very honestly and very transparently trying to transform the company, and we want to engage with you more. And we are here- I mean, we are- we, have taken all kind of possible Uh, measures in terms of, as I have emphasized, that the key pillars is the financial discipline, cost, uh, competitiveness and efficiency improvement, operational excellence, improving the execution, focus on the execution for much more returns, and All of this will remain, uh, one of the key themes, including pursuing very strongly to finish and complete our diversification or the growth business opportunities as soon as possible, so that we start earning or have a visibility of earning some revenues at the earliest, if possible within this financial year or the next.

Uh, so I mean, this may be too ambitious to call for this financial year, but I'm just telling that the way the management is agile and focusing on it to have the work done, and we want to really, uh, try to put the company into a robust sustainable growth model. When some of you were very conscious and eager that we perform better each and each every quarter and in the coming years, So that is the focus of the management and look forward for your continued support. All the best wishes for the upcoming festive- festivals and look forward to engage with you more.

Any questions, anything specific, you may please feel free to connect Sandeep, who is our Deputy CFO and the new industrial relations person, and we'll be very, very happy to answer you and engage with you and take your advice and keep you informed. Thanks a lot. Have a good day.

Operator
[Operator Closing Remarks]