

**Texmaco Rail & Eng.**

₹ 94

**One Stop for Rail Shopping !****Buy**

Jul 08, 2016

**Company Background**

Texmaco Rail & Engineering Ltd is one of India's leading freight car manufacturers and diversified engineering company. The company is the largest supplier of wagons to the Indian Railways in India with strong in-house capabilities for the design and manufacture of special purpose wagons for core sectors such as cement, coal, alumina, steel, container freight cars, oil, chemicals, fertilizers, thermal power projects and defence sector among others. They also manufacture sugar mill machineries, industrial boilers, cryogenic and pressure vessels, chemical plant equipment and agro-machinery such as power tillers. The company's major operating divisions are the heavy engineering division consisting of wagon, hydro-mechanical equipment and process equipment manufacturing facilities and the steel foundry division. It has five manufacturing facilities in the outskirts of Kolkata, in Agarpara, Belgharia, Sodepur and Panihati.

**Key Highlights**

- ➔ In the economic policy pronouncements the Rail Sector figures as a major beneficiary of a massive capex of Rs.8.56 lakh crore. Texmaco Rail, alive to the growth opportunities, has taken decisive steps to broaden its product profile and emerge as a Total Rail Solutions provider. It successfully entered into partnerships and alliances with leading multinationals in the field of Locomotives, Coaches, Steel Bridges, EPC projects for Track laying, Signaling, Brake Equipment and Electronics etc.
- ➔ With a view to expanding its footprint in the emerging Rail Sector, Tex Rail made a strategic acquisition by acquiring 49.07% Equity in the well-established Rail Infrastructure Company, Kalindee. A synergic merger will happen.
- ➔ Wabtec Corporation, USA, has joined hands with Tex Rail to form a JV in India. Wabtec is a global provider of value-added, technology based products and services for Rail and other Industrial markets and the JV would Wabtec's globally competitive Freight and Friction products to Indian Railways.
- ➔ Texmaco UGL JV which was an underperformer has taken initiatives to develop its own customer base and take steps for getting registered, qualified and audited for acceptance of trial orders.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	9,130.0	4,980.6	4,937.9
Rev. growth (%)	9.36	(45.45)	(0.86)
EBITDA (INR mn)	404.9	1,560.9	1,596.1
Net profit (INR mn)	169.7	942.7	930.6
Shares outstanding (mn)	18.2	18.2	21.0
EPS (INR)	5.0	0.9	0.6
EPS growth (%)	1.21	(82.24)	(32.58)
P/E (x)	1.61	8.03	38.67
RONW (%)	17.68	1.70	0.93
ROCE (%)	23.30	2.73	2.15

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**Info Codes**

Reuters	: TEXA.BO
Bloomberg	: TXMRE:IN
NSE	: TEXRAIL
BSE	: 533326

**Market Data**

52 Wk Range (₹)	: 90 / 155
Shares in Issue (mn)	: 21.0
Mkt. Cap (₹ bn)	: 19.89
BSE 2 Wk Avg Vol	: 18000

**Share Holding Pattern (%)**

Promoters	: 54.75
Public	: 45.25
Others	: 00.00

**Investment Theme**

Texmaco Rail is maturing out of only the Wagon segment which was its only association with the Rail Sector. Its recent buy of Kalindee it is now well poised to secure business in the field of Rail Infrastructure, such as, Track Laying, Signaling, Rail Telecom etc. The JV with Wabatech opens up Freight and Friction component segment for Texmaco including High Capacity Draft Gears & Bogie Mounted Brake Systems and Comp. material lined Friction Wedges & Brake Blocks. For Texmaco Rail, the emphasis of Government in revitalizing the manufacturing sector with a special priority on the Rail Sector would be conducive to its accelerated growth and diversification programme. The Make in India Initiative coupled with the amount of outlay proposed in the Railway Sector and the favourable policies and quick decision by the Rail Ministry. Texmaco Rail is stationed to diversify and grow at a right time.

**Expanding Product Portfolio !**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Net Sales	8,294.2	4,463.9	(46.2)	4,385.8	(1.7)
Other Income	309.7	228.9	(26.1)	236.9	3.5
Change in Stocks	201.0	43.4	(78.4)	63.0	45.2
Raw Material Con.	5,307.6	2,748.6	(48.2)	2,720.3	(1.0)
Employee Exp.	440.5	438.3	(0.5)	449.1	2.5
Indirect Taxes	526.1	287.8	(45.3)	315.2	9.5
Other Exp.	969.8	856.6	(11.7)	768.7	(10.3)
Operating Exp.	7,244.0	4,331.3	(40.2)	4,253.3	(1.8)
Operating Profit	1,560.9	404.9	(74.1)	432.4	6.8
Total Interest	119.3	99.9	(16.3)	120.7	20.8
Gross Profit	1,441.6	305.0	(78.8)	311.7	2.2
Net Dep.	93.9	117.4	25.0	149.4	27.3
Total Taxation	405.0	17.9	(95.6)	24.9	39.1
Net Profit/Loss	942.7	169.7	(82.0)	137.4	(19.0)

### 4 Years Balance Sheet

(₹ mn)

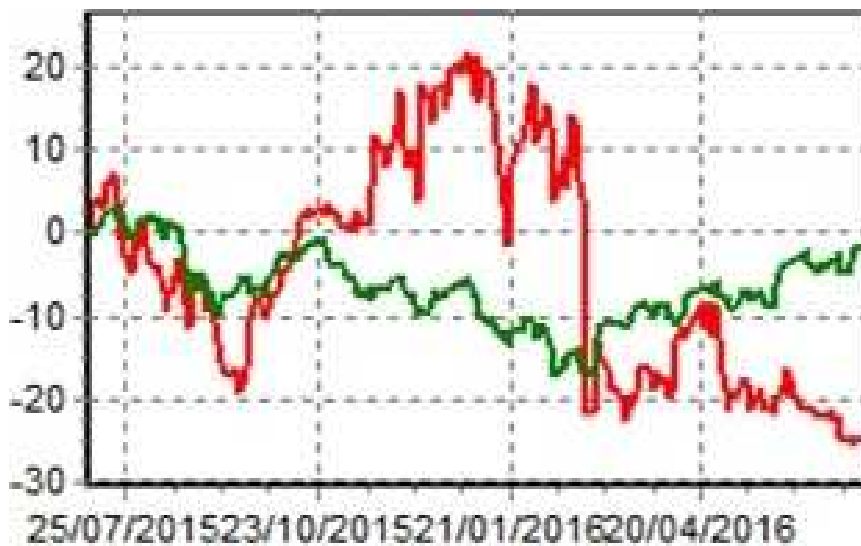
Balance Sheet as on 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14	Mar 15
<b>SOURCES OF FUNDS</b>	<b>5,899.3</b>	<b>6,925.4</b>	<b>7,036.2</b>	<b>10,086.0</b>
Equity Share capital	182.0	182.0	182.0	210.1
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	4,904.3	5,627.1	5,738.7	8,724.1
Secured Loans	691.2	1,015.7	1,015.4	1,070.7
Unsecured Loans	121.8	100.6	100.1	81.1
<b>USES OF FUNDS</b>	<b>5,899.3</b>	<b>6,925.4</b>	<b>7,036.2</b>	<b>10,086.0</b>
Gross Block	2,106.0	2,297.1	2,864.6	3,459.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,072.9	1,168.5	1,263.6	1,395.6
Net Block	1,033.1	1,128.6	1,601.0	2,063.6
Capital Work in Progress	371.9	554.0	478.9	48.4
Investments	3,126.5	3,187.3	3,171.3	6,096.4
Current Assets	5,942.7	5,674.5	4,796.0	5,129.5
Less : Current Liabilities	4,761.2	3,723.9	3,097.7	3,320.7
Total Net Current Assets	1,181.5	1,950.6	1,698.3	1,808.8
Misc. Expenses not writtenoff	186.3	104.9	86.7	68.8
<b>NOTE</b>				
Book Value of Unquoted Investments	3,043.8	3,051.4	2,579.1	5,484.4
Market Value of Quoted Investments	68.4	117.1	490.8	1,007.2
Contingent Liabilities	4,610.9	4,122.7	3,544.5	5,105.5
Dividend (%)	100.0	100.0	25.0	25.0

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Jun 15	Sep 15	Dec 15	Mar 16
Net Sales	894.3	1,533.6	2,538.3	2,279.0
Cost Of Sales	927.1	1,544.9	2,427.2	2,188.4
Operating Profit	(32.8)	(11.3)	111.1	90.6
Other Income	44.9	99.5	76.0	134.7
Adjusted PBDIT	12.1	88.2	187.1	225.3
Financial Expenses	23.4	34.3	35.8	32.6
Depreciation	29.7	30.3	31.6	32.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(41.0)	23.6	119.7	159.8
Tax Charges	0.0	0.0	0.0	46.1
Reported Profit	(41.0)	23.6	119.7	113.7
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	(41.0)	23.6	119.7	113.7

**52 Week Index Relative Percentage Appreciation**



**Tex Rail vs SENSEX**

**Scope of Growth**

- With the new Minister of Railways, Indian Railways has launched many ambitious programs to enhance their capacity to handle more traffic with higher speed and enhanced safety. Large numbers of mega signaling, telecom, track and bridge projects have been taken up under a separate Authority “Rail Vikas Nigam Ltd”.
- Urban Transport Projects have been taken up at Delhi, Mumbai, Hyderabad, Bangalore metro cities. Many more such projects are due to be taken up at other metro cities in addition to large scale extension of existing metro rail system at Delhi. A new high speed & high capacity freight corridor has been taken up between Delhi, Calcutta, Chennai & Mumbai.

**Risks Associated**

- Since the major business of the company comes through the Railways and other government departments the lacklustre in Budget spending of the Government directly hampers the growth and development of the company.
- There has been severe undercutting of prices of various products supplied by the company and to withstand competition a pressure on margins was evident just to maintain marketshare.
- The current focus of the Railways suddenly has turned to modernise technology and thereby improve service though there are many products in the pipeline a lack of timely delivery of the same would hamper the functions.



**In a Nutshell**

Texmaco Rail & Engineering Ltd was incorporated on June 25, 1998 as a private limited company with the name Texmaco Machines Pvt Ltd. In March 3, 2010, the company was converted into a public limited company. In April 23, 2010, the name of the company was further changed to Texmaco Rail & Engineering Ltd. In September 2010, as per the scheme of arrangement, the Heavy Engineering and Steel Foundry Divisions of Texmaco Ltd was de-merged and transferred to the company. In November 2010, the company joined hands with Bombardier Transportation India Ltd, a 100% subsidiary of global rail equipment major Bombardier Inc to form a consortium and submit a joint bid to the Ministry of Railways for the manufacture of electric locomotives. In December 2010, the company signed a joint venture agreement with Australia's UGL Ltd, an engineering maintenance and facilities management company. The company intends to expand their manufacturing facilities in the heavy engineering and steel foundry divisions. They propose to invest in manufacturing facilities for new design wagons, EMUs, metro coaches and locomotive components. Also, they intend to expand the capacity of their steel foundry to cater to the growing requirements of customers in countries such as North America and Australia and also to meet the increasing demand from the domestic market. The company has also taken over another listed company Kalindee Rail Nirmaan Ltd. which operates in the same sector. The growth expected in Indian Railways will be beneficial for the company. We therefore recommend it as a Buy.

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**Rating Interpretation**

<b>Buy</b> : Expected to appreciate 20% or more over 12-months	<b>Reduce</b> : Expected to depreciate up to 10% over 12-months
<b>Accumulate</b> : Expected to appreciate 10% to 20% over 12-months	<b>Sell</b> : Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b> : Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b> : Expected to depreciate more than 10% over 45-days

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