

**Texmaco Ltd.,****₹88****Total Rail Solution Provider...!!!****Buy****June 30, 2017****Company Background**

Texmaco Rail & Engineering Ltd is a premier multi-discipline, multi-unit engineering and Infrastructure Company, with 5 manufacturing units extending over 170 acres in the outskirts of Kolkata. It was formed after demerger into it of the Heavy Engineering and Steel Foundry Divisions of the parent company Texmaco Ltd. It is presently the flagship company of the Adventz Group, comprising renowned blue chip companies, such as: Zuari Agro, Paradip Phosphate etc. The Group was launched with the idea of one virtual company with many real businesses, and is based on 4 principles - Collaboration, Sustainability, Inclusiveness and being Global. The Company manufactures a diverse range of products like, Railway Freight Cars, Hydro-mechanical Equipment & Industrial Structural's, Steel Castings, and Pressure Vessels, etc. Over the years, it has entered into technical collaboration with renowned MNCs of Japan, U.S.A, U.K, Germany, Australia, Holland, etc., for developing and expanding its product portfolio. Texmaco is the leading and most reliable freight car maker over the past 7 decades. In fact, one out of every four Freight Cars on Indian Railways network is rolled out from TEXMACO Works.

**Key Highlights**

- ➔ It's major customers include the Indian Railways, National Hydroelectric Power Corporation Ltd, National Thermal Power Corporation Ltd, Mitsubishi Heavy Industries, Jaiprakash Industries among others.
- ➔ Almost 90% of income share is just from 2 products namely, Rolling Stock and Steel castings.
- ➔ It has signed a non-binding memorandum on January 21, 2017, with TEB Technology Development Co., China for promotion and development of (Transit Elevated Bus - TEB) BOT Project in the state of West Bengal.
- ➔ It has signed a MoU with 'ROSOBORON EXPORT' Joint Stock Company the sole state intermediary agency for Russia's exports / imports of defense-related and dual use products, technologies and services for Defence.
- ➔ P/BV ratio of industry is 2.93 against company ratio 2.43 it means share price is undervalued.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	4,980.6	4,937.9	8,142.9
Rev. growth (%)	(45.45)	(0.86)	64.91
EBITDA (INR mn)	1,560.9	404.9	432.4
Net profit (INR mn)	169.7	137.4	215.9
Shares outstanding (mn)	182.0	210.1	210.3
EPS (INR)	0.9	0.6	1.0
EPS growth (%)	(82.24)	(32.58)	63.33
P/E (x)	53.43	248.42	106.48
RONW (%)	1.70	0.93	0.83
ROCE (%)	2.73	2.15	2.38

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**Info Codes**

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

**Market Data**

52 Wk Range (₹)	: 86/118
Shares in Issue (mn)	: 219.40
Market. Cap ( bn)	: 19.37
BSE 2 Wk Avg Vol	: 74000

**Share Holding Pattern (%)**

Promoters Holding	: 52.47
Public & Others	: 13.85
Corporate Holding	: 05.31
Foreign Institution	: 08.86
Institutions	: 19.51

**Investment Theme**

The Company manufactures a diverse range of products like, Railway Freight Cars, Hydro-mechanical Equipment & Industrial Structural's, Steel Castings, and Pressure Vessels, etc. It caters overseas markets too. The Government of India has focused on investing on railway infrastructure by making investor-friendly policies. It has moved quickly to enable Foreign Direct Investment in railways to improve infrastructure for freight and high-speed trains. At present, several domestic and foreign companies are also looking to invest in Indian rail projects. FDI inflows into Railways related components from April 2000 to December 2016 were US\$ 789.03 mn. The Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market will be the third largest, accounting for 10 per cent of the global market.

**Most Reliable  
Freight Car Maker !!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	4,463.9	4,385.8	(1.7)	7,280.0	66.0
Other Income	228.9	236.9	3.5	320.1	35.1
Change in Stocks	43.4	63.0	45.2	264.4	319.7
Raw Material Con.	2,748.6	2,720.3	(1.0)	5,348.9	96.6
Employee Exp.	438.3	453.2	3.4	500.9	10.5
Indirect Taxes	287.8	315.2	9.5	542.8	72.2
Other Exp.	856.6	764.7	(10.7)	922.2	20.6
Operating Exp.	4,331.3	4,253.4	(1.8)	7,314.8	72.0
Operating Profit	404.9	432.3	6.8	549.7	27.2
Total Interest	99.9	120.7	20.8	163.1	35.1
Gross Profit	305.0	311.6	2.2	386.6	24.1
Net Dep.	117.4	149.3	27.2	124.6	(16.5)
Total Taxation	17.9	24.9	39.1	46.1	85.1
Net Profit/Loss	169.7	137.4	(19.0)	215.9	57.1

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>6,925.4</b>	<b>7,036.2</b>	<b>10,086.0</b>	<b>10,287.7</b>
Equity Share capital	182.0	182.0	210.1	210.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	5,627.1	5,738.7	8,724.1	8,899.2
Secured Loans	1,015.7	1,015.4	1,070.7	1,081.0
Unsecured Loans	100.6	100.1	81.1	97.2
<b>USES OF FUNDS</b>	<b>6,925.3</b>	<b>7,036.3</b>	<b>10,085.9</b>	<b>10,287.6</b>
Gross Block	2,297.1	2,864.6	3,459.2	3,651.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,168.5	1,263.6	1,395.6	1,513.3
Net Block	1,128.6	1,601.0	2,063.6	2,138.5
Capital Work in Progress	554.0	478.9	48.2	39.3
Investments	3,187.3	3,171.3	6,096.4	5,416.4
Current Assets	5,674.4	4,796.1	5,129.5	6,768.4
Less : Current Liabilities	3,723.8	3,097.8	3,320.6	4,115.5
Total Net Current Assets	1,950.5	1,698.4	1,808.8	2,652.8
Misc. Expenses not writtenoff	104.9	86.7	68.9	40.6
<b>NOTE</b>				
Book Value of Unquoted Investments	3,051.4	2,579.1	5,484.4	4,790.7
Market Value of Quoted Investments	117.1	490.8	1,007.2	858.6
Contingent Liabilities	4,122.7	3,544.5	5,105.5	5,389.2
Dividend (%)	100.0	25.0	25.0	25.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	1,825.2	3,640.8	2,577.1	2,794.7
Cost Of Sales	1,754.2	3,461.2	2,464.0	2,663.8
Operating Profit	71.0	179.6	113.1	130.9
Other Income	140.3	187.9	113.6	64.7
Adjusted PBDIT	211.3	367.5	226.7	195.6
Financial Expenses	26.5	121.3	125.8	95.6
Depreciation	32.3	39.0	43.1	41.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	152.5	207.2	57.8	58.6
Tax Charges	30.9	25.0	29.2	(0.7)
Reported Profit	121.6	182.2	28.6	59.3
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	121.6	182.2	28.6	59.3

52 Week Index Relative Percentage Appreciation



Texmaco Rail vs SENSEX

Risks Associated

- ➔ A bleak global economic outlook and the resultant export contraction are challenges to the Indian economy.
- ➔ In the Rail Sector, as far as the orders for wagons and coaches are concerned, the Industry is severely impacted owing to delayed and poor orders, un-remunerative prices and resultant gross underutilisation of the capacity.
- ➔ The company is producing wide range of products, but it's 90% of income is from maily two products and it has 5 major clients, almost of it's clients are from domestic only.
- ➔ There is a severe price war between suppliers to maintain market share, due to heavy competition.
- ➔ 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.

Scope of Growth

- ➔ Indian Railway sector aims to boost passenger amenities and it will touch the revenue of US\$ 44.5 bn by 2020, led by provement in the economy and increasing industrial activity.
- ➔ Railways is aiming at \$500 bn investment in next 10-12 yearsto increase capacity in anticipation of faster economic growth.
- ➔ The Madhya Pradesh government has obtained Rs 12,000 crore loan from Japan International Cooperation Agency (JICA) for its Bhopal and Indore Metro rail projects.



## Texmaco Ltd In a Nutshell

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. Their major customers include the Indian Railways, National Hydroelectric Power Corporation Ltd, National Thermal Power Corporation Ltd, Mitsubishi Heavy Industries, Jaiprakash Industries among others. 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 and the name was changed to Texmaco Machines Ltd. In April 23, 2010, the name of the company was changed from Texmaco Machines Ltd to Texmaco Rail & Engineering Ltd. It has 3 subsidiaries and 2 joint ventures, with Webtec Corporation for provide hi-tech Fright products and services, and another one is Touax Rail, expertise in leasing out freight cars.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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