

Overview: Texmaco Rail & Engineering (Texmaco), part of Adventz Group of led by Mr Saroj Poddar, is India's largest railway wagon manufacturer with an annual capacity of 10,000 wagons near Kolkata, West Bengal. It is engaged in the manufacturing of railway freight cars, EMU coaches, locomotive components and assemblies, hydromechanical equipment, bridges, structural equipment and steel castings.

SNAPSHOT	
Market Cap (Rs Mn)	17,345
52 week H / L (Rs)	129/57
BSE Code	533326
NSE Code	TEXRAIL

Key Takeaways from the AGM:

- The current order backlog stands at Rs5.5bn and this is 5.5 times than that it was a year back same time (Rs1bn then). This clearly indicates the strength that operations would depict going forward.
- Some of the key divisions order backlog is as under:
 - EPC business Rs2bn
 - EPC Electrical business Rs1.5bn
 - Foundry and Heavy Engineering (includes Wagons) Rs1.5bn
- The company management seemed to be confused whether to cater to the export or domestic market, indicating the kind of potential orders going forward. The company intends to maintain a balance between both.
- The management is of the opinion that the EPC division is going to sunrise for the company, hopes built for growth ahead.
- The company has received an order of the range of Rs0.7bn-0.8bn from Bangladesh and expects many more to flow from Sri Lanka, Egypt and South Africa as it has bid for them. Wabtec Texmaco which has started operations is expected to be a winner for the company as it shall help it in backward integration and some new products to be launched.
- In the month of May in the current year, Wabtec has entered into an agreement with General Electric to take over its GE Transportation division. This should augur well for the Indian joint venture of Wabtec in India with Texmaco. The holding in this Indian venture is at 60:40 with favour of Wabtec.
- The company is not worried on the reverse auction method of tendering and sees no impact on its business.
- The company does not see any significant capex in the current year as it has enough capacities in place.
- The company had received 1764 Wagon manufacturing order last year. From this only around 180 have been executed and the balance shall have to be completed before March 2019.
- The company has completed and executed more than 90% of the legacy orders for EPC division which had low or even negative margins. This means better margin business is to kick in near and distant future.

Financials:

The recent quarter clearly indicated a turnaround in the financials of the company. There was strong operational efficiency reported from negative Ebitda margins in the comparative quarter last year. On the segmental front as well there is an improvement seen across the different segments of the company.

Quarterly Performance				
Parameters (Rs mn)	Sept-17	Dec-17	Mar-18	June-18
Sales (Net)	1,920	2,269	2,846	3,226
EBITDA	1	93	247	234
Other Income	71	123	218	32
Interest	119	137	112	126
Depreciation	44	43	55	49
Exceptional Items	0	0	0	0
Tax	(8)	(6)	109	25
Net Profit / (Loss)	(83)	41	230	65
Equity	220	220	219	219
EPS (in Rs)	(0.38)	0.19	(0.39)	0.30

Annual Performance			
Parameters (Rs mn)	FY16	FY17	FY18
Sales (Net)	10,732	11,474	9,173
EBITDA	508	584	292
Other Income	449	473	516
Interest	470	475	476
Depreciation	145	162	187
Exceptional Items	0	0	0
Tax	69	84	44
Net Profit / (Loss)	273	336	101
Equity	219	219	219
EPS (in Rs)	1	2	0.5

Outlook and recommendations:

Texmaco is no longer only a wagon manufacturer which incidentally was the bread and butter for the company. Today it has a bouquet of products that it can offer to Railways. The company is on track to becoming a world class railway company and in times we shall see its presence in many developing and developed economies. The Indian Railways has opened the tenders for supply of long rails for the first time in three decades to private sector players as well. This is encouraging in terms of the overall growth expected across the railways sector, with one of the beneficiaries being Texmaco. We maintain a BUY on the stock with a target price of Rs150 over a 12 months horizon.

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Registered Office Address:
Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Ind Estate,
New Link Rd, Andheri West,
Mumbai-400053;
Tel No.: 022-40777200;
www.progressiveshares.com
Contact No.:022-40777500.

Compliance Officer:
Mr. Shyam Agrawal,
Email Id: compliance@progressiveshares.com,
Contact No.:022-40777500.