

Texmaco Rail & Engineering Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs62	Rs91	Rs150	141%	BUY	Rs13.7

About the Company:

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. The manufacturing facilities are at Belgharia, Agarpara, Panihati and Sodepur near Kolkata in West Bengal. Texmaco has four business segments viz. Heavy Engineering (contributing 67%), EPC (contributing 26%), Steel Foundry (contributing 7%) and others (contributing 1%).

Results Declared:

- The net sales for the quarter grew by 79.4% to Rs6558mn as compared to Rs3655mn in the same quarter last year. The growth was driven by the performance across the Heavy Engineering Division which grew by 205% and the Rail EPC segment that clocked growth of 39%. The Steel Foundry segment also grew by 88%.
- The EBITDA margins for the quarter under review stood at 8.8% impacted by the increase in raw material costs
- The other income dropped by 72% when compared y-o-y to Rs60mn as against Rs216mn in March 2018.
- The net profit grew by 30.6% to Rs331mn as against Rs254mn in the comparative quarter.
- The company has reported MAT entitlement of Rs179mn during the quarter and deferred taxes of Rs134.2mn.
- For the full year, the company has clocked revenue growth of 63% and ended the year with net profit of Rs753mn as compared to Rs134mn in FY18. the EPS for the full year is Rs3.4

Other Highlights:

- The board has recommended dividend of Rs0.35 per equity share of FV=Rs1
- The company has acquired the Steel Foundry unit of Simplex Castings Limited which will enhance the capacity of the foundry division by 12000MTPA.
- The company has incorporated subsidiary called Texmaco Signalling Systems Pvt Ltd for identifying new capabilities for signalling to complement backward integration.

Financials:

Result Update (Q4&FY2019)								
Q4&FY19 Result (Rs mn)	Mar-19	Mar-18	y-o-y	Dec-18	q-o-q	FY19	FY18	y-o-y
Total Revenue	6558	3655	79.4%	4769	37.5%	18582	11392	63.1%
EBITDA	577	374	54.4%	462	24.9%	1667	606	175.1%
Other Income	60	216	(72.1%)	60	0.8%	211	506	(58.3%)
Interest	195	152	28.6%	182	7.3%	706	609	16.1%
Depreciation	86	76	11.8%	73	17.0%	290	248	16.7%
Exceptional Items	-	-	-	-	-	-	-	-
Tax	25	108	(76.5%)	51	(50.4%)	129	122	6.3%
Net Profit	331	254	30.6%	216	53.7%	753	134	-

Outlook and Recommendations:

The company has reported a strong topline with growth across the different business segments. However, there has been an impact of raw material and other costs on the operating margins this quarter. Also there has been a steep drop in the other income if compared to the same quarter last year. On the other hand, there have been tax adjustments (MAT credit and deferred taxes), during the quarter. Hence, taking into consideration the deviations in the quarter; the company has reported strong set of numbers. Going forward as well, we feel that with the ramp up in orders from the Railways; the company should be better positioned for the year ahead. We continue with our Buy recommendation on the stock with a target price of Rs150 over a 12 months perspective.

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