Sector: Industrial Products **RESULT REVIEW Q4&FY25** **Declared On: 16 May 2025**

Texmaco Rail & Engineering Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs160	64	Hold	Rs220	38%

**as on 19th May, 2025*

About the Company:

Texmaco Rail & Engineering (Texmaco), part of Adventz Group, is India's largest railway wagon manufacturer 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. Texmaco operates through three business segments, freight car (freight car manufacturing, steel foundry and components systems), Infra-Rail & Green Energy and Infra-Electrical. The company has 7 manufacturing facilities, with five located in West Bengal (Agarpara, Belgharia {2}, Sodepur and Panihati), one in Vadodara and one in Raipur, Chhattisgarh. The company manufactures freight cars for Indian Railways, commodity specific special purpose wagons for the private sector and for exports.

Results: Quick Glance:

- The net sales for the quarter under review grew by 17.6% to Rs13,464mn as compared to Rs11,446mn in Q4FY24
- The Ebitda margins for the quarter under review stood at 7.2% as against 7.3% in Q4FY24
- The net profit came in at Rs392mn as against Rs453mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs1.00 as compared to Rs1.32 in the corresponding period last year
- On the segmental, the company has reported growth (on a y-o-y basis) of 22.0% and 44.6% respectively across Freight car division and Infra-Electrical division while Infra- Rail & Green energy reported a drop of 21.0%
- For the full year, the revenue grew by 45.8% while the PAT stood at Rs2489mn. The Ebitda margins stood at 9.2%
- The Board has recommended a dividend of Rs0.75 per equity share of FV of Rs1 each for FY25

Conference Call Highlights:

- The wagon sales for Q4FY25 stood at 2,597 units while for FY25 at 10,612 units (an increase of ~51% over FY24). Foundry sales for Q4FY25 and FY25 came in at 10,540MT and 41,685MT respectively
- The order book position as on Mar'25 stood at ~Rs70bn bifurcated into ~49% for freight car division (heavy engineering), ~10.4% for rail infra and green energy, ~24% for infra electrical, ~2% for steel foundry and balance as others. The freight car order book is further bifurcated as ~79% for Indian Railways (IR) and ~21% for the private sector
- During the year, the Board approved the amalgamation of Texmaco West Rail Ltd (TWRL) with Texmaco Rail & Engineering; consequent to the approval TWRL has become the WoS of Texrail. For FY25, TWRL reported sales of Rs9000mn+ and a PBT of Rs1250mn+ while out of the total wagon produced in FY25 (10,612); ~65% was from TWRL
- The ratio between the rolling stock and casting division (component division) as on date is: 65:35 and in the near future the Management intends to achieve a ratio of ~60:30
- For concerns related to wheelset used for freight cars, the company is looking for opportunities in-house as well and may enter into a JV as and when the need arises. While the supplies have more or less improved (no shortage witnessed on the private side primarily barring the geopolitical challenges/issues), the Management anticipates the entire issue to get resolved within a month or so. The large amount of imported wheelsets received in last week of March which led to an overall surge in the debtors/trade receivables in FY25
- **Recent updates:** (i) The company has entered into a strategic MoU with Nevomo; to redefine the rail industry by co-developing and implementing Nevomo's cutting-edge Magrail technology and Linear Propulsion Systems along with related technology solutions,
- (ii) the company made an initial investment of AED50,000 into a WoS company; Texmaco Middle East DMCC (to explore opportunities in train spare parts & components, crane rails, accessories, etc.),
- (iii) signed a global supply service agreement with Trinity Rail Group LLC, to expand opportunities in rolling stock and component manufacturing across North America and other international markets. For this, the company is setting up a Global Capability Center (GCC) in Faridabad which will broaden the services for both the private sector as well as IR while at the same time enable the company to enhance its footprint in export markets. At this GCC, the company will set up 2 wings of which 1 is dedicated for R&D of new designs related to rolling stock components while the other will function as an aggregation unit (global production unit for both the Indian as well as international markets). The Management expects the commercialisation of the entire process to be undertaken in FY26E

Conference Call Highlights (contd):

- The Management expects to enhance its overall exports share to ~20-25% over the medium term
- As far as the steel foundry at Paradeep, Orissa is concerned, the focus is towards expanding this capacity in order to cater to the domestic as well as export requirements of steel castings in the near future
- With regard to the demerger of the infra segment (rail EPC), the company is working with the NOC's and expects a final approval/outcome in January 2026 on a tentative basis
- The company secured an order worth Rs230mn which was related towards Vande Bharat and the Management anticipates exports opportunities as well in the near future from this subsidiary

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	**Mar-25**	**Mar-24**	**y-o-y**	**Dec-24**	**q-o-q**	**FY25**	**FY24**	**y-o-y**	**FY26E**
Total Revenue	13464	11446	17.6%	13261	1.5%	51066	35029	45.8%	55151
EBITDA	976	836	16.7%	1306	(25.2%)	4673	2635	77.3%	4991
Other Income	166	195	(14.7%)	81	-	577	695	(17.1%)	606
Interest	343	277	24.0%	347	(1.1%)	1372	1327	3.4%	1510
Depreciation	109	88	24.4%	108	0.8%	431	382	12.9%	464
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	336	250	34.1%	233	44.3%	1191	660	80.4%	1236
Share of Associate	37	36	3.9%	65	(43.0%)	234	168	39.1%	234
Net Profit	**392**	**453**	**(13.5%)**	**764**	**(48.7%)**	**2489**	**1130**	-	**2621**

Outlook and Recommendations:

The strong growth on the topline for the quarter as well as the full year is on account of **increased volumes** while the realisations have remained more or less stable. The consolidated revenues reported growth of 17.6% y-o-y despite continued wheelset availability issues. The overall topline growth was well assisted by freight car and infra-electrical division which grew by ~22% and ~46% respectively on a y-o-y basis. The Ebitda margins for the quarter came in at 7.2% which was more or less flat as compared to Q4FY24. The margins were primarily lower on account of **one-off expenses** related to debtor provisions (for freight cars) of ~Rs200-250mn excluding which the margins would have stood in the range of ~8-9%. This translated into lower PAT growth of 13.5% y-o-y. The company dispatched 2,597/10,612 wagons in Q4FY25/FY25 at the consolidated level. It ended the year with an **order book of ~Rs70bn**. The wagon ordering from IR (~9400 ordered in FY25 compared to 24,900 in FY24) has led to drop in the wagon order book for wagon manufacturers. In terms of wheelsets availability, the Management is evaluating options in-house and may take necessary steps (incorporate a JV) as and when the need arises; while the supplies have more or less improved, the Management anticipates the entire issue to get resolved within a month or two. US and Europe are viewed as good opportunity markets for the company and post the setup of GCC at Faridabad, the Management expects additional opportunities from the aggregation unit which will function as a global production unit for both the Indian as well as international markets. The Management expects the commercialisation of the entire process to be undertaken by FY26E. The recent partnerships (one with **Nevomo** that would focus on high speed rail and predictive diagnostics and another with **Trinity Rail** to focus on opportunities in the rolling stock and component manufacturing space across North America and other international markets) are expected to give widened access towards the international markets for Texrail and the Management is of the opinion to enhance its exports share to ~20-25% over the medium term. GOI long term goal to increase the share in national logistics to 45% by 2030 which opens prospects of ~1.5 lakh wagons to be deployed over the next 3-4 years; this is expected to be beneficial for players like Texmaco. Decent order book position, partnership benefits to fructify over the medium term and capitalise on the IR tender opportunities are the long term triggers for the company. We continue to maintain a Hold on the stock for a target of Rs220.

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