

RECOMMENDATION SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs45	Rs91	Rs50	11%	Buy	14.5

*as on 03rd June, 2022

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: Quick Glance:

- The net sales for the quarter de-grew by 26.3% to Rs4,467mn as compared to Rs6,062mn in the same quarter last year
- The Ebitda margin for the quarter under review stood at 6.1% as against 8.7% in Q4FY21
- For the quarter, the company reported a net profit of Rs62mn as against Rs196mn in the comparative quarter last year
- The EPS stands at Rs0.22 as compared to Rs0.87 in the same quarter last year
- On the segmental, the company has reported de-growth of 20.2%, 7.7% and 29.6% respectively across Heavy Engg., Steel Foundry and Rail EPC division

Other Highlights:

- The Heavy Engineering division witnessed an impact on account of shortage of industrial oxygen and wheelsets; the margins were under pressure due to hike in steel prices and other commodities
- The company has recently bagged an order for 20,067 wagons valuing approx. Rs6450cr in May 2022 (to be executed over a period of thirty-nine months), against the recent Railway tender for wagons. This is the largest ever single wagon order released by the Indian Railways on the company
- The Government's focused approach on completion of freight corridor works and upgrading the Rail infrastructure will be positive for the Rail EPC division of Texmaco. This division is presently bogged down with huge operational backlogs at various projects it is working on for reasons not attributable to it. The Rail EPC is presently focusing on expeditious execution & contract closure activities and would be benefitted with the Government's plan to prioritize the multi-modal connectivity between mass urban transport and Rail network, as part of PM Gati Shakti scheme
- The Steel Foundry division too faced serious challenges on account of the unprecedented trend of increase in input cost of raw materials and higher sea transportation cost resulting in irregular shipments of export goods and disruptions in supply of foundry materials, impacting the performance
- The consolidated order book value of the company including its subsidiaries/ JVs is approx. Rs90540mn

Financials:

Performance (Q4&FY22)									
Q4&FY22 Result (Rs mn)	Mar-22	Mar-21	y-o-y	Dec-21	q-o-q	FY22	FY21	y-o-y	FY23E
Total Revenue	4467	6062	(26.3%)	4705	(5.1%)	16217	16887	(4.0%)	17028
EBITDA	273	526	(48.2%)	359	(24.0%)	1370	1200	14.1%	1277
Other Income	105	134	(21.7%)	92	13.1%	315	318	(0.9%)	340
Interest	230	240	(4.1%)	255	(9.8%)	1002	1030	(2.6%)	976
Depreciation	88	99	(10.9%)	89	(1.4%)	358	373	(3.9%)	364
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	(2)	125	-	91	-	141	(3)	-	71
Net Profit	62	196	(68.7%)	16	-	183	119	54.2%	207

Outlook and Recommendations:

The company reported tepid results for the quarter under reference. Drop on the revenue front trickled down on the operational parameter leading to lower Ebitda margins as well. On the segmental front, issues related to shortage of industrial oxygen (a key requirement for the entire fabrication industry), operational backlogs in few projects, higher logistics costs leading to irregular deliveries, steel price hikes all of these led to a drop in the revenues for Heavy Eng.; Rail EPC and Steel foundry divisions. As per recent news flashes, Railways is considering of procuring approx. 90,000 wagons over the next three years which should provide the much needed booster to wagon manufacturers. Texmaco has bagged an order worth Rs6,450cr to deliver 20,067 wagons with the execution timeline of approx. 39 months. This gives the comfort for better performance in the future. Floating of new tenders both from Indian Railways and private parties will enable the company to operate to its potential. Additionally, the development of dedicated freight corridors aimed at scaling the cargo handling capacities of the Railways would cater to more demand. So, overall if things are executed as per planned then growth can be factored to Texmaco going ahead. With a positive view we maintain a buy on the stock for a target of Rs50.

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