

Texmaco Ltd



Key Stock Indicators

NSE Ticker :	TEXMACOLT	CMP (as on 01 Apr 2011 —Rs/share):	32.0	Shares outstanding (mn) :	127.2
Bloomberg Ticker :	TXM:IN	52-week range up to 01 Apr 2011 (Rs)(H/L):	176.90/30.55	Free Float (%) :	52.3
Face value / Share :	10.0	Market Cap as on 01 Apr 2011 (Rs mn):	4,063	Average daily volumes (12 months) :	404,846
Div. Yield (%) :	28.1	Enterprise Value as on 01 Apr 2011 (Rs mn):	5,148	Beta (2 year) :	1.5

Texmaco Ltd. (Texmaco) was incorporated in 1939 and is engaged in the business of a freight car (wagon) manufacturing and is a diversified engineering company. The company operates into 5 main business divisions viz. railway freight cars, steel foundry, hydro-mechanical equipment and steel structures, process equipment and agro machinery. Texmaco has 5 plants locations in the outskirts of Kolkata.

KEY HIGHLIGHTS

Amongst the largest freight car (wagon) manufacturer in India

Texmaco has established a dominant position in the domestic wagons manufacturing in India. The company's railway freight cars comprised conventional and custom built wagons catering to requirements of diverse sectors such as petroleum, chemicals, cement and alumina etc. Its special purpose custom built freight cars includes multi axled, cool hopper, tank cars and cover cars etc. During FY10, the company manufactured 4110 wagons valued at ~ Rs 8.2 bn which comprised around 73% of the total sales. The company caters to the requirements of Indian Railways (IR) and private operators.

Joint venture (JV) drives company's growth

Texmaco has signed a JV agreement with United Group Rail (UGL), Australia in December, 2010. UGL is an engineering, maintenance and facilities management company. This JV is for design, manufacture and supply of locomotive bogies frames and platforms, wagons and wagon components for Australian and Indian domestic and export markets. Also the 2 companies intend to explore related rolling stock, maintenance and refurbishment opportunities.

Operates into various business divisions

Texmaco has diversified its business into major five divisions : railway freight cars, steel foundry, hydro-mechanical equipment and steel structures, process equipment and agro machinery. The railway freight cars division comprises conventional and custom built wagons, special freight cars and new generation cars. The steel foundry division comprises LIP casting, draft gera and centre buffer coupler etc. The company has built various jobs in India & abroad in hydro-mechanical equipment such as gates, stoplogs, hoist, trash rakin machine and penstock etc. The process equipment division offers 3 groups of equipments steam boilers, chemical plant machinery and sugar mill machinery. The agro machinery division includes power tiller.

KEY RISKS

- Volatility in key raw materials and component such as M.S. & C.I. scrap pig iron, plates & sheets etc
- Increasing competition from existing as well as new players
- Exports are subject to fluctuation in rupee value

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
TEXMACOLT	-77	-12	-41	-77
NIFTY	10	9	-5	11

Note:

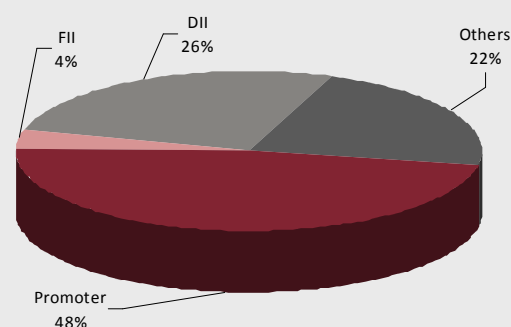
- 1) YTD returns are since April 1, 2010 to Apr 01, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Apr 01, 2011.

Key Financial Indicators

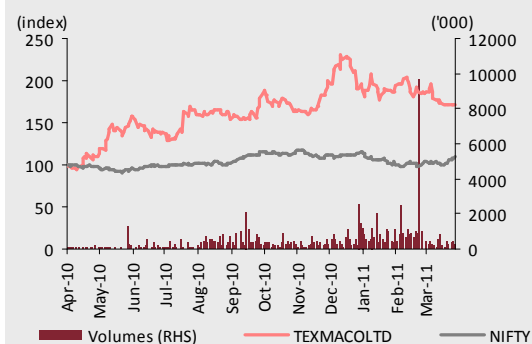
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	6,957.5	8,154.7	9,387.5
EBITDA margins (%)	15.4	15.7	15.6
PAT (Rs mn)	695.4	761.7	898.3
PAT margins(%)	10.0	9.3	9.6
Gearing (x)	0.3	0.2	0.2
EPS (Rs/share)	62.8	68.8	70.6
PE (x)	23.1	0.6	0.5
P/BV (x)	7.1	0.2	0.1
RoCE (%)	44.3	36.7	27.8
RoE (%)	37.3	29.1	21.2
EV/EBITDA (x)	15.6	0.7	1.0

n.m. : Not meaningful

Shareholding (As on December 31, 2010)



Indexed price chart



Texmaco Ltd

BACKGROUND

Texmaco was incorporated in 1939 and is a part of the K.K. Birla group. It is one of the leading engineering companies in India. It is engaged in the business of manufacturing of different kinds of wagons, hydro-mechanical equipment for dams and barrages, boilers, pressure vessels, sugar mill machinery, power tillers and steel castings & ingots. Texmaco has 5 factories on the northern fringe of Kolkata. The company has five business divisions: railway freight cars, steel foundry, hydro-mechanical equipment and steel structures, process equipment and agro machinery. It has classified its operation into four business segments namely heavy engineering division, steel foundry division, real estate and others. Its heavy engineering division contributes ~82%, steel foundry division contributes ~16% and rest contributed by real estate and others divisions to the total revenue of the company in FY10. The companies steel foundry division includes A.F.S. ride control bogie, LIP casting, casnub H.S. bogie, draft gera and centre buffer coupler. Its hydro-mechanical equipment and steel structures division manufactures equipment for mega hydro- power, irrigation and flood control projects. Process equipment & agro machinery division is engaged in manufacture of water tube boilers, sugar mill machinery, chemical plant machinery cryogenic vessels and agro machinery.

COMPETITIVE POSITION

Peer Comparison

	Texmaco Ltd.	Titagarh Wagons Ltd.	Elecon Engineering Co. Ltd.	Alfa Laval (India) Ltd.
Period Ends On	Mar-10	Mar-10	Mar-10	Dec-09
Revenue (Rs mn)	9,387.5	5,599.4	10,509.5	8,951.0
EBITDA margins (%)	15.6	16.3	15.7	23.0
PAT (Rs mn)	898.3	601.7	669.5	1,233.4
PAT margins (%)	9.6	10.7	6.4	13.8
Gearing (x)	0.2	0.4	1.7	-
EPS (Rs/share)	70.6	32.0	7.2	67.9
PE (x)	0.5	10.3	9.2	17.4
P/BV (x)	0.1	1.5	1.9	5.7
RoCE (%)	27.8	21.0	16.5	57.3
RoE (%)	21.2	14.9	22.4	36.0
EV/EBITDA (x)	1.0	7.3	6.7	10.3

n.m: Not meaningful

FINANCIAL PROFILE

Steady growth in top-line as well as bottom line in FY10

Texmaco registered a steady top-line growth during FY10. Top-line of the company grew from Rs 8.1 bn in FY09 to Rs 9.3 bn in FY10, a growth of ~15% over the last year. This growth was mainly on account of increase in revenues from heavy engineering division by ~ 12% over the previous year. (wagons sales increased in volume as well as value terms by ~9% as compared to FY09) However EBITDA margins remain flat during the year.

PAT increased to Rs. 898 million (mn) in FY10 from Rs 761 mn in FY09, a growth of ~18%. This was on account of higher operating profits, reduction in interest cost and increased in non operating income (interest income) as compared to previous year.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	6,957.5	8,154.7	9,387.5
EBITDA margins	Per cent	15.4	15.7	15.6
PAT	Rs million	695.4	761.7	898.3
PAT margins	Per cent	10.0	9.3	9.6
Revenue growth	Per cent	85.4	17.2	15.1
EBITDA growth	Per cent	121.5	19.5	14.5
PAT growth	Per cent	154.0	9.5	17.9
Gearing	Times	0.3	0.2	0.2
RoCE	Per cent	44.3	36.7	27.8
RoE	Per cent	37.3	29.1	21.2

INDUSTRY PROFILE

Engineering

The heavy engineering industry comprises electrical equipment, earthmovers, mining equipment and defence equipment, amongst others. It also includes companies working on turnkey projects that require skills from conception to execution. The industry is characterised by low competition and moderate capital intensity, and its growth is linked to growth in gross domestic product (GDP) and capital formation in the country.

Further, although the sector is not capital-intensive, it needs technical expertise and skilled manpower. In India, there are about 40-50 companies in the heavy engineering sector. The demand for heavy engineering equipment is derived from user industries such as power, construction, cement, steel, chemicals, petrochemicals and refining. In addition, significant investments in power generation, and transmission and distribution (T&D) have driven growth of the engineering goods sector. With investment demand picking up, the engineering sector is expected to register higher growth.

Texmaco Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	6,948.3	8,070.1	9,310.8
Operating Income	6,957.5	8,154.7	9,387.5
EBITDA	1,070.5	1,279.4	1,464.7
EBITDA Margin	15.4	15.7	15.6
Depreciation	88.6	113.5	114.9
Interest	90.6	108.7	86.0
Other Income	125.2	58.1	136.2
PBT	1,008.5	1,114.3	1,355.8
PAT	695.4	761.7	898.3
PAT Margin	10.0	9.3	9.6
No. of shares (Mn No.)	11.1	11.1	12.7
Earnings per share (EPS)	62.8	68.8	70.6

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	1,016.5	1,115.3	1,400.0
Total tax paid	-312.4	-353.6	-452.1
Depreciation	88.6	113.5	114.9
Change in working capital	307.5	-799.3	-1,111.3
Cash flow from operating activities	1,100.2	75.9	-48.5
Capital Expenditure	-1,034.3	-161.4	-154.6
Investments and others	-394.0	348.8	-1,972.1
Cash flow from investing activities	-1,428.3	187.4	-2,126.7
Equity raised/(repaid)	7.5	0.0	1,668.7
Debt raised/(repaid)	200.4	8.5	455.1
Dividend (incl. tax)	-96.3	-99.1	-135.6
Others (incl extraordinary)	186.8	31.7	66.1
Cash flow from financing activities	298.4	-58.9	2,054.3
Change in cash position	-29.7	204.4	-120.9
Opening cash	73.0	43.3	247.6
Closing cash	43.3	247.6	71.8

n.m : Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	110.8	110.8	127.2
Reserves and surplus	2,154.8	2,850.1	5,375.3
Tangible net worth	2,265.6	2,960.8	5,502.5
Deferred tax liability:[asset]	23.1	22.1	27.5
Long-term debt	403.4	265.8	119.9
Short-term-debt	288.9	434.9	1,035.9
Total debt	692.3	700.8	1,155.8
Current liabilities	3,249.0	4,026.9	3,358.2
Total provisions	170.0	158.9	207.6
Total liabilities	6,400.0	7,869.5	10,251.6
Gross block	3,072.0	3,175.6	3,310.9
Net fixed assets	2,101.5	2,149.3	2,189.1
Investments	946.8	598.0	2,570.1
Current assets	3,351.8	5,122.2	5,437.7
Receivables	1,394.7	1,813.4	2,720.1
Inventories	1,062.0	2,253.5	1,726.7
Cash	43.3	247.6	71.8
Total assets	6,400.1	7,869.5	10,196.9

Ratio

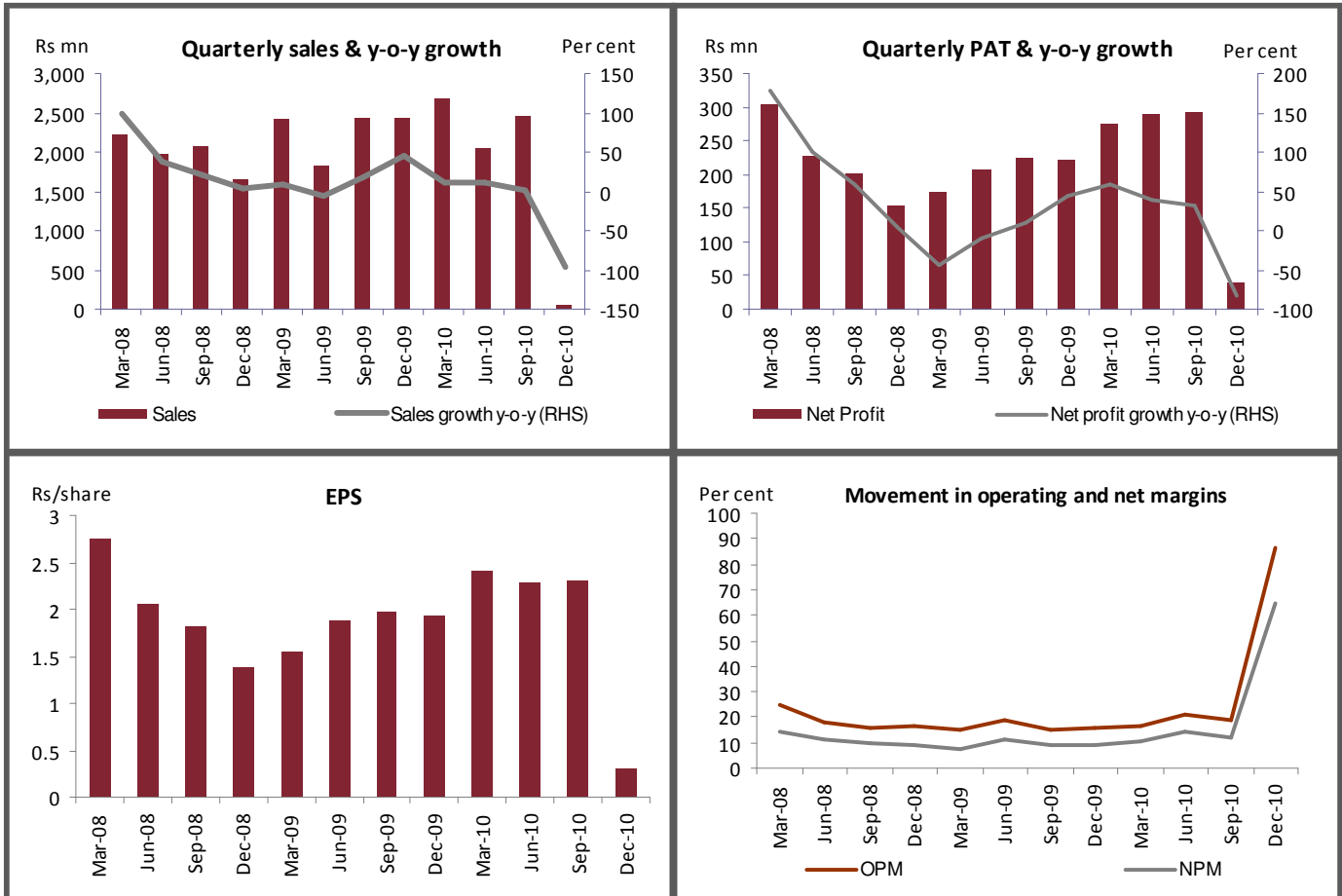
	Mar-08	Mar-09	Mar-10
Revenue growth (%)	85.4	17.2	15.1
EBITDA growth(%)	121.5	19.5	14.5
PAT growth(%)	154.0	9.5	17.9
EBITDA margins(%)	15.4	15.7	15.6
Tax rate (%)	31.0	31.7	33.3
PAT margins (%)	10.0	9.3	9.6
Dividend payout (%)	11.7	10.9	12.7
Dividend per share (Rs)	7.2	7.4	8.9
BV (Rs)	204.5	256.3	432.6
Return on Equity (%)	37.3	29.1	21.2
Return on capital employed (%)	44.3	36.7	27.8
Gearing (x)	0.3	0.2	0.2
Interest coverage (x)	11.7	11.6	16.7
Debt/EBITDA (x)	0.6	0.5	0.8
Asset turnover (x)	2.7	2.6	2.9
Current ratio (x)	1.0	1.1	1.6
Gross current assets (days)	173	225	209

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		9		9	
Revenue	61.0	100.0	2,437.4	100.0	2,468.2	100.0	131.7	100.0	6,701.3	100.0
EBITDA	52.6	86.2	382.3	15.7	457.7	18.5	108.5	82.4	1,095.5	16.3
Interest	0.2	0.3	20.1	0.8	-	-	-	-	54.6	0.8
Depreciation	7.6	12.5	29.5	1.2	28.3	1.1	22.9	17.4	87.5	1.3
PBT	44.7	73.4	332.0	13.6	429.3	17.4	85.6	65.0	951.3	14.2
PAT	39.2	64.4	222.3	9.1	294.3	11.9	67.6	51.3	654.4	9.8

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	47.6	47.6	47.6	47.7
FII	4.3	4.3	5.5	3.8
DII	30.7	31.2	29.3	26.5
Others	17.4	16.9	17.6	22.0

Board of Directors

Director Name	Designation
Saroj Kumar Poddar (Mr.)	Executive Chairman, Promoter-Director
Dipankar Chatterji (Mr.)	Non-Executive Director
Harish Chand Gandhi (Mr.)	Non-Executive Director
Gautam Khaitan (Mr.)	Non-Executive Director
Utsav Parekh (Mr.)	Non-Executive Director
Akshay Poddar (Mr.)	Promoter-Director
Hira Rajbehari Sadhak (Dr.)	Nominee Director-Lic

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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