

Texmaco Rail & Engineering Limited

January 08, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	1,374.02 (Enhanced from 838.94)	CARE A (RWD)	Upgraded from CARE A-; Continues to be on Rating Watch with Developing Implications
Long-term / Short-term bank facilities	2,410.00 (Enhanced from 2,040.00)	CARE A / CARE A1 (RWD)	Upgraded from CARE A- / CARE A2+; Continues to be on Rating Watch with Developing Implications
Short-term bank facilities	30.00	CARE A1 (RWD)	Upgraded from CARE A2+; Continues to be on Rating Watch with Developing Implications

Details of facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Texmaco Rail & Engineering Limited (TexRail) factors in significant ramp up in order execution leading to strong revenue growth, improved operating profitability and improved internal accrual generation in H1FY25 (FY refers to April 01 to March 31). Improved financial performance is expected to sustain in the medium term in view of significant order flow from Indian Railways, where the Government of India (GoI) has major thrust in improving railway infrastructure. Improvement in profitability has also led to improved debt coverage indicators with total debt/PBILDT going below 3.5x as on September 30, 2024, which is likely to sustain, despite of its capex plans in the medium term. The rating revision further factors in strengthening TexRail's business risk profile with completion of acquisition of 100% equity stake in Texmaco West Rail Limited (TWRL; erstwhile Jindal Rail Infrastructure Limited) for a consideration of ~₹614 crore, largely funded out of qualified institutional placement (QIP) issue proceeds and internal accruals. The acquisition led to reinforcement of TexRail's strong market position in freight wagon and diversification of TexRail's customer base to private sector players.

Ratings continue to draw strength from its experienced promoters, established position in the domestic railway wagon industry, presence across various segments of railway infrastructure, backward integration through in-house foundry, healthy order book position and sizeable equity infusion leading to improvement in its liquidity.

Ratings continue to remain constrained by significant blockage of funds in slow-moving receivables (including unbilled revenue) mainly in the "Infra-Rail & Green Energy" division leading to low return indicators. Ratings also factor in exposure to raw material price volatility and availability and tender-based nature of business.

The company is currently in the process of demerging its "Infra-Rail & Green Energy" division, which includes business of execution of projects in the area of hydro mechanical works, bridge & structural, track laying, signaling & telecommunication among others. The division continues to have significant funds blocked in slow-moving receivables (including unbilled revenue) and has weak financial performance due to legacy contracts. Assets and liabilities of Infra-Rail & Green Energy division are expected to be transferred into a separate listed entity and the remaining businesses of manufacturing wagons, steel foundry and electrical divisions, where it has large orders from Indian Railways, are expected to remain in TexRail.

CARE Ratings Limited (CARE Ratings) will continue to monitor the developments in this regard and will take a view on the ratings, once there is a fair amount of clarity on different aspects of the demerger and their impact on the TexRail's business and financial risk profiles.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in return on capital employed (ROCE) above 12% on a sustained basis with improvement in scale of operations and operating margin.
- Improvement in coverage indicators with Total Debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) going below 2.5x on a sustained basis.
- Efficient management of working capital requirement and improvement in operating cycle.

Negative factors

- Substantial decline in total operating income (TOI) or decline in operating profitability (PBILDT margin less than 7%) on a sustained basis.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

- Deterioration in coverage indicators with TD/PBILDT going above 4.5x on a sustained basis.
- Significant deterioration in average collection period.

Analytical approach: Consolidated

CARE Ratings has considered the consolidated analytical approach, considering operational and financial linkages of TexRail with its subsidiaries/JVs. Companies consolidated are listed under **Annexure – 6**.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with demonstrated fund support

TexRail is part of the Saroj Kumar Poddar faction of the K. K. Birla group, which was subsequently rechristened as Adventz Group. Adventz is an established business group in the country having interests in fertilizers, chemicals, financial services, real estate and sugar. Promoters have significant business experience and demonstrate support to TexRail by infusion of funds as equity and unsecured loans, when required. This support is expected to continue going forward as well.

Technical tie-ups and backward integration

TexRail has long-standing presence in the railway wagon industry, being one of the largest players in the domestic wagon manufacturing industry with present annual capacity to manufacture 13,000 wagons (TexRail: 10,000 per annum and TWRL: 3,000 per annum). Over the years, it has added capacity for manufacturing hydro-mechanical equipment, heavy steel structures, and process equipment. The company has strong backward integration, with in-house foundry facility having annual capacity of 42,000 MTPA of steel casting, enabling it to control cost and quality.

It ventured in rail engineering, procurement, and construction (EPC) for railway track laying, signaling and telecommunication through acquisition of Kalindee Rail Nirman (Engineers) Limited (KRN) and railway electrical contracts for overhead lines, transformers and other equipment through Bright Power Projects (India) Private Limited (BPPPL), both were later merged with TexRail.

TexRail has tied up with foreign entities having technical expertise across businesses. Touax Texmaco Railcar Leasing Private Limited, is a JV for wagon leasing with Touax Rail of France, having expertise in leasing freight cars (wagons) among others. Wabtec Texmaco Rail Private Limited is a JV for export of foundry products, with Wabtec Corporation of US, a global supplier of highly engineered components and systems for railways and specific industrial markets. It also entered a 51:49 JV, Texmaco Nymwag Rail & Components Private Limited, with Nymwag C.S. (a Czech company), for manufacturing wagons and wagon components. In June 2024, it has entered a share purchase agreement (SPA) and shareholders' agreement for 51% stake in Saira Asia Interiors Private Limited, the company engaged in designing metro interior products.

Healthy order book position in view of GoI thrust on railway infrastructure

TexRail had a healthy order book position of ₹8,193 crore as on October 01, 2024. The order book includes orders of Indian Railways (₹3,524 crore) and orders from private players for wagons, other rolling stocks, bridges, structural, steel foundry, order book of KRN division (₹789 crore), BPPPL division (₹1,776 crore), and order book of TWRL (₹829 crore). There were orders of ₹490 crore in other subsidiaries/JVs.

Given the high working capital intensity in track laying orders, the company has restricted in-take of such orders in its KRN division. The management has shifted its focus to contracts entailing smaller duration and lower requirements of working capital.

Favourable industry demand scenario

The railways is the largest consumer of wagons in the country. The outlook for the wagon industry mainly depends on demand and budgeted allocation for such outlays. The GoI is focusing on improving railway infrastructure and ensuring faster development and completion of tracks, rail electrification, rolling stock manufacturing and delivering passenger freight services. Budgetary allocation towards railway projects have been increased to ₹2.55 lakh crore for 2024-25 from ₹2.40 lakh crore in the previous year. This has resulted in recent influx of orders from GoI for freight wagons. Apart from supplying wagons to railways, TexRail has been receiving large orders for commodity specific wagons from private sector companies. TexRail, with large capacity for manufacturing these wagons, is well-placed to take advantage of this growing demand.

Significant growth in TOI with improved profitability margins

In FY24, the TOI grew by 55% y-o-y considering increased execution of orders and increase in order book with the Government's thrust on railways infrastructure and an increase in sales volume of steel foundry. The company's PBILDT margin also improved because of significant increase in sales revenue despite increase in cost of materials in the foundry division, which could not be passed on fully and lower margin in new wagon orders. The company has also started importing wheel sets for private parties and execution has improved. Execution of orders from Indian Railways has also gathered pace.

In H1FY25, the TOI improved to ₹2,434 crore, with increase in sales of wagons for TexRail and TWRL, contributing to the increased revenue on a consolidated level. The company's PBILDT margin also improved to 9.82% in H1FY25 compared to 6.66% in H1FY24.

Improved debt coverage indicators despite increased debt level

TexRail's consolidated debt increased from ₹1,101.97 crore as on March 31, 2024, to ₹1,560.08 crore as on September 30, 2024 (₹1,511.43 crore as on March 31, 2023), because of inclusion of debt from newly acquired JRIL, and new term debt of ₹300 crore sanctioned for meeting working capital requirement. There was also an increase in acceptances due to increased import of wheel sets for meeting private party orders. Its TD/PBILDT improved from 10.39x as on March 31, 2023, to 4.13x as on March 31, 2024, and further 3.26x as on September 30, 2024, because of significant growth in its operating profits, although TD/PBILDT continues to remain at a high level considering significant delay in realisation of its stuck / unbilled receivables.

Liquidity: Adequate

The company has adequate liquidity position with surplus liquidity of ₹259 crore as on September 30, 2024, built from equity infusion in FY24 (₹50 crore through preferential allotment and QIP issue of ₹1,000 crore with net proceeds of ₹979 crore). The company further issued convertible warrants of ₹150 crore in April 2024 (of which ₹37.50 crore has been received in April 2024). Of the issue proceeds, as on September 30, 2024, TexRail has utilised ₹391 crore to retire its high-cost debt, ₹350 crore for its working capital requirement, ₹35 crore towards funding capital expenditure and ₹188 crore towards general corporate purposes (including ₹134 crore for acquisition of stake in TWRL), which led to moderation in the liquidity position.

Average fund-based working capital limit utilisation stood comfortable at ~69% for 12 months ending October 2024. The company's liquidity position is expected to remain adequate in the medium term given good revenue visibility with healthy cash flows from its operations.

Key weaknesses

Elongated receivables leading to weak return indicators

TexRail's nature of business entails considerable dependence on working capital requirements in the form of fund-based and non-fund-based borrowings. Debtors (including retention) increased from ₹882 crore as on March 31, 2024, to ₹911 crore as on September 30, 2024. Increase in debtors mainly relates to the freight car division, where the company is executing wagon orders for railways.

Unbilled debtors, mainly pertaining to Infra – Rail & Green Energy (KRNL) and Infra – Electrical (BPPPL) division, also increased from ₹709 crore as on March 31, 2024, to ₹721 crore as on September 30, 2024. As articulated by the management, the company is in the process for filing claims, which were not filed earlier and has taken consultations for them. Contrary to the earlier expectation of recovering part of unbilled revenue, the company has not been able to recover them, which is expected to be recovered from FY26 onwards.

Timely receipt of slow-moving receivables and quick resolution of matters under arbitration will be crucial from the company's liquidity and cash flow perspective. Its return indicators marked by ROCE improved to 10.54% in FY24 against 6.42% in FY23, which is although lower, considering its stuck receivables, despite improvement in its profitability in FY24.

Exposure to raw material price volatility and timely availability

Wagon manufacturers have to rely on Research Design and Standards Organisation (RDSO) approved vendors for the supply of major raw materials such as steel, cartridge tapered roller bearings (CTRB), and wheel sets, among others.

The company is exposed to significant raw material price volatility, which is mitigated to an extent due to presence of escalation clause with respect to variation in input prices in long-term contracts of railways and private parties (except orders from private parties to be executed in short-term, 1-2 months). In the rail EPC segment also, the company is exposed to raw material price volatility.

Risk associated with tender based business and competition

TexRail receives majority orders from Indian Railways and other government and semi-government entities and exports based on tender. Hence, revenue depends on the company's ability to successfully bid for these tenders. The company faces stiff competition from other established players in the wagon segment. In the rail EPC segment, it is exposed to competition from larger players in the industry.

Environmental, social and governance (ESG) risks

The company undertakes steps to minimise waste, conserve resources and undertakes continuous improvement of processes to protect the environment. It is working on rainwater harvesting and is moving on to green power for operations in its factories (Urla foundry already moved into green power). The company has on-going CSR projects in health and education sectors, with ~1,100 beneficiaries. It spent ₹0.44 crore on CSR projects in FY24, against the obligation of ₹0.26 crore. The board of directors comprise 13 members, of which seven are independent directors.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

[Construction](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial manufacturing	Railway wagons

TexRail has an installed capacity of 10,000 Vehicular Units (VUs) of wagons, which remain flexible in nature, 20,400 MTPA of structurals, 10,000 MTPA of bridges and 42,000 MTPA of steel castings. The product range of TexRail comprises of railway freight cars, hydro-mechanical equipment, industrial structurals, steel castings, loco shells, electrical mechanical unit (EMU), railway bridges and pressure vessels, which are manufactured across four manufacturing facilities in West Bengal. TexRail also has presence in overseas markets.

TexRail acquired equity stake in KRNL in FY14 and subsequently merged with it on February 11, 2017, (appointed date being April 01, 2014). KRNL's business for execution of railway projects involving track laying, signaling and telecommunication in India is running as the 'Infra – Rail & Green Energy' division under TexRail.

In January 2016, TexRail acquired 55% shareholding in BPPPL. BPPPL and another subsidiary Texmaco Hi-Tech Private Limited merged with TexRail vide NCLT order received in April 2019, with appointed date being April 01, 2017. It is running as the Infra - Electrical division, which undertakes electrical contracts for erection, installation, commissioning and maintenance of overhead lines, transformers and other equipment for Indian Railways.

In September 2024, TexRail acquired 100% shareholding in TWRL (previously Jindal Rail Infrastructure Limited). It is also engaged in manufacturing railway freight wagons, selling mostly to private players.

Brief Consolidated Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	2,247.01	3,503.78	2434.08
PBILDT	145.41	266.52	239.10
PAT	25.80	112.98	133.33
Overall gearing (times)	1.12	0.44	0.58
Interest coverage (times)	1.25	2.01	3.51

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	945.00	CARE A (RWD)
Fund-based - LT-Term Loan		-	-	September 2030	429.02	CARE A (RWD)
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	30.00	CARE A1 (RWD)
Non-fund-based - LT/ST-BG/LC		-	-	-	2410.00	CARE A / CARE A1 (RWD)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-Forward Contract	ST	-	-	-	-	1)Withdrawn (05-Jul-22)	1)CARE A2 (07-Jul-21)
2	Fund-based - LT-Cash Credit	LT	945.00	CARE A (RWD)	1)CARE A- (RWD) (05-Aug-24) 2)CARE A- (RWP) (05-Jul-24)	1)CARE BBB+ (RWP) (26-Mar-24) 2)CARE BBB+ (RWP) (05-Jan-24) 3)CARE BBB+; Stable (11-May-23)	1)CARE BBB+; Stable (28-Mar-23) 2)CARE A-; Negative (05-Jul-22)	1)CARE A-; Negative (07-Jul-21)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	2410.00	CARE A / CARE A1 (RWD)	1)CARE A- / CARE A2+ (RWD) (05-Aug-24) 2)CARE A- / CARE A2+ (RWP) (05-Jul-24)	1)CARE BBB+ / CARE A2 (RWP) (26-Mar-24) 2)CARE BBB+ / CARE A2 (RWP) (05-Jan-24)	1)CARE BBB+; Stable / CARE A3+ (28-Mar-23) 2)CARE A-; Negative / CARE A2 (05-Jul-22)	1)CARE A-; Negative / CARE A2 (07-Jul-21)

						3)CARE BBB+; Stable / CARE A3+ (11-May-23)		
4	Fund-based - LT-Term Loan	LT	429.02	CARE A (RWD)	1)CARE A- (RWD) (05-Aug-24) 2)CARE A- (RWP) (05-Jul-24)	1)CARE BBB+ (RWP) (26-Mar-24) 2)CARE BBB+ (RWP) (05-Jan-24) 3)CARE BBB+; Stable (11-May-23)	1)CARE BBB+; Stable (28-Mar-23) 2)CARE A-; Negative (05-Jul-22)	1)CARE A-; Negative (07-Jul-21)
5	Fund-based - ST-Packing Credit in Foreign Currency	ST	30.00	CARE A1 (RWD)	1)CARE A2+ (RWD) (05-Aug-24) 2)CARE A2+ (RWP) (05-Jul-24)	1)CARE A2 (RWP) (26-Mar-24) 2)CARE A2 (RWP) (05-Jan-24) 3)CARE A3+ (11-May-23)	1)CARE A3+ (28-Mar-23) 2)CARE A2 (05-Jul-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Packing Credit in Foreign Currency	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Texmaco Transtrak Pvt. Ltd. (Transtrak)	Full	Subsidiary
2	Panihati Engineering Udyog Private Limited	Full	Subsidiary
3	Belgharia Engineering Udyog Private Limited	Full	Subsidiary
4	Texmaco Rail Electrification Limited	Full	Subsidiary
5	Texmaco Rail Systems Private Limited	Full	Subsidiary
6	Texmaco West Rail Limited (formerly Jindal Rail Infrastructure Limited)	Full	Subsidiary
7	Saira Asia Interiors Pvt. Ltd	Full	Subsidiary
8	Texmaco Nymwag Rail & Components Private Limited (TNRCP; formerly Belur Engineering Private Limited)	Full	Subsidiary
9	Touax Texmaco Railcar Leasing Private Limited (Touax)	Proportionate	Joint Venture
10	Wabtec Texmaco Rail Private Limited (Wabtec)	Proportionate	Joint Venture
11	Texmaco Defence Systems Private Limited (Texmaco Defence)	Proportionate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Name: Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Name: Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Analytical Contacts Name: Hardik Shah Director CARE Ratings Limited Phone: +91-22-6754 3591 E-mail: Hardik.shah@careedge.in Name: Richa Bagaria Associate Director CARE Ratings Limited Phone: +91-33-4018 1653 E-mail: richa.jain@careedge.in Name: Mayank Sourabh Lead Analyst CARE Ratings Limited E-mail: Mayank.Sourabh@careedge.in
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About us:

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