APRIL 20, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF TEXMACO RAIL & ENGINEERING LTD (TEXRAIL)

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term bank facilities	95.0	CARE AA- (Double A Minus)	Reaffirmed
Short-term bank facilities	1145.0	CARE A1+ (A One Plus)	Reaffirmed
Total bank facilities	**1240.0 (One thousand two hundred and forty crore)**		

Rating Rationale

The ratings continue to draw strength from the experience of the promoters and long and satisfactory track record of the company, TexRail's initiatives in regard to becoming a total rail solution provider through proposed merger plans of the company with Kalindee Rail Nirman (Engineers) Ltd. (KRNL) along with acquisition of majority stake in Bright Power Projects (India) Pvt. Ltd. (BPPPL), satisfactory order book position, reduced reliance on Indian Railways (IR) for the wagon business and increased contribution of other divisions (structurals, bridges, steel foundry, EPC contracts) towards revenue of the company and comfortable financial profile marked by satisfactory debt coverage indicators and healthy liquid investments. The long term rating is, however, constrained by competition in the wagon segment and working capital intensive nature of operations.

Timely receipt of orders from IR, maintaining satisfactory order book position, creation of operational synergy through its acquisitions and sustainability of the profitability will remain the key rating sensitivities.

Background

Texmaco Rail & Engineering Ltd (TexRail) comprises businesses of Heavy Engineering and Steel Foundry demerged from Texmaco Limited in the year 2010 as per the Scheme of Arrangement approved by the Hon'ble, High Court, Calcutta. With the said demerger, more than 95% of the business of Texmaco Ltd. became part of TexRail. It is currently part of the Adventz group of Kolkata (fraction of the erstwhile K.K. Birla group) and the businesses of Texmaco Ltd. (now renamed Texmaco Infrastructure & Holdings Ltd.), now comprises of Real Estate, Hydel Power Generation and Investments. Currently, TexRail has an installed capacity of 10,000 Vehicular Units (VUs) of wagons which remains flexible in nature, 20,400 MTPA of Structurals, 10,000 MTPA of Bridges and 30,000 MTPA of Steel Castings. The product range of TexRail comprises of Railway Freight Cars, Hydro-mechanical Equipment, Industrial Structurals, Steel Castings, and Pressure Vessels which is manufactured across five manufacturing facilities in West Bengal. Besides domestic market, TexRail has also has presence in overseas markets.

The company currently has two subsidiaries i.e. Kalindee Rail Nirman (Engineers) Ltd. (KRNL) and Bright Power Projects (India) Pvt. Ltd. (BPPPL). Moreover, the company is under process to merge KRNL with itself, however, such merger process is yet to be consummated which is pending on account of statutory approvals.

The company also has two JV's namely TouaxTexmaco Railcar Leasing Pvt. Ltd. (TTRLPL; 50:50 JV with the Touax Rail of France) and Wabtec Texmaco Rail Pvt. Ltd. (WBTRPL; 60:40 JV with Westinghouse Air Brake Technologies Corporation (WABTEC) of USA).

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

In FY15 (refers to the period April 01 to March 31), on a total operating income of Rs.438.56 crore (Rs.446.38 crore in FY14), TexRail earned a PAT of Rs.13.74 crore (Rs.16.97 crore in FY14). As per the unaudited results for M9FY16 (refers to the period April 01 to December 31), the company recorded total operating income of Rs.499.27 crore and PAT of Rs.10.23 crorevis –a-vis total operating income of Rs.294.09 crore and PAT of Rs.0.49 crore in M9FY15.

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****For detailedRationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691