

SEPTEMBER 13, 2016

CARE ASSIGNS 'CARE A1+' RATING TO THE PROPOSED CP ISSUE OF TEXMACO RAIL & ENGINEERING LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Commercial Paper issue*	100 (Rs. One hundred crore only)	CARE A1+ (A One plus)	Assigned

**carved out of the sanctioned fund based working capital limits of the company*

Rating Rationale

The above rating assigned to Texmaco Rail & Engineering Ltd (TexRail) draws 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; rated CARE BBB-/CARE A3), satisfactory order book position, diversified operations in railway segment and comfortable financial risk profile marked by low overall gearing, satisfactory debt coverage indicators and healthy liquid investments. The rating is, however, constrained by competition in the wagon segment, increasing exposure to group companies and working capital intensive nature of operations.

Maintaining satisfactory order book position, creation of operational synergy through the acquisitions and sustainability of the profitability will remain the key rating sensitivities.

Background

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 (faction 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. TexRail has an installed capacity of 10,000 Vehicular Units (VUs) of wagons which remains flexible in nature, 20,400 MTPA of Structural, 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 Structural, Steel Castings and Pressure Vessels which is manufactured across five manufacturing facilities in West Bengal. Besides domestic market, TexRail also has presence in overseas markets.

The company currently has three subsidiaries i.e. KRNL, BPPPL and Texmaco Hitech Pvt. Ltd. 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 Touax Texmaco 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).

In FY16 (refers to the period April 01 to March 31), on a total income of Rs.760 crore (Rs.462.25 crore in FY15), TexRail earned a PAT of Rs.21.59 crore (Rs.13.74 crore in FY15).

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

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****For detailed Rationale 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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