MARCH 04, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF TEXMACO RAIL AND ENGINEERING LTD.

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**		

Rating Rationale

The ratings continue to draw strength from the experience of the promoters, long and satisfactory track record, leadership position of the company in the domestic wagon segment, creation of operational synergy through proposed merger of the company with Kalindee Rail Nirman (Engineers) Ltd. (KRNL), healthy order book position, comfortable financial profile marked by satisfactory debt coverage indicators along with infusion of equity through Qualified Institutional Placement (QIP) leading to accumulation of liquid investments, joint ventures with leading technology and engineering and leasing companies, scheduled completion of projects and rising demand for commodity specific wagons among private players. The ratings are, however, constrained by intense competition in the wagon segment and significant dependence on Indian Railways (IR) for the wagon business. Timely receipt of orders from IR, maintaining satisfactory order book position 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. 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 growing presence in overseas markets. The company currently has two JV's namely Texmaco UGL Rail Pvt. Ltd. (TURPL; 50:50 JV with the United Group of Australia) and Touax Texmaco Railcar Leasing Pvt. Ltd. (TTRLPL; 50:50 JV with the Touax Rail of France). Further the company has signed a JV agreement with Westinghouse Air Brake Technologies Corporation (WABTEC) of USA in Oct.2014.

In FY14 (refers to the period April 01 to March 31), on a net operating income of Rs.445.73 crore (Rs.829.41 crore in FY13), TexRail earned a PAT of Rs.16.97 crore (Rs.94.27 crore in FY13). As per the unaudited results for M9FY15 (refers to the period April 01 to December 31), the company recorded total operating income of Rs.294.09 crore and PAT of Rs.0.49 crore.

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

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