



Pre- Railway Budget Stocks to Watch Out

The Budget Season is approaching and the Railway Budget for FY2013 is going to be declared in less than a month, on March 14th, 2012, which will be presented by the Railway Minister, **Dinesh Trivedi** while the Economic Survey will be tabled on March 15th, 2012. The budget session has been delayed this year due to the ongoing assembly elections in five states.

It is that time of the year again when stocks in the railway segment start seeing some movement before the railway budget, in anticipation of some benefits, new orders and projects announced by the railways department. In fact, this has now become an annual phenomenon. The stock prices of companies catering to Indian Railways have already begun their annual rally ahead of the Rail Budget. So if you are looking to make some gains purely from a short term point of view, here's a list a stocks we've identified.

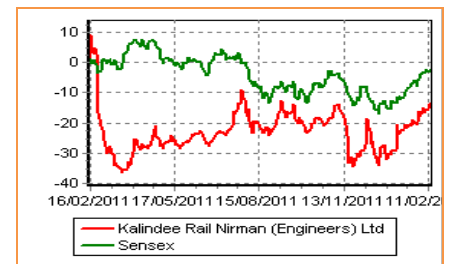


Why do these stocks witness action before the budget? The full-year business of these companies will be dependent on almost entirely on the new announcements made in the railway budget, and, hence, this event becomes very significant for these companies. However, what investors shall remember is that, as these stocks tend to move by about 25-30% during January and February of every year, it would be prudent to book profits close to the date of the budget because these stocks tend to get sold off just after the budget.

Stocks to watch

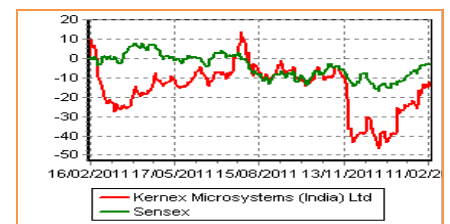
- Kalindee Rail** - The company has posted net profit of Rs 3.05 cr for the quarter ended Dec. 31, 2011 as compared to Rs 1.77 cr for the quarter ended Dec. 31, 2010, an increase of 72.32%. The Company dedicated to building infrastructure for rail transport under one roof on turn-key basis. Active in fields of signaling, telecommunications and track information systems, serving not only Indian Railways but also metro rail systems and industrial units.

The stock gained around 36.71% in seven trading sessions from a level of Rs 115.90 to Rs 158.45 right before the Railway Budget was presented in 2011. However its stock price slipped to Rs 106.60 post the Budget.

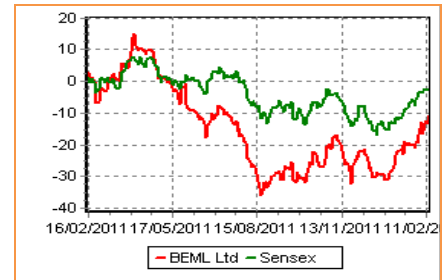


- Kernex Micro** - The company posted net profit of Rs 20.28 cr for the quarter ended Dec 31st, 2011 as compared to Rs 11.73 cr for the quarter ended Dec 31st, 2010, an increase of 72.89%. The Company is engaged in the business of manufacturing, installing and maintaining anti-collision systems as well as conceptualizing, designing, and developing certain Railway safety and signal systems for Konkan Railways Corporation Ltd.

The stock gained around 33% in six trading sessions from a level of Rs 90.55 to Rs 120.77 before the Railway Budget presented in 2011.

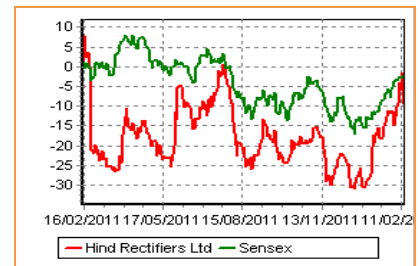


- BEML** – The public sector undertaking posted a net profit of Rs 40 cr for the quarter ended Dec 31st, 2011 as compared to Rs 50 cr for the quarter ended Dec 31st, 2010, decline of 20%. BEML is engaged in three major business verticals viz., mining & construction, defence & rail and metro, under the rail & metro business. It manufactures and supplies rail coaches, metro cars, AC EMUs, OHE cars, steel and aluminium wagons to the rail sector. It is a multi-technology company offering high-quality products for diverse sectors of economy such as coal, mining, steel, limestone, power, irrigation, construction, road building, aviation, defence, metro and railways.



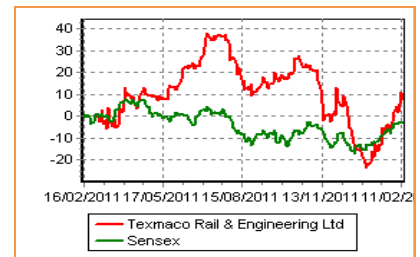
The stock gained around 18.87% from a level of Rs 584 to Rs 694.25 before the Railway Budget presented in 2011. It slipped to Rs 601 post the Budget. After this correction, stock was again trading on upside and made a high 770.05.

- Hind Rectifiers** - The company posted net loss of Rs 14.30 lacs for the quarter ended Dec 31st, 2011 as compared to Rs 1.79 cr profit for the quarter ended Dec 31st, 2010, decline of 92%. The Company is engaged in developing, designing, manufacturing and marketing power semiconductors, power electronic equipments and railway transportation equipments.



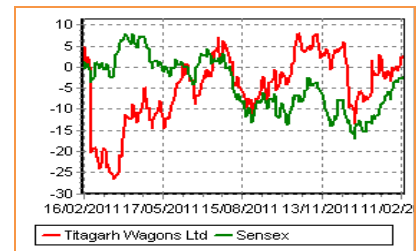
The stock gained around 32% from a level of Rs 46.65 to Rs 61.90 before the Railway Budget presented in 2011.

- Texmaco Rail & Engg Ltd** – Texmaco Rail & Engg Ltd, a leading diversified engineering and an infrastructure company of India, has posted net profit of Rs 10.74 cr for the quarter ended Dec 31st, 2011 as compared to Rs 22.31 cr for the quarter ended Dec 31st, 2010, decline of 51.86%. Texmaco operates in five business divisions: Railway freight cars, steel foundry, hydro-mechanical equipment and steel structures, process equipment and agro machinery. The Railway freight cars division includes Indian Railways, special freight cars, exports and new generation cars.



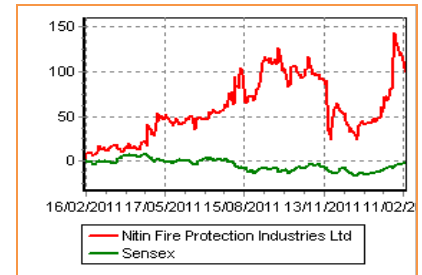
The stock gained around 31.94% from a level of Rs 55.10 in Dec 2011.

- Titagarh Wagons** - The company posted net profit of Rs 15.55 cr for the quarter ended Dec 31st, 2011 as compared to Rs 15.88 cr for the quarter ended Dec 31st, 2010, decline of 2.07%. The Company is engaged in the business of manufacturing Railway wagons, bailey bridges, heavy earth moving and mining equipment, steel and SG iron castings of moderate to complex configuration etc.



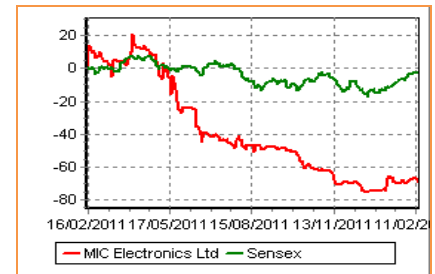
The stock gained around 28% from a level of Rs 348.25 to Rs 447.70 before the Railway Budget presented in 2011. It slipped to Rs 313.10 post the Budget.

- Nitin Fire** - The company posted net profit of Rs 11.65 cr for the quarter ended Dec 31st, 2011 as compared to Rs 19.34 cr for the quarter ended Dec 31st, 2010, decline of 39.76%. The Company is engaged in the business of manufacturing fire extinguishers, the complete range of portable firefighting equipment, Apart from portable firefighting equipment, the company undertakes turn-key projects for design, manufacture, install commission and supply of complete Fire detection and suppression systems, using the latest techniques.



The stock gained around 31.94% from a level of Rs 16.45 to Rs 21.70 before the Railway Budget presented in 2011. Post the Budget the stock was trading in uptrend.

- MIC Electronics** - The company posted net profit of Rs 4 lacs for the quarter ended Dec 31st, 2011 as compared to Rs 14.26 cr for the quarter ended Dec 31st, 2010, decline of 99.72%. MIC Electronics is a global leader in the design, development and manufacturing of LED (Light Emitting Diode), used for coach emergency lamps, coach lighting, berth reading lamps, door and path way lighting, embarkation lamp, reservation chart light and chain pull indicator, night lamp and berth number indication lamp, signal lighting ,tail-lamp.



The stock was part of the pre-budget railway stock rally and gained around 71% from a level of Rs 16.45 to Rs 28.25, however its stock price soon cooled off post the budget.

Stock Details (as on Feb 14th, 2012)

Company	NSE Code	BSE Code	Mkt Cap (Rs in Cr)	PE Ratio	P/B	CMP (Rs)	Stock Price on 30-12-2011 (Rs)	% Change
Kalindee Rail	KALINDEE	522259	149.00	14.69	1.15	120.95	97.70	23.79
Kernex Micro	KERNEX	532686	114.00	20.25	0.91	91.55	61.40	49.1
BEML Ltd	BEML	500048	2448.00	17.30	1.14	587.20	455.15	29.01
Hind Rectifiers	HIRECT	504036	74.00	6.66	1.35	49.60	38.10	30.18
Texmaco rail & engg	TEXRAIL	533326	1326.00	12.34	3.13	72.70	55.10	31.94
Titagarh Wagons	TWL	532966	803.00	8.80	1.57	425.85	381.30	11.68
Nitin Fire	NITINFIRE	532854	839.00	36.59	6.64	38.00	27.15	39.96
MIC Electronics	MIC	532850	75.00	2.77	0.19	7.30	6.00	21.66

Expectations from Railway Budget 2012-13

- The Rail Bhavan is abuzz that this year's Railway budget will be witness to a "dynamic" fare hike. Sources within the ministry have stated that the lower income groups and the unreserved janta will be spared while the high-end passengers will have to face the brunt of a hike in fares. Dynamic fare pricing, as in the aviation sector, means **increasing fares in peak seasons** in busy sectors and only beyond a certain distance.
- The Railways has already hinted that a service tax of 10.2% may be levied on the tickets purchased for AC and first-class coach travel. Besides, there could be additional levy of surcharge tax in the name of safety, modernisation and station redevelopment
- A legislation to make Railway Protection Force (RPF) the sole body responsible for passenger security is likely to be introduced in the Budget session of Parliament.



- Railways are understood to be pressing for a quantum jump in gross budgetary support from Rs 20,000 crore in the last budget to Rs 40,000 crore in the coming Rail Budget.
- The Rail Budget 2012-13 could lay an action plan for resource generation and increase thrust on PPP projects for capacity augmentation.

Demands from Railway Budget 2012-13

- The Orrisa State Government has demanded 12 new trains in Indian Railways Budget 2012-13.
- Jharkhand Chief Minister Mr. Arjun Munda has sought six new trains in Railway Budget 2012-13 and he also demanded an increase in the frequencies of bi-weekly trains to five days a week.
- BJP MPs of Gujarat requested a bullet train between Ahmedabad and Mumbai.
- As per the needs and necessity of the travelers across the country, 58 new trains are demanded in Rail Budget 2012.

Impact Analysis

- The announcement regarding the procurement of railway wagons as budgeted in the railway budget will have impact on the companies like Texmaco and Titagarh Wagons. Higher the size of procurement of railway wagons, the higher the benefit for these companies.
- The announcement regarding “freight rates” will impact the stocks such as Concor or Gateway Distriparks. So, this should be watched closely.
- Further, the announcement regarding land allocation to dedicated freight corridor will be beneficial for private operators and container depots like Concor and Gateway Distriparks.
- Increase in total plan outlay in the railway budget will benefit companies like - L&T, Kernex Microsystem ,BEML, Kalindee Rail, ARSS Infra and Hind Rectifier.

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