

Texmaco Infrastructure & Holdings Limited

June 05, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	21.94 (Reduced from 23.04)	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The rating assigned to Texmaco Infrastructure & Holdings Limited (Texmaco) continues to derive strength from experienced promoters, presence of escrow mechanism, diversified revenue stream, comfortable capital structure and healthy investment profile with holdings in major group companies. The ratings also factors in improvement in company's profitability margins and debt coverage indicators in FY23 (refers to period between April 01, 2022 and March 31, 2023). The rating also takes note of the company wherein the company has no plans to avail debt for Kamlanagar, Delhi real estate project. However, the ratings continue to be constrained by Risk of non-renewal of rent agreement, the risk of diminution in value of investments, vulnerability of cash flows to availability of water in the hydro power unit, limited track record of the group in real estate market and regulatory risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in rental income by 20% on sustained basis along with occupancy of 100% on a continuous basis

Negative Factors

- Decrease in rental income by 15% on sustained basis on account of termination of agreement after lock-in period on a continuous basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes company's occupancy will remain at current levels supported by revenue visibility from other sources of income apart from rental income like income from sale of hydro power, dividend & interest income. The company is expected to continue to derive support from the established promoter group.

Detailed description of the key rating drivers:

Key Strengths

Experienced Promoters

Texmaco belongs to Mr. S. K. 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. Mr. Poddar, son-in-law of Late Mr. K. K. Birla, is at the helm of affairs of the company.

Presence of escrow mechanism

The company maintains an escrow account in Axis Bank to route the rentals received from two tenants towards servicing debt obligations. Lease rentals of Rs. 0.31 crore on monthly basis are directly deposited in the escrow account to meet the monthly debt obligations of Rs.0.26 crore.

Diversified revenue stream

Texmaco is a holding company of the group and derives income from primarily three segments, i.e. hydro power, real estate and interest & dividend income from its strategic investments. Texmaco earned 45% of its total operating income from interest and dividend followed by 35% from rental income, 16% from income from sale of hydro power and remaining 4% from trading.

The rental income is majorly derived from Texmaco's "Global Business Park" property at Gurgaon (occupancy stood at 100%) and Birla Textiles (occupancy stood at 41% currently vis-à-vis 71% last year) in New Delhi. Blended occupancy stood at 85% as on April 2023 as compared to 92% as on June 2022. The tenure of the contract is mostly for 9 years with major of the tenants with rentals being escalated by 15% over the last lease rent paid. The lock in period is 3 years. The collection efficiency also is maintained at around 100%. The rental income v/s the EMI payment for FY23 was 1.96x.

Further, the company supplied 8.31 million units (mU) in FY23 as against 9.70 mU in FY22 units of power to West Bengal State Electricity Distribution Company Limited(WBSESC) from its 3 MW Mini Hydro Power Project at Neora, District Darjeeling in West Bengal. The company has entered into a long-term Power Purchase Agreement (PPA) with West Bengal State Electricity

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

Distribution Company Limited for supply of power at a tariff of Rs.3.60 per kWh for duration of 10 years (agreement will expiry on 02.04.2026) which reduces the off-take risk of the power.

Comfortable financial risk profile marked by improved profitability margin in FY23

The total operating income witnessed dip of around 21% from Rs.24.01 crore in FY22 to Rs. 18.81 crore in FY23 primarily due to revenue of Rs. 5.21 crore earned from trading of steel products (one time in nature) in FY22. However, the rental income improved from Rs. 4.66 cr in FY22 to Rs. 6.65 cr in FY23 on account of increased occupancy. Further, PBILDT margin improved significantly from 16.84% in FY22 to 39.31% in FY23 on account of lower operating costs in rental business (since the maintenance cost is already borne by the tenants). Further, during FY23, PAT margin also improved from 6.64% in FY22 to 19.11% in FY23 in line with improvement in PBILDT margin.

Comfortable capital structure and debt coverage indicators

The capital structure is comfortable with overall gearing ratio of 0.05x as on March 31, 2023 (0.04x as on March 31, 2021). Total Debt/GCA remained comfortable and improved to 5.92x as on March 31, 2023 (8.74x as on March 31, 2022). Interest coverage also improved to 3.13x in FY23 (1.63x in FY22).

Healthy investments profile

Texmaco has a healthy networth base largely invested in land and buildings, mutual fund investments and strategic investments in group companies. Further, it also provides loans and advances to group entities and non-group entities. In case of outside entities, the company gives loan on the basis of Texmaco group's past and relationship with the outside party. As on Mar 31, 2023, the company had investments of Rs.106.90 crore in land bank and properties, Rs.440.80 crore in equity instruments, Rs.17.29 crore in Mutual Funds and has provided loans and advances of Rs.49.32 crore to subsidiaries and body corporates. The market value of such quoted equity instruments was Rs.489.70 crore as on May 22, 2023 as against Rs.430.88 crore as on June 06, 2022 indicating a healthy investment portfolio.

Key weaknesses

Risk of non-renewal of rent agreement

Texmaco derives part of its income from rent received from its property leased out in Delhi. In all the rent agreements, renewal option is after 3 years and Texmaco is exposed to non-renewal of agreement post expiry of the contract. However, the contracts have already been renewed in the past with contracted escalation which mitigates the risk to a certain extent.

Vulnerability of cash flow from hydro power unit to availability of water

Texmaco owns and operates a 3 MW hydro power plant over the Neora river in Darjeeling, West Bengal. Power generation is dependent on the rainfall and Texmaco witnesses variability in hydro power generation on account of the extent of rainfall received during the year.

Limited track record of the group in real estate market

Although, the group has developed residential and commercial spaces in different parts of the country and few overseas projects, they have limited track record in the development and marketing of real estate in New Delhi market. Since, Real estate sector is highly susceptible to economic cycles, the ability of the company to sell the large inventory in the proposed development will also depend on the demand trends in the real estate market which are vulnerable to cyclical factors.

Large sized Kamlanagar, Delhi real estate project being put on hold

Texmaco was earlier proposing to develop a residential cum retail real estate project comprising 26.4 lakh sqft at Kamal Nagar, Delhi at an estimated cost of Rs.1,675 crore funded through equity of Rs.400 crore and customer advances of Rs.1,275 crore. Presently, the company has no plans to avail the debt for this project and the project is kept on hold.

Regulatory risks

Real estate projects are prone to varying degrees of uncertainty, both at the macro-level, which affects the economy as a whole and at the sector level. The projects are prone to local, state, and national laws and regulations (governing acquisition, construction and development of land, etc.). Failure to comply with such rules and regulations often lead to delays or in the worst case, complete closure of the project; all of which may lead to a complete or partial loss of capital invested.

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in GCA of Rs. 5.03 crore vis-à-vis repayment obligations of Rs. 1.52 crore in FY23 and moderate cash balance of Rs.1.17 crore as on Mar 31, 2023. Texmaco has liquidity in the form of liquid investments in mutual funds amounting Rs.17.29 crore as on March 31, 2023 and low debt servicing obligation. In FY24, the company has repayment obligation of Rs. 1.37 crore which is expected to get funded by expected cash accruals of Rs. 5.60 crore in FY24.

Environment, social, and governance (ESG) risks- Not Applicable

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Investment Holding Companies](#)

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

[Rating Outlook and Credit Watch](#)

[Rating methodology for Debt backed by lease rentals](#)

[Policy on Withdrawal of Ratings](#)

About the Company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Investment Company

Texmaco was incorporated as Textile Machinery Corporation Limited in September, 1939. Currently the company derives its major income from leased properties, dividend & interest income from strategic investments and operation of a 3 MW Mini Hydro Power Project at Neora, District Darjeeling in West Bengal.

Texmaco is part of the Adventz group, a faction of the erstwhile K. K. Birla group. After the demise of Dr. K. K. Birla, an eminent industrialist, Mr. Saroj Kumar Poddar (son-in-law of Dr. K. K. Birla), has been appointed as the Chairman of the company w.e.f. September 11, 2008.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	24.01	18.81
PBILD	4.04	7.39
PAT	1.59	3.59
Overall gearing (times)	0.04	0.05
Interest coverage (times)	1.63	3.13

A: Audited, Note: 'The above financials are the latest available'.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure 4

Lender Details: Annexure 5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial		-	-	31-01-2033	21.94	CARE BBB+; Stable

Annexure-2: Rating History for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (05-Jul-21)	1)CARE A-; Stable (24-Mar-21) 2)CARE A+; Stable (03-Jul-20)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (05-Jul-21)	1)CARE A1 (24-Mar-21) 2)CARE A1+ (03-Jul-20)
3	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	-	-	-	1)Withdrawn (29-Jun-22)	1)CARE BBB+; Stable (05-Jul-21)	1)CARE A-; Stable (24-Mar-21) 2)CARE A+; Stable (03-Jul-20)
4	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	21.94	CARE BBB+; Stable	-	1)CARE BBB+; Stable (29-Jun-22)	-	-

*Long Term / Short Term

Annexure-3: Detailed explanation of the covenants of the rated instrument / facilities- NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	Simple

Annexure 5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

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

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About us:

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