

Texmaco Infrastructure & Holdings Limited

June 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	22.63 (Enhanced from 21.94)	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 its promoters' experience, presence of escrow mechanism, diversified revenue stream, comfortable capital structure, healthy investment profile with holdings in major group companies, and stable financial performance. The rating also considers the company's intention of not availing debt for Kamlanagar, Delhi real estate project. However, the rating continues to be constrained by the risk of non-renewal of rent agreement, the risk of diminution in value of investments, vulnerability of cash flows to hydro power unit generation, the group's limited track record in real estate market, and regulatory risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing rental income by 20% on sustained basis and occupancy of 100% on a continuous basis.

Negative factors

- Decreasing rental income by 15% considering termination of agreement after lock-in period on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the occupancy ratio in the leased out properties will remain at current levels supported by revenue visibility from other sources of income such as income from sale of hydro power, dividend, and interest income. The company is expected to continue to derive support from the established promoter group.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

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

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 ₹0.31 crore monthly are directly deposited in the escrow account to meet the monthly debt obligations of ₹0.28 crore. Also, there is sufficient cushion regarding collection of the rentals by 10th of every month and payment against the debt obligations by 15th of every month.

Diversified revenue stream

Texmaco is the group's holding company, deriving income from primarily three segments, hydro power, real estate, and interest & dividend income from its strategic investments. In FY24, Texmaco earned 48% of its total operating income (TOI) from interest and dividend followed by 37% from rental income and the remaining 15% from income from sale of hydro power.

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 4%) in New Delhi. Blended occupancy stood at 75% as of April 2024 as compared to 85% as of April 2023. The contract's tenure is mostly for nine years with escalation clause of 15% every three years. The lock-in period is three years. The collection efficiency is also maintained at around 100%. The rental income versus the EMI payment for FY24 was 1.86x.

The company supplied 7.50 million units (mU) of power in FY24 as against 8.31 mU of power in FY23 to West Bengal State Electricity Distribution Company Limited (WBSESC) from its 3-MW mini hydro power project at Neora, District Darjeeling, in West

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

Bengal. The production of power has been lower in FY24, as one of the turbines was having technical issues requiring maintenance in peak season. However, CARE Ratings observes, the revenue is expected to improve FY25 onwards.

The company has entered a long-term power purchase agreement (PPA) with West Bengal State Electricity Distribution Company Limited for supply of power at a tariff of ₹3.60 per kWh for duration of 10 years (agreement will expiry on April 2, 2026), which reduces the off-take risk of the power.

Comfortable capital structure and debt coverage indicators

The capital structure is comfortable with overall gearing ratio of 0.02x as on March 31, 2024 (0.05x as on March 31, 2023). The gearing levels improved considering increase in net worth base from ₹641.58 crore as on March 31, 2023 to ₹1486.60 crore as on March 31, 2024 owing to increase in fair value of the investments. Although total debt to gross cash accruals (TD/GCA) remained comfortable at 6.70x as on March 31, 2024, it moderated from 5.92x as on March 31, 2023. Interest coverage stood at 2.29x in FY24 (3.13x in FY23).

The company's capital structure and debt coverage indicators are expected to remain at current levels in the near future in absence of any major debt-funded capex.

Healthy investments profile

Texmaco has a healthy net worth base largely invested in land and buildings, mutual fund investments, and strategic investments in group companies. It also provides loans and advances to group entities and non-group entities. In case of outside entities, the company gives loan based on Texmaco group's past and relationship with the outside party. As on March 31, 2024, the company had investments of ₹106.19 crore in land bank and properties, ₹1,344.68 crore in equity instruments, ₹57.74 crore in mutual funds and has provided loans and advances of ₹23.99 crore to subsidiaries and body corporates. The market value of such quoted equity instruments was around ₹1,521 crore as on May 28, 2024, as against ₹490 crore as on May 22, 2023, indicating a healthy investment portfolio. The investment profile is expected to remain healthy in the near to medium term.

Stable financial performance in FY24

The TOI witnessed dip of around 6% from ₹18.81 crore in FY23 to ₹17.64 crore in FY24 primarily due to decline in occupancy of Birla Textiles and lower-than-anticipated revenue from sale of hydro power. The profit before interest, lease rentals, depreciation and taxation (PBILDT) margin moderated from 39.31% in FY23 to 35.76% in FY24 considering lower-than-anticipated revenue from rentals (considering decline in occupancy) and sale of hydro power (considering lower rainfall). Texmaco carries out maintenance of hydro plant once in three years, which was carried out in FY24 resulting in higher repairs and maintenance cost in FY24. The profit after tax (PAT) margin improved from 19.11% in FY23 to 20.24% in FY24.

The margins are expected to improve in near to medium term given the expected improvement in revenues from hydro power.

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 three 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 to hydro power unit generation

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 other factors, and Texmaco witnesses variability in hydro power generation considering such parameters.

Limited track record of 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 company's ability 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 ₹1,675 crore funded through equity of ₹400 crore and customer advances of ₹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, affecting 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 among others). Failure to comply with such rules and regulations often leads 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 characterised by sufficient cushion in GCA of ₹4.75 crore against repayment obligations of ₹2.06 crore in FY24 and moderate cash balance of ₹0.62 crore as on March 31, 2024. Texmaco has liquidity in the form of liquid investments in mutual funds amounting ₹57.74 crore as on March 31, 2024, and low debt servicing obligation. In FY25, the company has repayment obligation of ₹1.86 crore against which it is expected to generate sufficient cash flows.

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

Applicable criteria

[Definition of Default](#)

[Investment Holding Companies](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating Methodology for debt backed by Lease Rental Discounting \(LRD\)](#)

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 a 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, Saroj Kumar Poddar (son-in-law of Dr K. K. Birla), has been appointed as the Chairman of the company on September 11, 2008.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Ab)
Total operating income	24.01	18.81	17.64
PBILDT	4.04	7.39	6.31
PAT	1.59	3.59	3.57
Overall gearing (times)	0.04	0.05	0.02
Interest coverage (times)	1.63	3.13	2.29

A: Audited; Ab: Abridged; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of 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		-	-	15-10-2036	22.63	CARE BBB+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash credit	LT*	-	-	-	-	-	1)Withdrawn (05-Jul-21)
2	Non-fund-based - ST-BG/LC	ST**	-	-	-	-	-	1)Withdrawn (05-Jul-21)
3	Fund-based - LT-Lease rental discounting/ Rent receivables financial	LT*	-	-	-	-	1)Withdrawn (29-Jun-22)	1)CARE BBB+; Stable (05-Jul-21)
4	Fund-based - LT-Lease rental discounting/ Rent receivables financial	LT*	22.63	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jun-23)	1)CARE BBB+; Stable (29-Jun-22)	-

*LT: Long Term; **ST: Short Term

Annexure-3: Detailed explanation of covenants of rated instrument / facilities- Not applicable**Annexure-4: Complexity level of various instruments rated**

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of 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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