

## Texmaco Infrastructure & Holdings Limited (Revised)

June 29, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	23.04	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Assigned
Long Term Bank Facilities	-	-	Withdrawn
<b>Total Bank Facilities</b>	<b>23.04</b> <b>(₹ Twenty-Three Crore and Four Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating assigned to Texmaco Infrastructure & Holdings Limited (Texmaco) factors in deterioration in company's financial performance in FY22 (refers to period between April 01, 2021 and March 31, 2022) marked by vacancies in its leased-out property in H1FY22 resulting in shortfall in lease rental income vis-a-vis its lease rental debt repayments and subsequent leasing out of vacant properties in H2FY22 resulting in improvement in occupancy. Moreover, the company has also refinanced its LRD loan for a longer maturity and at a lower interest rate resulting in improved debt coverage indicators. The rating also takes note of the company wherein the company has no plans to avail debt for Kamlanagar, Delhi real estate project.

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.

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

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

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

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

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

### Detailed description of the key rating drivers

#### Key Rating 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 interest 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.

##### Refinancing of LRD loan repayments and presence of escrow mechanism

In Dec 2021, Texmaco has refinanced its debt repayments which has elongated repayment schedule upto Jan 2033 along with lower interest rate of 7.35% per annum. This loan arrangement is expected to ease the pressure on Texmaco's cash flows for next 11 years which shall enable the company to scale-up its business. Monthly Rental income of Texmaco is Rs.0.55 cr vs monthly EMI payment of Rs. 0.26 cr. Further, escrow mechanism is in place, wherein the rentals are used to service the debt obligations.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Diversified revenue stream and improvement in occupancy ratio**

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. The rental income is majorly derived from Texmaco's "Global Business Park" property at Gurgaon (occupancy stood at 100% currently vis-à-vis 40% last year) and Birla Textiles (occupancy stood at 71% currently vis-à-vis 100% last year) in New Delhi. Blended occupancy stood at 92% as on April 2022 as compared to 54% as on June 2021. 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 is 2.10x.

**Comfortable capital structure and debt coverage indicators**

The capital structure is comfortable with overall gearing ratio of 0.04x as on March 31, 2022 (0.08x as on March 31, 2021). Total Debt/GCA remained comfortable at 3.78x as on March 31, 2022 (2.51x as on March 31, 2021). Interest coverage moderated to 1.63x in FY22 (3.39x in FY21).

**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, 2022, the company had investments of Rs.108.13 crore in land bank and properties, Rs.476.87 crore in equity instruments, Rs.9.18 crore in Mutual Funds and has provided loans and advances of Rs.55.92 crore to subsidiaries and body corporates. The market value of such quoted equity instruments was Rs.430.88 crore as on June 06, 2022 (as against Rs.302.03 crore as on June 18, 2021) indicating a healthy investment portfolio.

**Key Rating 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 might go with joint development wherein the construction cost will be borne by the developer.

## 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. 7.58 crore vis-à-vis repayment obligations of Rs. 3.70 crore in FY22 and moderate cash balance of Rs.1.03 crore as on May 31, 2022. Texmaco has liquidity in the form of liquid investments in mutual funds amounting Rs.9.18 crore as on March 31, 2022 and around Rs. 13.63 cr as on May 31, 2022. In FY23, the company's principal repayment obligation stood at Rs.1.99 crore which would be met entirely out of cash accruals.

**Analytical approach:** Standalone

## Applicable Criteria

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Investment holding Companies](#)

[Policy on withdrawal](#)

## About the 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 (Rs. crore)	March 31, 2021 (A)	March 31, 2022 (A)	2MFY23 (UA)
Total operating income	20.70	24.01	NA
PBILDT	10.59	4.04	NA
PAT	9.47	1.59	NA
Overall gearing (times)	0.08	0.04	NA
Interest coverage (times)	3.39	1.63	NA

A: Audited, UA: Unaudited, NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial		-	-	-	0.00	Withdrawn
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial		-	-	Jan 2033	23.04	CARE BBB+; Stable

**Annexure-2: Rating History of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
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)	1)CARE A+; Stable (04-Jul-19)
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)	1)CARE A1+ (04-Jul-19)
3	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	-	-	-	1)CARE BBB+; Stable (05-Jul-21)	1)CARE A-; Stable (24-Mar-21) 2)CARE A+; Stable (03-Jul-20)	1)CARE A+; Stable (04-Jul-19)
4	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	23.04	CARE BBB+; Stable				

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

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

**Annexure 5: Bank Lender Details for this Company**

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

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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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