

Texmaco Infrastructure & Holdings Limited

July 03, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ^{1*}	Rating Action
Long-term Bank Facilities	23.63	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	12.50	CARE A1+ (A One Plus)	Reaffirmed
Total	36.13 (Rs. Thirty Six crore and thirteen lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to Texmaco Infrastructure & Holdings Limited (Texmaco) continue to draw strength from its strong and established promoter; it being a part of the Adventz group, stable sources of operating income with high profitability margins in FY20 (refers to the period April 1 to March 31), comfortable capital structure & debt coverage indicators, healthy investment profile with holdings in major group companies and satisfactory liquidity position marked by unencumbered liquid investments.

However, the ratings are constrained by the risk of diminution in value of investments, vulnerability of cash flows to availability of water in the hydro power unit and renewal of rental contracts in leased properties.

Key Rating Sensitivities

• Positive Factors

Realization of funds invested in Inter-Corporate Deposits resulting in substantial improvement in liquidity profile.

• Negative factors

Decrease in rental income on account of termination of agreement of after lock in period.

Decrease in fair value of the investment below cost.

Delay in receipt of interest income from ICDs on a sustained basis

Any substantial debt funded capex leading to moderation in debt coverage indicators

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.

Stable sources of operating income with high profitability margins

Texmaco holds various investments in the group and derives income from four segments, i.e. interest & dividend income from its investments (49% of total income in FY20), rental income (36% of total income), hydro power (10% of total income) and job work (6% of total income). Interest income is derived mainly from Inter Corporate Deposits (ICDs) given both to group and outside group entities. In case of ICDs given to outside entities, Texmaco Group has ongoing and past commercial relationship with these parties. The rental income is derived from Texmaco's "Global Business Park" property at Gurgaon and Birla Textiles at New Delhi. The total leased out area of the property is 89,719.43 sq. ft. These provide a stable source of income for the company. The company evacuated and supplied 7.40 million units (mU) in FY20 as against 8.09 mU in FY19 of power from its 3 MW Mini Hydro Power Project at Neora, District Darjeeling in West Bengal and job work is being done for Texmaco Rail & Engineering Limited on a small scale.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

The total operating income increased by around 15% from Rs.23.52 crore in FY19 to 27.05 crore in FY20 primarily due to increase in revenue from interest income. PBILDT margin improved marginally from 55.71% in FY19 to 56.29% in FY20 on account of increase in total income. PAT Margin remained stable at 27% in FY20.

Comfortable capital structure and debt coverage indicators

The capital structure is comfortable with overall gearing ratio of 0.08x as on March 31, 2020 (0.07x as on March 31, 2019). Total Debt/GCA remained comfortable at 2.55x as on March 31, 2020 as against 2.79x as on March 31, 2019. Interest coverage also remained comfortable at 5.63x in FY20 (5.24x in FY19).

Healthy investments profile albeit diminution in value of investments

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 March 31, 2020, the company had investments of Rs.111.57 crore in land bank and properties, Rs.92.15 crore in equity instruments, Rs.0.84 crore in Mutual Funds and has provided loans and advances of Rs.84.37 crore to subsidiaries and body corporates. The market value of such quoted equity instruments was Rs.208.43 crore as on June 22, 2020 (as against Rs.471.69 crore as on June 21, 2019) indicating a healthy investment portfolio.

Key Rating Weaknesses

Risk of non-renewal of rent agreement

Texmaco derives majority of its income from rent received from its property leased out in Delhi. The rent agreement is for 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.

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in GCA of Rs. 9.87 crore vis-à-vis repayment obligations of Rs. 3.09 crore in FY20 and moderate cash balance of Rs.0.80 Crore as on March 31, 2020. Texmaco has adequate liquidity in the form of liquid investments of Rs.0.84 crore as on March 31, 2020 and low debt servicing obligation. The company has availed moratorium facility for the period of March-August 2020 for repayment of principal and interest repayment for LRD loan although it has received rentals for April & May 2020. The tenure of the LRD loan has extended by 6 months on account of moratorium (from May'2026 to November'2026).

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](#)

[Rating of loans by investment holding companies](#)

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, Job work 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)	FY19 (A)	FY20(A)*
Total operating income	23.52	27.05
PBILDT	13.11	15.23
PAT	6.98	7.36
Overall gearing (times)	0.07	0.08
Interest coverage (times)	5.24	5.63

A: Audited; * based on published financials

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE A+; Stable
Non-fund-based - ST-BG/LC	-	-	-	12.50	CARE A1+
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	-	-	Nov 2026	23.13	CARE A+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE A+; Stable	-	1)CARE A+; Stable (04-Jul-19)	1)CARE A+; Stable (25-Sep-18)	1)CARE A+; Stable (10-Jul-17)
2.	Non-fund-based - ST-BG/LC	ST	12.50	CARE A1+	-	1)CARE A1+ (04-Jul-19)	1)CARE A1+ (25-Sep-18)	1)CARE A1+ (10-Jul-17)
3.	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	23.13	CARE A+; Stable	-	1)CARE A+; Stable (04-Jul-19)	-	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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