Texmaco Infrastructure & Holdings Limited

July 04, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	25.98	**CARE A+; Stable (Single A Plus; Outlook: Stable)**	**Reaffirmed**
Short-term Bank Facilities	12.50	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total facilities	**38.48 (Rs. Thirty Eight crore and forty eight lakh only)**		

Details of instruments/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 albeit deterioration in FY19 (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 comfortable 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.

Sufficient evacuation of hydro power, generation of rental income, sustainability of capital structure and investments profile and further increase in exposure to group companies will remain the key rating sensitivities.

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 albeit deterioration in profitability margins

Texmaco holds various investments in the group and derives income from three segments, i.e. hydro power, real estate and interest & dividend income from its strategic investments. The company evacuated and supplied 8.09 million units (mU) in FY19 as against 3.29 mU in FY18 of power from its 3 MW Mini Hydro Power Project at Neora, District Darjeeling in West Bengal. The rental income is majorly derived from Texmaco's "Global Business Park" property at Gurgaon. The total leased out area of the property is 66,583 sq. ft. along with 62 car parks. These provide a stable source of income for the company (Rs.23.52 crore in FY19 vis-à-vis Rs.21.46 crore in FY18).

The total operating income increased by around 10% in FY19 to Rs.23.52 crore from Rs.21.46 crore in FY18 primarily due to increase in revenue from hydro power and interest income. PBILDT margin deteriorated to 55.71% in FY19 as against 63.10% in FY18 mainly due to increase in employee costs and other expenses comprising majorly repairs & maintenance of machinery, rent and taxes. With lower PBILDT, increase in capital charge and higher incidence of tax, net profit reduced from Rs.9.64 crore in FY18 to Rs.6.98 crore in FY19.

Comfortable capital structure and debt coverage indicators

The capital structure remained comfortable with overall gearing ratio of 0.07x as on March 31, 2019 (0.06x as on March 31, 2018). Total debt/GCA remained comfortable at comfortable at 2.79x as on March 31, 2019 as against 2.71x as on March 31, 2018. Interest coverage also remained comfortable at 5.24x in FY19 (6.09x in FY18)

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. As on March 31, 2019, the company had investments of Rs.112.72 crore in land bank and properties, Rs.146.98 crore in equity instruments, Rs.20.87 crore in Mutual Funds and has provided loans and advances of Rs.73.84 crore to subsidiaries and body corporates. The market value of such quoted equity instruments was Rs.471.69 crore as on June 21, 2019 (as against Rs.528.32 crore as on September 19, 2018) indicating a healthy investment portfolio.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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. 9.41 crore vis-à-vis repayment obligations of Rs. 3.09 crore in FY19 and moderate cash balance of Rs.1.45 Crore as on March 31, 2019.
The average utilization of fund based working capital limit was almost negligible during the twelve months ending May, 2019. Texmaco has adequate liquidity in the form of liquid investments of Rs.20.87 crore as on March 31, 2019 and low debt servicing obligation.

Analytical approach: Standalone

Applicable Criteria
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-Financial Sector
Rating Methodology-Factoring linkages in Ratings

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)	FY18 (A)	FY19 (A)
Total operating income	21.46	23.52
PBILDT	13.54	13.11
PAT	9.64	6.98
Overall gearing (times)	0.06	0.07
Interest coverage (times)	6.09	5.24

A: Audited

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 Instruments/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	-	-	May 2026	25.48	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE A+; Stable	-	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+ (25-Sep-18)	1)CARE A1+ (10-Jul-17)	-
3.	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	25.48	CARE A+; Stable	-	-	-	-

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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