

Texmaco Infrastructure & Holdings Limited

July 10, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	0.50	CARE A+; Stable (Single A Plus; Outlook: Stable)	Assigned
Short-term Bank Facilities	12.50	CARE A1+ (A One Plus)	Assigned
Total facilities	13.00 (Rs. Thirteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to Texmaco Infrastructure & Holdings Limited (Texmaco) 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, 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 to renewal of rental contracts in leased properties.

Sufficient evacuation of hydro power, generation of rental income and sustainability of capital structure and investments profile 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 with high 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 about 8.50 mU to 9.50 mU units of power during FY15-17 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. Further, the company also earns interest and dividend income from its strategic investments.

Comfortable capital structure and debt coverage indicators

The company has negligible debt and the capital structure is comfortable with debt to equity and overall gearing ratio of almost nil as on March 31, 2017. Further, the debt coverage indicators also remained comfortable.

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. As on March 31, 2017, the company had investments of Rs.115.21 crore in land bank and properties, Rs.158.80 crore in equity instruments, Rs.41.90 crore in Mutual Funds and has provided loans and advances of Rs.56.85 crore to subsidiaries and body corporates. The market value of such quoted equity instruments was Rs.656.01 crore as on May 25, 2017 indicating a healthy investment portfolio.

Key Rating Weaknesses

Risk of non-renewal of rent agreement

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

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.

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.

Texmaco reported PAT of Rs.14.69 crore on total operating income of Rs.24.24 crore in FY17 as against PAT of Rs.17.18 crore on total operating income of Rs.24.40 crore in FY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE A+; Stable	-	-	-	-
2.	Non-fund-based - ST-BG/LC	ST	12.50	CARE A1+	-	-	-	-

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