

Texmaco Infrastructure & Holdings Limited

September 25, 2018

Rating

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

Details of instrument/facilities in Annexure-1

Detailed Rationale and 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, 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 3.29 mU in FY18 as against 9.56 mU in FY17 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.24.13 crore in FY18 vis-à-vis Rs.26.90 crore in FY17). Further, the company also earns interest and dividend income from its strategic investments.

PBILD margins have been high with the company incurring mainly employee costs and other expenses comprising majorly of power & fuel, repairs & maintenance of leased properties and machinery. However, the net profit reduced from Rs.14.69 crore in FY17 to Rs.9.64 crore in FY18 primarily due to increase in interest cost during the year on increase in borrowings.

The total income of the company remained stable at Rs.5.86 crore in Q1FY19 vis-à-vis Rs.5.96 crore in Q1FY18. However, the net profit was lower and the company reported PAT of Rs.1.74 crore in Q1FY19 vis-à-vis Rs.2.49 crore in Q1FY18 due to lower operating profitability and increase in interest cost y-o-y.

Comfortable capital structure and debt coverage indicators

The total debt increased from Rs.1.20 crore as on March 31, 2017 to Rs.28.94 crore as on March 31, 2018 as the company has availed term loan (lease rental discounting) of Rs.29.50 crore in FY18 to advance inter corporate deposits. However, despite increase in total debt, the capital structure remained comfortable with overall gearing ratio of 0.06x as on March 31, 2018 (nil as on March 31, 2017). Further, the debt coverage indicators also remained comfortable during FY18.

Healthy investments profile

Texmaco has a healthy network 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, 2018, the company had investments of Rs.113.85 crore in land bank and properties, Rs.240.66 crore in equity instruments, Rs.31.48 crore in Mutual Funds and has provided loans and advances of Rs.70.24 crore to subsidiaries and body

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

corporates. The market value of such quoted equity instruments was Rs.528.32 crore as on September 19, 2018 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.

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)	FY17 (A)	FY18 (A)
Total operating income	24.53	22.79
PBILDT	16.41	14.88
PAT	14.69	9.64
Interest coverage (times)	0.00	0.06

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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.

Analyst Contact:

Name: Ms Mamta Muklania

Tel: 033-4018 1651

Mobile : 98304 07120

Email: mamta.khemka@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	0.50	CARE A+; Stable	-	1)CARE A+; Stable (10-Jul-17)	-	-
2.	Non-fund-based - ST-BG/LC	ST	12.50	CARE A1+	-	1)CARE A1+ (10-Jul-17)	-	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691