

March 09, 2021

Texmaco Infrastructure and Holdings Ltd: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Non Convertible Debenture	200.00	[ICRA]BBB- (Stable); Assigned
Total	200.00	

*Instrument details are provided in Annexure-1

Rationale

Texmaco Infrastructure and Holdings Ltd (TIHL) is planning to develop a residential complex and a retail mall in Kamla Nagar, New Delhi. The proposed NCD issuance will be used to part finance the initial development expenses, including the approval related costs. The assigned rating favourably factors in the prime location of the project site, which is expected to provide strong catchment to support the demand prospects for the residential and retail development. The rating further draws comfort from the financial flexibility of the company emanating from the high security cover and low debt levels in relation to the overall project cost, as per the business plan.

The rating is, however, constrained by the nascent stage of the project, wherein requisite approvals are currently being applied for and the construction is yet to start. This exposes the project to high execution, funding and market risks. The scale of the proposed development and funding requirements for the same are substantial in relation to the current scale of operations of the company. Any delay in the timely launch of the project can impact the debt servicing ability as the interest moratorium is available for 18 months and principal repayments commence 24 months after the disbursement. The rating further factors in the limited track record of the promoters in the real estate market in New Delhi.

Key rating drivers and their description

Credit strengths

Prime location of the project- The project site is located in Kamla Nagar near the Delhi University campus, in New Delhi. The prime location of the project is expected to provide strong catchment to support the demand prospects for the residential and retail development planned.

High security cover supports financial flexibility: The project has estimated net receivables of more than Rs 2,000 crore, including the proposed retail and student housing development, as against the debt to be availed of Rs 200 crore. The market value of the land provides healthy security cover over the proposed NCD issuance. The debt proposed for the project is low in relation to the total development cost. The overall debt outstanding for the project will not exceed Rs 400 crore at any point, as per the business plan.

Credit challenges

Nascent stage of the project; timely approvals and launch of project is crucial - The project encompasses built-up area of over 1.7 msft. The requisite approvals are currently in progress and the construction is yet to start. The nascent stage of the project exposes the company to high execution, funding and market risks. The scale of the proposed development and funding requirements for the same are substantial in relation to the current scale of operations of the company. Any delay in the timely launch of the project can impact the debt servicing ability as the interest moratorium is available for 18 months and principal repayments commence 24 months after the first disbursement.

Limited track record of the group in real estate market in New Delhi - The group has limited track record in the development and marketing of real estate in the New Delhi market. The ability 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.

Liquidity position: Adequate

TIHL's immediate funding requirements is expected to be met through the proposed NCD issuance. Once the project is approved and launched, the collections from the residential development and construction finance, if any, are expected to support the project costs. As per the proposed NCD terms, TIHL has no immediate debt obligations and enjoys interest moratorium of 18 months. As on March 31, 2020, the company had unencumbered cash and bank balances of Rs 1.22 crore and investments in mutual funds of Rs 2.3 crore.

Rating sensitivities

Positive Factors- ICRA could upgrade TIHL's rating if it achieves timely progress in the approvals and launch of the project, which increases the visibility on cash flow generation to meet the scheduled repayments.

Negative Factors- Negative pressure on TIHL's rating could arise if a delay in receiving requisite approvals or stretch in the construction schedule leads to lower than anticipated cash flows and stress in liquidity.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TIHL.

About the company

Texmaco Infrastructure & Holdings Limited (TIHL) was founded in 1939 as Texmaco Limited. In 2010, the company demerged its Heavy Engineering and Steel Foundry businesses, constituting the major part of its operations, into a separate company called Texmaco Rail & Engineering Limited.. Currently the company derives majority of its income from leased properties, dividend and interest income from investments, job works and operation of a mini hydro power project in Neora, Kalimpong District, West Bengal. The company plans to enter the real estate market through projects in Delhi and Kolkata.

Key financial indicators (audited)

TIHL Consolidated	FY2018	FY2019	FY2020
Operating Income (Rs. crore)	25.1	27.7	29.3
PAT (Rs. crore)	7.5	5.0	4.8
OPBDIT/OI (%)	46.1%	40.1%	42.6%
RoCE (%)	1.7%	1.5%	1.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.0	0.0	0.1
Total Debt/OPBDIT (times)	2.5	2.4	2.0
Interest Coverage (times)	5.0	4.4	4.6
DSCR (times)	3.9	1.9	1.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of December 31, 2020 (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					February 9, 2021			
1	Non convertible Debentures	Long-term	200.0	0.0	[ICRA]BBB-(Stable)	-	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs Crore)	Current Rating and Outlook
-	Non Convertible Deventure*	-	15.5%	FY2025	200.00	[ICRA]BBB- (Stable)

*The NCDs are yet to be placed; **Source:** Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Consolidation Approach
High Quality Steel Ltd	Full Consolidation
Valleyview Landholdings Pvt. Ltd	Full Consolidation
Macfarlane & Co. Limited	Full Consolidation
Snow Blue Conclave Pvt. Ltd.	Full Consolidation
Startree Enclave Pvt. Ltd	Full Consolidation
Topflow Buildcom Pvt Ltd	Full Consolidation
Lionel India Limited	Equity Method
Texmaco Rail & Engineering Limited	Equity Method
Magnacon Electricals India Limited	Equity Method
Sigma Rail Systems (P) Limited	Equity Method
Lionel India Limited	Equity Method

Source: TIHL annual report FY2020; **Note:** ICRA has taken a consolidated view of the parent (TIHL), its subsidiaries and associates while assigning the ratings.

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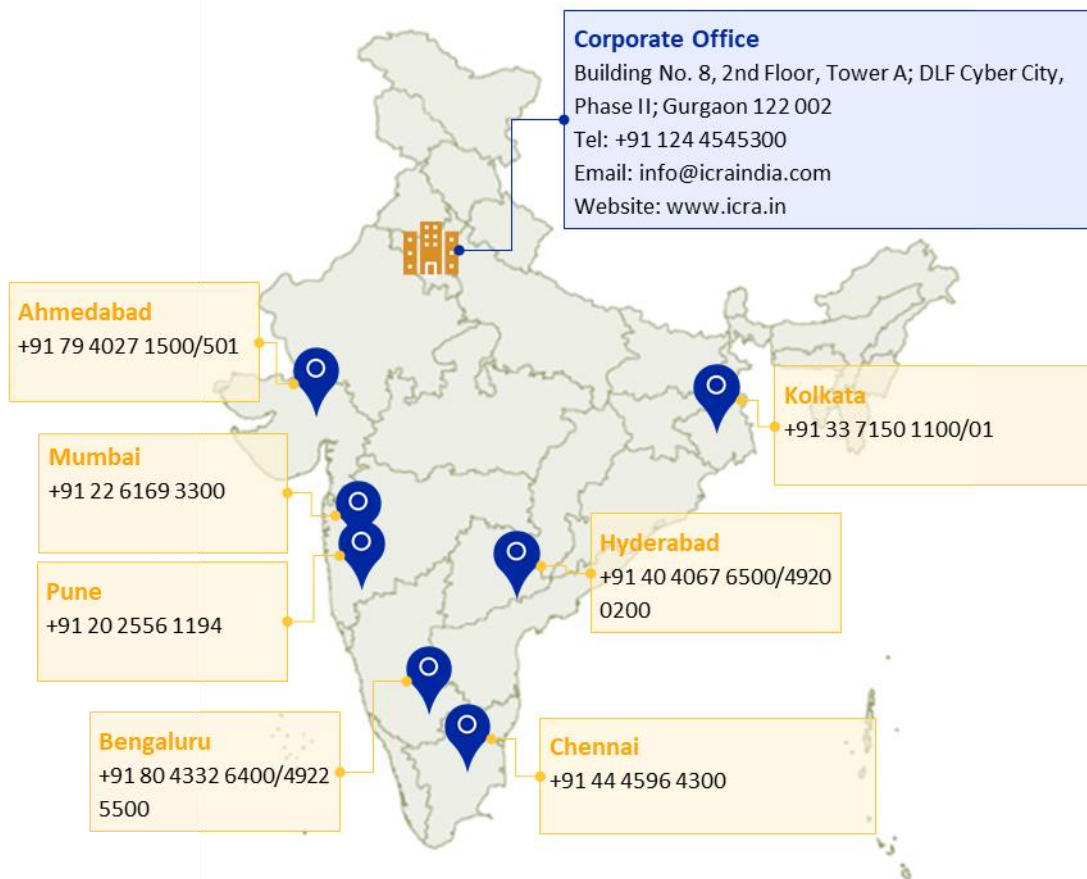


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