

Press Release

Hinganghat Integrated Textile Park Private Limited

March 27, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 41.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB' (read as SMERA BB)** on the Rs. 41.50 crore bank facilities of HINGANGHAT INTEGRATED TEXTILE PARK PRIVATE LIMITED. The outlook is '**Stable**'.

Hinganghat Integrated Textile Park Pvt. Ltd, a SPV, proposes to set up Integrated Textile Park under scheme of Integrated Textile Park, Ministry of Textile, and Government of Maharashtra at Hinganghat. The integrated textile park would have facilities of Ginning, Yarn Twisting, and Doubling, Spinning, Knitting, Technical Textile and Garmenting.

Key Rating Drivers

Strengths

• Experienced management

The company is promoted by established entities in the textile industry and management is well experienced in the sector. They have set up an integrated textile park focusing across the value chain of the industry ranging from ginning of raw cotton to garmenting and dyeing units. The company would enjoy the established market presence of the promoters in the industry.

• Proximity to Raw materials

The main raw material is mix of raw cotton and cotton waste. However the availability of cotton and other cotton waste is mainly from local traders and textiles mills. As far as availability of cotton is concerned, Maharashtra has good availability of cotton. Promoters know every aspect & the areas from where raw material is being procured. So there will not be any difficulty in the procurement of raw material for the project.

Weaknesses

• Project implementation

The total project cost to construct the park is Rs. 118.44 cr be financed by way of equity of Rs.27.94 cr, Government grant of Rs. 49.00cr & Term Loan of Rs.41.50 cr. The commercial production of the unit is expected to be start by Apr 2019 & lease is expected to be in the range of ~ Rs.15 cr from FY21. The project is in the initial stages with construction ~30% completed and equity of Rs. 19cr already infused in the company. The project is expected to be completed by Mar, 2019. The project is exposed to time and costs overrun.

• Dependence on cotton and textile industry

The company would be dependent on the business risk profile of the players catering to the textile industry. Textile industry being dependent on agriculture and monsoon is highly volatile in nature and carries an inherent business and financial risk for HIT and its lessee.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes the outlook on HIT's rated facilities will remain stable over the medium term on account of the company's experienced management in the industry. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.16	0.00	0.00
EBITDA	Rs. Cr.	-0.02	-0.11	0.00
PAT	Rs. Cr.	0.04	0.04	0.00
EBITDA Margin	(%)	-11.97	0.00	0.00
PAT Margin	(%)	22.04	0.00	0.00
ROCE	(%)	0.71	2.10	0.00
Total Debt/Tangible Net Worth	Times	0.38	0.00	0.00
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	34.70	0.00	0.00
Gross Current Assets (Days)	Days	7933	0	0

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	41.50	SMERA BB / Stable

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