

## Press Release

### Hinganghat Integrated Textile Park Private Limited

July 09, 2021

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs.41.50 Cr
<b>Long Term Rating</b>	ACUITE BBB-/ Outlook: Stable (Upgraded)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long term rating to **'ACUITE BBB-' (read as ACUITE triple B minus)** from **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs.41.50 Cr bank facilities of Hinganghat Integrated Textile Park Private Limited (HITPPL). The outlook is **'Stable'**.

The upgrade in the rating is on account of a steady progress in the execution of the project despite the lockdown restrictions and its impact on fresh investments in the textile sector. It also factors in continuous support from the group company Gimatex Industries Private Limited (GIPL), strong business linkages as well as common promoters and management. The promoters as well as the group company have infused funds that is more than the initial commitment and is expected to continue providing such support going forward, as and when required. While there has been a delay in the implementation of the project primarily due to outbreak of the Covid pandemic and the consequent bouts of lockdown almost 67 percent of the overall project has been completed and 9 units are already operational in the textile park as on March 31, 2021.

### About the rated entity

Hinganghat Integrated Textile Park Private Limited (HITPPL), a SPV, is setting up an Integrated Textile Park under Scheme of Integrated Textile Park (SITP) with the support of Ministry of Textile, Government of India and additional support from Government of Maharashtra at Hinganghat, Wardha district in proximity to Nagpur. The integrated textile park is spread across 32.63 acres of land and will have the necessary infrastructure for integrated facilities of Spinning, Knitting, Processing, Ginning, Yarn Twisting and Doubling, Technical Textile and Garmenting. HITPPL is promoted and supported by the promoters of Gimatex Group- the Mohota Family.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of HITPPL and notched up the standalone rating by factoring in the strong business linkages and financial support from its group company, Gimatex Industries Private Limited (GIPL).

### Key Rating Drivers

#### Strengths

#### • Project supported and funded by established textile group

HITPPL is led by Mr. Prashant Mohota, the next generation of the Mohota family who is also a director in GIPL. He is assisted by his brother, Mr. Vineet Mohota who is director in GIPL. GIPL is an integrated textile company and has a track record of 25 years in the textiles sector. The group has consistently supported the project in the form of equity infusion of Rs.4.52 crore, which comprises of 50.25 percent shareholding in HITPPL as well as through unsecured loans to the extent of Rs.10.40 Cr directly from the promoters or through group companies. Further, there are significant business linkages with setting up of more than five units in the textile park by Gimatex group. Three spinning units, one technical textile post ginning and a ginning unit of the Gimatex group are already operational within the park which have already attracted investment of Rs.115 Cr out of total proposed investment of Rs.152 Cr from the group. Further, the promoters are expected to infuse additional funds on timely basis in case of non-receipt of government grant or disbursement of term loan from banks.

Acuité believes that the project will receive continuous support from the group on account of common

management between HITPPL and GIPL and strong business and financial linkages.

- **Project funded by substantial government grants**

Under the Scheme of Integrated Textile Park (SITP), the project is being funded through significant amount of government grants to the extent of Rs.40.00 Cr from the Central Government and Rs.9.00 from the State Government. The grants contribute to 42 percent of the total project cost. The company has already received Rs.20.90 Cr of government grants as on March 31, 2021. The project has significant importance to the region as it is expected to promote fresh industrial investment and generate employment.

- **Favorable location for investment**

The textile park is located near the cotton belt in Maharashtra which will ensure ready raw material availability at competitive rates to plants operating in the park. Further, there is availability of cheap skilled and unskilled workforce in the nearby area.

### Weaknesses

- **Delay in project execution**

The construction of the park was initially expected to be completed by March 2021. However, there was shortage of manpower and material due to outbreak of the Covid pandemic and the lockdown restrictions imposed by the government. Given the lower demand in the textile industry, the investors who had earlier shown interest in setting up of their units has kept the decision on hold till the situation and demand came back to normalcy. As on March 31, 2021, the project has achieved completion of around 66.63 percent. The company has already made a request to the lenders to provide extension of 1 more year i.e. upto March 2022 to complete the balance project considering the disruptions caused by Covid-19 pandemic which was beyond the control of the company. The request is still under consideration of the lenders and is expected to receive final approval soon. Acuite believes that the timely completion of the project as per the revised schedule without cost escalations along with the company's ability to execute lease agreements with prospective clients in the near term and receive upfront lease premiums will remain the key rating sensitivities for the company.

- **Delay in external funding**

HITPPL is currently developing the textile park with an estimated total cost of about Rs.117.18 Cr. The project will be funded by grants from central government of Rs.40.00 Cr, Grants from state government of Rs.9.00 Cr, term loan from bank of about Rs.41.50 Cr and remaining through promoter's contribution of Rs.26.68 Cr in the mix of unsecured loans and equity infusion. Currently, almost 67 percent of the overall project has been completed with a promoter's contribution of Rs.33.69 Cr, Government Grants of Rs.20.90 Cr and term loan of Rs.24.32 Cr as on March 31, 2021. Even though the disbursements by the bank is delayed, the promoters have brought in the funds to avoid any delay in the progress of project. The releases of grants by the Government have also been slower than expected as the same requires multiple levels of approvals. While the promoter group has supported the project through fund infusion, any inordinate delay in the extension of the DCCO (date of commercial commencement of operations) by the bank and the release of the balance disbursements along with the delay in the timely release of the government grants may make it difficult to complete the project by FY22 and will be a rating sensitivity factor.

### Rating Sensitivities

- Timely approval from lenders for extension of DCCO and release of the balance sanctioned loan
- Any further delay in the completion of the project leading to increase in cost
- Any change in the expectations of group support

### Material Covenants

None

### Liquidity Position: Stretched

Liquidity of HITPPL is stretched on account of the ongoing delay in project completion impacting the expected cash accruals. The cash accruals of HITPPL are estimated to be around Rs.1.0-8.0 Cr during FY2022-

24 while its repayment obligation is estimated to be around Rs.1.2-5.0 Cr for the same period. HITPPL has modest unencumbered cash and bank balances of Rs.0.23 Cr as on March 31, 2021 (Prov.). However, the project is supported by significant amount of government grant, equity and unsecured loans from the promoters or through group companies. Further, the promoters is expected to infuse additional funds in case of non-receipt of government grant or bank term loan on timely basis. Timely release of the balance term loan sanctioned by the bank and the government grant will be an important factor in the company's liquidity position.

#### Outlook: Stable

Acuite believes that HITPPL will maintain a 'Stable' outlook on account of the experience of its management in the textile industry and strong support from the promotor group. The outlook may be revised to 'Negative' if there is higher-than expected delay in project completion and larger-than expected time or cost overrun leading to lower than expected accruals. The outlook may be revised to 'Positive' if the company is able to complete the project within the extended timelines along with an improvement in its scale of operations and cash accruals.

#### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	1.67	1.45
PAT	Rs. Cr.	0.13	0.10
PAT Margin	(%)	7.92	6.59
Total Debt/Tangible Net Worth	Times	1.39	3.85
PBDIT/Interest	Times	254.03	1539.76

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

Not Applicable

#### Any other information

None.

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Feb-2020	Term Loan	Long Term	41.50	ACUITE BB+/Stable (Upgraded)
20-Nov-2019	Term Loan	Long Term	41.50	ACUITE B+/Stable (Downgraded)
11-Jun-2019	Term Loan	Long Term	41.50	ACUITE BB (Issuer Not Cooperating)
27-Mar-2018	Term Loan	Long Term	41.50	ACUITE BB/Stable (Assigned)

**\*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 Loan	Apr-2015	14.20	Dec-2028	41.50	ACUITE BBB-/Stable (Upgraded)

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