

Press Release

Hinganghat Integrated Textile Park Private Limited

February 07, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	41.50	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	41.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.41.50 Cr bank facilities of Hinganghat Integrated Textile Park Private Limited (HITPPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation of HITPPL factors in continuous support received 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. While there has been a delay in the implementation of the project earlier, primarily due to outbreak of the covid pandemic, almost 85 percent of the overall project is now complete and 12 units out of the proposed 13 units are already operational in the textile park as on December 31, 2022.

About the Company

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.

About the Group

Gimatex Industries Private Limited (GIPL) started its operations as Rai Saheb Rekhchand Mohota Spinning & Weaving Mills Limited (RSR Mohota Mills) in the year 1898. It changed its name to Vibha Synthetics Private Limited in the year 1994 and further it got changed to its current name in the year 2005. GIPL is currently managed by the fifth and sixth generations of the Mohota family. GIPL is a completely integrated textile company with ginning, spinning, weaving and processing units. The company is engaged in the manufacturing of cotton yarn, blended yarn, fabrics and cotton seeds oil. The company has five manufacturing facilities, four are at Hinganghat, Yerla, Wani & Bela near Nagpur in Maharashtra and one in Ahmedabad, Gujarat.

Standalone (Unsupported) Rating

ACUITE BB-

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 125 years in the textiles sector. The group has consistently supported the project in the form of equity infusion of Rs.11.26 Cr, which comprises of 52.30 percent shareholding in HITPPL as well as through unsecured loans to the extent of Rs.22.52 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. Four 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 the entire proposed investment of Rs.128 Cr from the group as on December 31, 2022.

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.30.90 Cr of government grants as on December 31, 2022. 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

Project execution delay in the past, however DCCO achieved now as per extended timeline

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 had kept their decision on hold. The company had 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.

However, as on December 31, 2022, the project has achieved completion of around 85 percent and out of the proposed 13 units, 12 units are already operational now as the commercial operations of the textile park were started with effect from 1st April 2022 as per the extended DCCO (date of commencement of commercial operations) and has also received its commencement certificate. The remaining 15 percent of the project is now expected to be completed by March 2023.

Acuité believes that the timely completion of the remaining project without any incremental 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 factors.

External funding delay in the past and timely release of balance government grants

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 85 percent of the overall project has been completed with a promoter's contribution of Rs.33.78 Cr, Government Grants of Rs.30.90 Cr and the entire term loan disbursed by the bank of Rs.41.50 Cr as on December 31, 2022. The term loan has been partly repaid by HITPPL of Rs.6.57 Cr and hence the outstanding term loan as on December 31, 2022 stands at Rs.34.93 Cr.

Even though the disbursements by the bank was delayed, the promoters had brought in the funds to avoid any delay in the progress of project. The releases of grants by the Government had 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 timely release of the balance government grants of Rs.18.10 Cr may make it difficult to complete the balance project by March 2023 and will be a rating sensitivity factor.

Rating Sensitivities

- Timely completion of the remaining project without any cost escalations
- Timely release of the balance government grant
- Any change in the expectations of group support

Material covenants

None

Liquidity position - Adequate

Liquidity of HITPPL is adequate backed by the support of GIPL, however on standalone basis the liquidity is stretched on account of the past delays in project completion impacting the expected cash accruals. The cash accruals of HITPPL are estimated to be around Rs.3 Cr - Rs.4 Cr during FY2023- 24 while its repayment obligation is estimated to be around Rs.6 Cr for the same period. HITPPL has modest unencumbered cash and bank balances of Rs.0.10 Cr as on March 31, 2022. 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 balance government grant of Rs.18.10 Cr on timely basis. Timely release of the balance government grant will be an important factor in the company's liquidity position.

Outlook: Stable

Acuité 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 further delay in project completion leading to time or cost overrun resulting in lower than expected accruals. The outlook may be revised to 'Positive' if the company is able to register an improvement in its scale of operations and cash accruals.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	4.67	1.64
PAT	Rs. Cr.	0.06	(3.72)
PAT Margin	(%)	1.30	(226.16)
Total Debt/Tangible Net Worth	Times	1.45	1.02
PBDIT/Interest	Times	1.46	0.26

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

Not applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Oct 2022	Term Loan	Long Term	41.50	ACUITE BBB- (Issuer not co-operating*)
09 Jul 2021	Term Loan	Long Term	41.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
06 Feb 2020	Term Loan	Long Term	41.50	ACUITE BB+ Stable (Upgraded from ACUITE B+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	41.50	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nilesh Soni Analyst-Rating Operations Tel: 022-49294065 nilesh.soni@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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