

## Press Release

HINGANGHAT INTEGRATED TEXTILE PARK PRIVATE LIMITED

May 07, 2024

### 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	-	-



## 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 are more than the initial commitment and are expected to continue providing such support going forward. Further, the project construction was completed in FY2024, and the company achieved a turnover of Rs.6.48 Cr. in FY2024.

### About the Company

HITPPL was incorporated in 2015, 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. Directors of Hinganghat Integrated Textile Park Private Limited are Ms. Sarita Sharma, Mrs. Premalata Basantkumar Mohota, Mr. Prashantkumar Basantkumar Mohota, Mr. Omprakash Bhikamchand Joshi and Mr. Chinnaiyan Sivagnanaselvam.

### 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.

### Unsupported Rating

Not applicable

### Analytical Approach

Acuite 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 of GIPL. He is assisted by his brother, Mr. Vineet Mohota who is director of GIPL. GIPL is an integrated textile company with a track record of 125 years in the textile sector. The group has consistently supported the project in the form of an equity infusion of Rs.11.26 Cr, which comprises 52.30 percent of the shareholding in HITPPL, as well as through unsecured loans to the extent of Rs.24.90 Cr directly from the promoters or through group companies. Further, there are significant business linkages with the setting up of more than five units in the textile park by the Gimatex group. Four spinning units, one technical textile post-ginning unit and a ginning unit of the Gimatex group are already operational within the park.

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 a 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 38.58 percent of the total project cost. The company has already received Rs.46.25 Cr of government grants as on March 31, 2024. The project has significant importance to the region as it is expected to promote fresh industrial investment and generate employment.

#### **Strategic location of the project and Healthy occupancy rate**

The textile park is located near the cotton belt in Maharashtra, which will ensure ready raw material availability at competitive rates for plants operating in the park. Further, there is the availability of a cheap, skilled, and unskilled workforce in the nearby area. Major tenants for the company include reputed textile companies like Gimatex Industries Private Limited, Shri Sankheshwar Textile Pvt. Ltd., Balaji Govindam Textile Pvt. Ltd., etc. The project has a total of 14 units, out of which 12 are already operational; the remaining two units are expected to be operational in FY2025. The company reported a turnover of Rs. 5.92 crore in FY2023 as against Rs.4.67 Cr in FY2022. Further, the group has achieved a turnover of Rs.6.48 Cr in FY2024.

Acuite believes that the strategic location of the project will benefit the increase in the occupancy rate and provide steady cash flow over the medium term.

### Weaknesses

#### **Moderate Financial risk profile**

The company's financial risk profile is marked by a moderate net worth, moderate gearing, and low debt protection metrics. The net worth of the company stood at Rs.22.35 Cr and Rs.28.02 Cr as on March 31, 2023 and 2022 respectively. In FY2022, net worth included a quasi-equity of Rs.6.44 Cr.

The gearing of the company stood moderate at 2.03 times as on March 31, 2023 against 1.45 times as on March 31, 2022. Debt protection metrics are average with Interest coverage ratio (ICR) of 1.43 times as on March 31 2023 as against 1.46 times as on March 31 2022. Further, the DSCR stood at 0.86 times as on March 31 2023. The DSCR is estimated to be in 0.55 - 0.89 times over the near medium term.

Acuite believes that the financial risk profile of the company will remain at similar levels until the repayment of the debt obligations is completed.

#### **Susceptibility to lessee' underperformance along with occupancy and renewal risk**

HITPPL primarily generates cash flows from lease agreements with its tenants at the textile park. HITPPL's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals under the lease arrangement. The occurrence of events such as delays in receipt of rentals, or early exits or renegotiations by lessees due to the latter's lower

than expected business performance may result in disruption of cash flow streams, thereby affecting HITPPL's debt servicing ability. Any significant renegotiations by the lessees can adversely impact the cash flows of HITPPL. Acuité believes that HITPPL's ability to maintain stable occupancy levels to generate cash inflows commensurate with its repayment obligations will remain key monitorable.

#### **Rating Sensitivities**

- Timely release of the balance government grant
- Any change in the expectations of group support
- Improvement in lease rental and overall cash flows as envisaged by the company.
- Any termination of lease from the existing tenant resulting in further stretched liquidity position.

#### **Liquidity Position: Adequate**

The liquidity of HITPPL is adequate, backed by the support of GIPL; however on a standalone basis, the liquidity is stretched with low net cash accruals against its debt obligations. The HITPPL has generated cash accruals of Rs.1.39 Cr during FY2023 while its repayment obligation is Rs.2.58 Cr for the same period. HITPPL has modest unencumbered cash and bank balances of Rs.0.62 Cr as on March 31, 2023. However, the project is supported by a significant amount of one-time lease premiums, equity and unsecured loans from the promoters or through group companies. Further, the promoters are expected to infuse additional funds in case of any deficit in the liquidity of the SPV. Further, HITPPL received a one time lease premium as a part of the lease agreement from a few of its tenants particularly those who were occupying a larger unit inside the park. In FY2025, HITPPL is expected to receive Rs.6.00-7.00 Cr as one-time lease premium for the two new units.

#### **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 any decline in lease rentals resulting in a stretch in liquidity. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	5.92	4.67
PAT	Rs. Cr.	0.27	0.06
PAT Margin	(%)	4.64	1.30
Total Debt/Tangible Net Worth	Times	2.03	1.45
PBDIT/Interest	Times	1.43	1.46

### 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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Feb 2023	Term Loan	Long Term	41.50	ACUITE BBB-   Stable (Reaffirmed)
03 Oct 2022	Term Loan	Long Term	41.50	ACUITE BBB- (Reaffirmed & Issuer not co-operating*)
09 Jul 2021	Term Loan	Long Term	41.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.90	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	08 Apr 2020	Not avl. / Not appl.	31 Dec 2028	Simple	24.41	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	08 Apr 2020	Not avl. / Not appl.	31 Dec 2024	Simple	0.60	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	18 Feb 2021	Not avl. / Not appl.	18 Feb 2026	Simple	2.59	ACUITE BBB-   Stable   Reaffirmed

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Gimatex Industries Private Limited

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:thejaswini.pv@acuite.in">thejaswini.pv@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.