

Press Release

N. K. Realtors

June 11, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs.13.25 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B** (read as **ACUITE B**)' to the Rs.13.25 crore bank facilities of R. N. Realtors.

The Mumbai-based N. K. Realtors (NKR), incorporated in 2014 is a partnership firm is promoted by Mr. Hitesh D. Majethia and Mr. Nitin H. Thakkar. The firm is developing a hotel property by name 'Valley Vista Grand' at Khandala.

Analytical Approach

Acuite has considered standalone business and financial risk profile of N. K. Realtors to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Management

Incorporated in 2014, NKR is developing a 66-room with 2 restaurants and banquet halls at Khandala, Maharashtra; the firm is promoted by Mr. Nikhil Thakkar and Mr. Hitesh D. Majethia; the promoters enjoy more than a decade experience in operating hotels. Acuite believes that NKR will benefit from the experience of the promoters in the hospitality industry.

• Tie-up with Imperative Hotels

The company has entered into tie-up with Imperative Hospitality Private Limited having its presence pan India on a revenue sharing basis. It has operational hotels in in tier I markets such as New Delhi, Gurgaon, Bengaluru and Goa.

Weaknesses

• Delays in debt servicing

The rating reflects delays in servicing of debt obligations. There have been instances of delays in servicing of interest payments of term loans during the last three months. The interest payments due for April- 19 and May-19 are yet to be paid.

• Delay in the project completion

N. K. Realtors has started construction of the hotel in April 2015, to be operational by April 2018. However, due to climatic issues (rainy season) in the region and changes in terms of project after tie-up with imperial hotels, the project got delayed and, now the management is expecting the project to be operational by around November 2019. The time over run results in cost escalation by about 15 per cent to about Rs.23.28 crore from original cost of about Rs. 20.24 crore. NKR has invested about ~Rs.17.00 crore so far on the project; the same is funded out of term loan of Rs.11.60 crore and balance out of promoter's contribution in the form of capital and unsecured loans.

Acuite believes that any delay in infusion of funds by the promoter may result in time and cost overrun of the project, and is the key rating sensitivity factor.

• **Intense competition**

Khandala has immense competition from other established hotels and resorts being a popular tourist destination. Surviving in intense competition may prove difficult for Hotel Valley Vista Grand putting pressure on the cash flows of the firm.

Liquidity Position:

The liquidity position is stretched as the project has not been started and the first installment of principal payment is due in June- 2019. Also, there has been continuous delay in the payment of interest during the last 3 months.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	1.28	0.00
EBITDA	Rs. Cr.	(4.85)	0.00	0.65
PAT	Rs. Cr.	(7.41)	0.00	0.00
EBITDA Margin	(%)	-	-	-
PAT Margin	(%)	-	-	-
ROCE	(%)	(26.88)	0.00	11.19
Total Debt/Tangible Net Worth	Times	(5.38)	5.22	2.99
PBDIT/Interest	Times	(1.89)	-	1.00
Total Debt/PBDIT	Times	(4.25)	-	10.61
Gross Current Assets (Days)	Days	-	257	1,90,910

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Jan-2018	Term Loan	Long Term	13.25	ACUITE B/Stable (Reaffirmed)
19-Jan-2018	Term Loan	Long Term	13.25	ACUITE B/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	Not Applicable	Not Applicable	Not Applicable	13.25	ACUITE D (Downgraded from ACUITE B/Stable)

Contacts

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About Acuité Ratings & Research:

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