



Press Release

Eulogia INN LPP

March 29, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B-/ Outlook: Stable (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs.15.00 crore bank facilities of EULOGIA INN LPP (EILP). The outlook is '**Stable**'.

The rating upgrade reflects the timely repayment of term loan in the past one year till 28th February, 2019. The partners have infused funds in the form of unsecured loan of Rs. 4.67 Crore as on March, 2018 as against Rs. 0.57 Crore in the previous year. Further, the unsecured loans from partners stood at Rs. 8.88 Crore as on December, 2018 (provisional).

EILP is an Ahmedabad based partnership firm promoted by Mr. Alpesh Patel, Mr. Tirth Rajnikant Patel, and Mr. Dharmendra Patel. The company is engaged in the management of 'Eulogia Inn' a 4-star hotel located in Gota (Ahmedabad).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Eulogia Inn LLP to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm's key promoter, Mr. Alpesh Patel has more than 15 years' experience in the hospitality, real estate and construction sector. In the hospitality sector, Mr. Patel has prior experience by virtue of his association with Kabir Hotels (Ahmedabad) and other restaurants, banquets and few hotels in Ahmedabad.

Weaknesses

- **Modest scale of operations and low profitability**

EILP's scale of operations is modest with operating revenue of Rs.5.59 crore in FY2018 as against Rs.4.78 crore in the previous year. The firm has achieved revenue of Rs.4.74 crore till January, 2019 (provisional). Additionally, the firm continues to post losses at net profit level in the last two years through FY2017-2018 on account of significant interest obligations and depreciation. Going forward, the firm's ability to ramp up its operations to generate sufficient cash accruals will remain key monitorable.

- **Weak financial risk profile**

EIPL's financial risk profile is weak marked by decline in net worth, modest gearing and weak debt protection metrics. Net worth stood at Rs.12.00 crore as on March 31, 2018 as against Rs.16.98 crore as on March 31, 2017. The firm has incurred continuous loss since inception resulting in negative reserves and surplus. The gearing deteriorated to 1.55 times as on March 31, 2018 as against 0.95 times as on March 31, 2017 on account of increase in unsecured loans from partners. Debt protection metrics remained weak marked by interest coverage ratio (ICR) of 0.56 times FY2018 as against (0.33) times FY2017 and debt service coverage ratio (DSCR) of 0.56 times in FY2018 as against 0.01times in FY2017.

Liquidity Profile

Liquidity of EILP is stretched marked by insufficient cash accruals against repayment obligations. It has reported negative cash accruals for the last two years of operation through F2017-2018. Current ratio is weak around 0.28-0.80 times for the last two years through FY2018. The liquidity of the company is likely to remain stretched over the medium term on account of low net cash accruals vis a vis maturing debt obligations and will rely on the ability of promoters to fund the liquidity deficit in the initial stage of operations. However, the promoters have regularly infused funds in the form of unsecured loans to meet their debt repayment obligations in a timely manner.

Outlook: Stable

Acuité believes that EILP will maintain a 'Stable' outlook over the medium term owing to its promoter's support. The outlook may be revised to 'Positive' in case of stabilisation of operations and more than expected accruals. Conversely, the outlook may be revised to 'Negative' in case of lower than projected profitability and net cash accruals leading to further liquidity mismatch.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	5.59	4.78	0.00
EBITDA	Rs. Cr.	1.13	-0.71	0.00
PAT	Rs. Cr.	-4.82	-6.85	0.00
EBITDA Margin	(%)	20.17	-14.95	0.00
PAT Margin	(%)	-86.21	-143.30	0.00
ROCE	(%)	-8.79	-14.86	0.00
Total Debt/Tangible Net Worth	Times	1.55	0.95	0.97
PBDIT/Interest	Times	0.56	-0.33	0.00
Total Debt/PBDIT	Times	16.40	-22.89	0.00
Gross Current Assets (Days)	Days	79	300	0

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
06-Apr-2018	Term Loan	Long Term	15.00	ACUITE D (Downgraded)
10-Feb-2017	Term Loan	Long Term	15.00	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 loans	Not Applicable	Not Applicable	Not Applicable	8.43	ACUITE B- / Stable (Upgraded from ACUITE D)
Proposed	Not Applicable	Not Applicable	Not Applicable	6.57	ACUITE B- / Stable (Assigned)

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About Acuité Ratings & Research:

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