

Press Release

Patel Inn And Travels Private Limited

May 16, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of 'ACUITE BB' (read as ACUITE double B) to the Rs.35.00 crore bank facilities of Patel Inn And Travels Private Limited (PIPL). The outlook is 'Stable'.

Ahmedabad based, PIPL was incorporated in 2006 by Ms. Hiruben Khetani, Mr. Meghjibhai Khetani and Mr. Gaurang Khetani. PIPL operates as a travel operator covering more than 15 routes in major cities such as Saurashtra in Gujarat, Mumbai, Pune, Shirdi, and Kolhapur among others with a fleet of around 270 buses including Volvo, Scania, Tata and Ashok Leyland. Buses are booked on contractual basis by corporate clients such as Adani, Welspun, Kohler, ABG Cement Ltd., GRG Cotspin, RMG Alloys Steel Ltd etc. and also used as passenger travelers.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established position in the water purification systems segment**

PIPL is promoted by Ms. Hiruben Khetani, Mr. Meghjibhai Khetani and Mr. Gaurang Khetani who possesses more than three decades of experience in tours and travel industry. PIPL is tours and travel operator of Ahmedabad having 270 buses and covering more than 15 routes. It has reputed corporate clients such as Adani, Welspun, Kohler, ABG Cement Ltd., GRG Cotspin, RMG Alloys Steel Ltd. among others.

Acuité believes that PIPL will be able to sustain its existing business risk profile on the back of experienced management and its established market position.

- Reputed clientele**

The revenue contribution of PIPL on contractual basis by corporate clients is ~20.00 per cent of total revenue. This includes reputed corporates customers such as Adani, Welspun, Kohler, ABG Cement Ltd., GRG Cotspin, RMG Alloys Steel Ltd among others.

- Modest scale of operations and cash accrual positions**

PIPL operates fleet of 270 buses. The revenues have grown at a CAGR of 9 per cent approximately for last three years ending FY2018. The revenues of PIPL stood at Rs.101 crore for FY2018 as against Rs.88 crore for FY2017. Further, the company has achieved revenue of Rs.111 crore for FY2019 (Provisional). The cash accruals stood in the range of Rs.12-14 crores for last three years ended FY2018.

Weaknesses

- Moderate financial risk profile**

PIPL's financial risk profile is moderate marked by low tangible net worth, moderate debt protection measures and high gearing. The net worth of the company stood at Rs.5.53 crore as on March 31, 2018 compared to Rs.4.48 crore as on March 31, 2017. The company has followed an aggressive leverage policy. The gearing has decreased to 5.84 times as on 31 March 2018 from 7.08 times as on 31 March 2017. The gearing is expected to increase in the near term on account of debt funded capex plans.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.78 times as on 31 March, 2018 as against 8.13 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 4.22 times in FY2018 against 4.52 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.35 times as on March 31, 2018 as against 0.38 times as on March 31, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.28 times in FY2018 as against 1.36 times in FY2017.

Acuité believes that the financial risk profile of PIPL will continue to remain moderate over the near to medium term on account of its moderate net cash accruals

• Intense competition

At present, the operations of PIPL are majorly concentrated within the state of Ahmedabad. The operations of the company face significant geographic concentration risk and tough competition from small and medium operators, government buses, railways and upcoming metro projects. However, as per the management, the company is under process to diversify its operations by building 'Patel Travel Hub' to provide food, Wi-Fi, waiting lodge, hotel room and others facilities to passengers who are traveling.

• Project implementation and off take risk

PIPL has set up a new project 'Travel Hub' in Ahmedabad which is forward integration to its existing business. The travel hub is aimed to provide various facilities under one roof such as parking, restaurant, budgeted hotel rooms and meeting rooms among others for passengers travelling within Gujarat. The total cost of the project is Rs.58.26 crore; of which, Rs.21.50 crore has been funded by way of cash credit from the bank, Rs.26.76 crore as promoters' contribution by way of land and internal cash accruals and remaining Rs.10.00 crore will be funded through a term loan. The project is expected to commence its operations from October 2019.

Acuité believes that the scheduled commencement of the project, no additional debt requirement, favourable demand and availability of customer base will be key rating sensitivities.

Liquidity Position:

Liquidity of PIPL is slightly stretched as evident by net cash accruals of Rs.12-14 crore and repayment obligations of Rs.8-12 crore during the last three years. The cash accruals of the company are expected to improve and remain in the range of Rs.13-17 crore while repayment obligations are expected to decrease and remain in the range of Rs.6-10 crore. The cash credit limit in the company remained utilised at around 90 percent during the last 6 months ended March 31, 2019. The company maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2018. The current ratio of the company stood low at 0.15 times as on March 31, 2018. Acuité believes that the liquidity of the company would improve over the medium term on account of increasing net cash accruals and decreasing repayment obligations.

Outlook: Stable

Acuité believes that PIPL will maintain a 'Stable' outlook in the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company generates healthy cash flows from operations while achieving a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of delays in project implementation, cost overruns and significant deterioration in the financial risk profile and/or liquidity profile of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.91	88.24	83.30
EBITDA	Rs. Cr.	15.79	15.93	16.62
PAT	Rs. Cr.	1.05	1.01	3.87
EBITDA Margin	(%)	15.65	18.05	19.96
PAT Margin	(%)	1.04	1.15	4.65
ROCE	(%)	15.94	16.43	47.10
Total Debt/Tangible Net Worth	Times	5.84	7.08	7.79
PBDIT/Interest	Times	4.22	4.52	5.53
Total Debt/PBDIT	Times	2.04	1.98	1.60

Gross Current Assets (Days)	Days	13	18	22
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Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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
12-Dec-2017	Overdraft	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	12.00	ACUITE BB / Stable (Assigned)
	Proposed Bank Facility	Long Term	13.00	ACUITE BB / Stable (Assigned)
04-Feb-2018	Overdraft	Long Term	10.00	ACUITE BB Issuer not co-operating*
	Term Loan	Long Term	12.00	ACUITE BB Issuer not co-operating*
	Proposed Bank Facility	Long Term	13.00	ACUITE BB Issuer not co-operating*

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB / Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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