

Press Release

Aurangabad Gymkhana Club Private Limited (AGC)

22 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.45 Cr.
Long Term Rating	SMERA B/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 11.45 crore bank facilities of Aurangabad Gymkhana Club Private Limited (AGC). The outlook is '**Stable**'.

The Aurangabad-based Aurangabad Gymkhana Club Private Limited was incorporated in 1999 under the directorship of Mr. Surendra Surana and family. The company has been running a hotel from 2005 that offers around 99 rooms, three banquet halls, a club house and other amenities.

Key rating drivers

Strengths

Experienced management: Mr. Surendra Surana, Proprietor, has over 15 years of experience in the hospitality industry. He also has interests in construction through Surana Constructions Chembur, Surana Constructions, Wadala, Surana Infrastructure Pvt Ltd among others and runs The Class Restaurant, Hotel Carnival to name a few as part of the Surana Group.

Weaknesses

Modest scale of operations amidst intense competition: The scale of operations is modest with revenue of around Rs.3.44 crore in FY2017 compared to Rs.2.53 crore in FY2016. The hotel is exposed to intense competition from other players including Vivanta Taj, The Ambassador Ajanta, Vits, etc in Aurangabad.

Below average financial risk profile: The networth stood low at Rs.6.03 crore as on 31 March, 2017 as against Rs.5.53 crore in the previous year. The gearing stood high at 3.41 times as on 31 March, 2017. The total debt of Rs.20.57 crore includes long term loan of Rs.4.89 crore, other loans of Rs.1.16 crore and short term borrowings of Rs.13.03 crore.

The company has extended loans and advances of Rs.17.31 crore (around ~287 per cent of the networth) to group company, Surana Construction as on 31 March, 2017. The Interest Coverage Ratio stood low at 1.40 times in FY2017.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.54	2.64	3.88
EBITDA	Rs. Cr.	0.64	0.01	0.06
PAT	Rs. Cr.	0.49	-0.30	-0.63
EBITDA Margin	(%)	18.11	0.36	1.61
PAT Margin	(%)	13.82	-11.28	-16.13
ROCE (%)	(%)	11.26	8.26	10.18
Total Debt/Tangible Net Worth	Times	3.41	3.71	3.04
PBDIT/Interest	Times	1.40	1.02	0.79
Total Debt/PBDIT	Times	6.19	8.73	11.98
Gross Current Assets (Days)	Days	1862	2324	1469

Any other information: Not Applicable

Applicable Criteria

- Service Sector - <https://www.smera.in/criteria-services.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AGC to arrive at the rating.

Outlook- Stable

SMERA believes that AGC will maintain a Stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company exhibits significant improvement in its scale of operations and profitability, backed by sustained increase in occupancy and room tariffs. Conversely, the outlook may be revised to 'Negative' if AGC reports decline in occupancy leading to lower-than-expected cash accruals or undertakes larger-than-expected debt-funded capex. Further any increase in advances to group companies may deteriorate its financial risk profile, resulting in a negative outlook.

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years): Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Mortgage Loan Facility	NA	NA	NA	11.45	SMERA B/Stable Assigned

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ABOUT SMERA

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