

Press Release

Aurangabad Gymkhana Club Private Limited

July 04, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 11.45 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 11.45 crore bank facilities of Aurangabad Gymkhana Club Private Limited (AGPL). The outlook is '**Stable**'.

Incorporated in 1995, AGPL is an Aurangabad-based company which is promoted by Mr. Surendra Surana and family. AGPL started its operations from 2005 which is engaged in running a club cum hotel. The hotel offers 110 rooms, four banquet halls, a club house and other amenities.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AGPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

AGPL is promoted by Mr. Surendra Surana who possesses experience of two decades in hospitality industry. Mr. Surana also promotes the Surana Group which includes construction business, namely, Surana Constructions Chembur, Surana Constructions Wadala, Surana Infrastructure Private Limited among others and runs 'The Class Restaurant' and 'Hotel Carnival' to name a few. Further, AGPL has favorable location at Aurangabad which is located close to Aurangabad airport with easy access to railway and bus stations. Acuité believes that the company will continue to benefit through the promoter's industry experience and favorable location which will help the firm to maintain long standing relations with its customers and suppliers.

Weaknesses

- **Modest scale of operations with healthy profitability**

AGPL has modest scale of operations marked by operating income of Rs.4.64 crore in FY2018 as against Rs.3.44 crore in FY2017 and Rs.2.64 crore in FY2016. The company has booked revenue of Rs.5.01 crore for FY2019 (Provisional). The hotel is exposed to competition from other players in vicinity such as Vivanta Taj, Rama International and Vits, among others. AGPL's operating margins show healthy profitability trend with 21.99 percent in FY2018 and 15.87 percent in FY2017. The company reported Profit after Tax (PAT) of 13.74 percent in FY2018 and 11.03 percent in FY2017. PAT is supported by other income received in terms of interest from loans and advances given to group companies. Acuité believes that the company's ability to register growth in its revenues while improving its profitability are key rating sensitivity factors over the medium term.

- **Average financial risk profile**

The financial risk profile of the company is average marked by tangible net worth of Rs.6.03 crore as on 31 March, 2018 as against Rs.5.92 crore in the previous year. The gearing stood high at 3.98 times as on 31 March, 2018 as against 3.37 times in the previous year. The total debt of Rs.23.96 crore includes term loan from bank of Rs.9.23 crore, working capital borrowings of Rs.13.96 crore and unsecured loan of Rs.0.77 crore. Interest Coverage Ratio (ICR) stood at 1.48 times in FY2018 as against 1.40 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 4.56 times as on 31 March, 2018 as against 4.00 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.05 times in FY2018. Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Liquidity Position:

The company has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. AGPL generated cash accruals of Rs.0.8-1.3 crore during the last three years through 2016-18, while the maturing debt obligations were in the range of Rs.0.9-1.0 crore over the same period. The cash accruals are expected to remain around Rs.1.2-1.3 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.1-1.2 crore. Further, the cash credit limit of the company is utilised fully for last twelve months ended April, 2019. AGPL maintains cash and bank balances of Rs.0.16 crore as on March 31, 2018. The current ratio stood low at 0.10 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain the same over medium term on account no major capex over the medium term.

Outlook: Stable

Acuite believes that AGPL's outlook will remain 'Stable' over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues while improving its profitability and financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or stretch in its working capital management leading to deterioration of its financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	5.01	4.64	3.44
EBITDA	Rs. Cr.	1.32	1.02	0.55
PAT	Rs. Cr.	0.66	0.64	0.38
EBITDA Margin	(%)	26.25	21.99	15.87
PAT Margin	(%)	13.10	13.74	11.03
ROCE	(%)	10.33	13.16	22.95
Total Debt/Tangible Net Worth	Times	2.85	3.98	3.37
PBDIT/Interest	Times	1.65	1.48	1.40
Total Debt/PBDIT	Times	5.76	5.55	5.98
Gross Current Assets (Days)	Days	101	128	101

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

Not Applicable

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
20-Dec-2018	Secured Overdraft	Long Term	11.45	ACUITE B (Indicative)
22-Dec-2017	Secured Overdraft	Long Term	11.45	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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	11.45	ACUITE B / Stable (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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