

## Press Release

Aurangabad Gymkhana Club Private Limited

July 07, 2022



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.45	ACUITE B   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	11.45	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed its 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**'.

### Rationale for reaffirmation

The rating reaffirmation is on account of slight recovery witnessed in the business risk profile of the company in FY2022 after the outbreak of covid-19 which severely impacted the operations of the company. The rating continues to factor in the experienced management with long track record of operations, tie ups with online platforms such as Goibibo, Yatra, Makemytrip, Booking.com, etc. However, the rating is constrained by the intensive working capital operations, below average financial risk profile and highly competitive industry that the company operates in.

### About the Company

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 running a club cum hotel. The hotel offers 110 rooms, four banquet halls, a club house and other amenities. The promoter 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.

### Analytical Approach

Acuite 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**

AGPL has recorded a revenue of Rs 3.30 Cr in FY 2022 as against Rs 2.20 Cr in FY 2021 and Rs 5.38 Cr in FY 2020. The revenue has declined in FY 2021 due to outbreak of COVID-19 and have slightly improved in FY 2022 but remain modest. The company has a negative PAT margin of -20.97 percent in FY 2022 (Prov.).

### **>Intensive Working capital management**

The working capital management of the company is intensive marked by GCA days of 453 days in FY2022 (Prov) as against 439 days in FY2021 and 131 days in FY2020. The debtor days stood at 10 days in FY2022 (Prov) as against 28 days in FY2021 and 27 days in FY2020. However, the inventory days stood at 06 days in FY2022 (Prov) as against 05 days in FY2021 and 05 days in FY2020. Further, the current ratio of the company remains below unity at 0.21 times in FY 2022 (Prov) as against 0.16 times in FY 2021. The company has a higher reliance on short term debt with Rs 14.10 Cr outstanding as on FY 2022 (Prov.) against sales of Rs 3.30 Cr in FY 2022 (Prov.).

Acuité believes the company's ability to efficiently manage its working capital will remain a key rating monitorable. Any further deterioration in working capital would entail a negative bias towards the ratings.

### **>Below Average Financial Risk Profile**

The financial risk profile of the company stood below average marked by low net worth, high gearing and stretched debt protection metrics. The tangible net worth stood at Rs.6.61 crore as on 31 March, 2022 (Prov) as against Rs.6.85 crore as on 31 March, 2021 and Rs.5.86 crore as on 31 March, 2020. The total debt of the company stood at Rs.30.18 crore includes Rs.8.73 crore of long term debt, Rs.14.10 crore of short term debt, Rs.4.11 crore of unsecured loans and Rs.3.24 crore of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 4.57 times as on 31 March, 2022 (Prov) as compared to 4.26 times as on 31 March, 2021 and 4.68 times as on 31 March, 2020. Interest Coverage Ratio stood at 0.82 times for FY2022 (Prov) as against 1.32 times for FY2021 and 0.83 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 0.27 times in FY2022 (Prov) as against 1.28 times in FY2021 and 0.73 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.87 times as on 31 March, 2022 (Prov) as against 4.48 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at (0.01) times for FY2022 (Prov).

Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

## **Rating Sensitivities**

- Improvement in scale of operations and profitability margins.
- Further deterioration in financial risk profile and coverage indicators
- Elongation of working capital cycle

## **Material covenants**

None.

## **Liquidity Position: Stretched**

The company's liquidity position is stretched as the average bank limit utilization for the past

09 months March 2022 is ~ 97.52 percent. Further, they have insufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs. (0.58)-Rs.1.19 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.0.08-Rs.3.24 crore in the same tenure. In addition, the company is expected to generate insufficient net cash accruals against its maturing debt obligations over the medium term. The working capital management of the company is intensive marked by GCA days of 453 days in FY2022 (Prov) as against 439 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.2.72 crore as on March 31, 2022 (Prov). The current ratio stands at 0.21 times as on March 31, 2022 (Prov).

Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term

### Outlook: Stable

Acuité 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.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	3.30	2.20
PAT	Rs. Cr.	(0.69)	0.75
PAT Margin	(%)	(20.97)	34.28
Total Debt/Tangible Net Worth	Times	4.57	4.26
PBDIT/Interest	Times	0.82	1.32

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

CRISIL Ratings, vide its press release dated February 23, 2022, has mentioned the rating of AGCPL as 'CRISIL B/Stable/Issuer Not Cooperating' as on February 23, 2022.

### Any other information

None.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Apr 2022	Secured Overdraft	Long Term	11.45	ACUITE B ( Issuer not co-operating*)
11 Jan 2021	Secured Overdraft	Long Term	11.45	ACUITE B (Issuer not co-operating*)
04 Jul 2019	Secured Overdraft	Long Term	11.45	ACUITE B   Stable (Reaffirmed)
20 Dec 2018	Secured Overdraft	Long Term	11.45	ACUITE B (Issuer not co-operating*)
22 Dec 2017	Secured Overdraft	Long Term	11.45	ACUITE B   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	11.45	ACUITE B   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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