



Press Release
Aurangabad Gymkhana Club Private Limited
January 04, 2024
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	-	-

Rating Rationale

Acuite has reaffirmed the 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 Rating Reaffirmation

Rating re-affirmation takes into consideration the improving trend in revenues recorded post covid-19. The revenue grew to Rs.5.93 Cr in FY2023 from Rs.3.31 Cr in FY2022 and Rs.2.20 Cr in FY2021. The recovery is expected to continue over the medium term. The rating is however constrained on account of average financial risk profile marked by high gearing, modest net worth and below average debt protection metrics. Further, the liquidity position is stretched with average cash accruals generation to its maturing debt-repayment obligations and almost fully utilised working capital limits. Going ahead, company's ability to continue to register augmented growth in revenues and profitability while improving its financial risk profile and liquidity will remain key monitorable.

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 favourable location at Aurangabad which is located close to Aurangabad airport with easy access to railway and bus stations.

Unsupported Rating

Not Applicable

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 favourable location at Aurangabad which is located close to Aurangabad airport with easy access to railway and bus stations.

Acuite believes that the company will continue to benefit through the promoter's industry experience and favourable location which will help the firm to maintain long standing relations with its customers and suppliers.

Improved working capital management

The working capital management of the company improved marked by GCA days of 117 days in FY2023 as against 625 days in FY2022. The debtor days stood at 11 days in FY2023 as against 10 days in FY2022. The inventory days stood at 5 days in FY2023 and FY2022 as well.

Weaknesses

Modest scale of operations, albeit improvement recorded in FY2023

The company has recorded an operating income of Rs.5.93 crore in FY2023 as against Rs.3.31 crore in FY2022 and Rs.2.20 crore in FY2021. The revenue of the company has increased by ~80 percent in FY2023 on account of recovering trend from covid-19 induced downturn in the business. The hotel is exposed to competition from other players in vicinity such as Vivanta Taj, Rama International, Vits, etc. The operating margin of the company improved to 40.06 percent in FY2023 as against 15.47 percent in FY2022. The margins improved on account of improvement in scale of operations. PAT margin stood at 19.92 percent in FY2023 as against (4.13) percent in FY2022. The company became net profitable in FY2023 due to addition of other income of Rs.2.97 Cr as interest on loan received, lent to a group company.

Below Average Financial Risk Profile

The financial risk profile of the company is below average marked by modest net worth, high gearing, and debt protection metrics. The tangible net worth stood at Rs.7.89 crore as on 31 March 2023 as against Rs.6.71 crore as on 31 March 2022. The improvement is on account of accretion of profits to reserves. The total debt of the company stood at Rs.29.98 crore which includes Rs.17.56 crore of long-term debt, Rs.11.42 crore of short-term debt, Rs.1 crore of unsecured loans. The gearing (debt-equity) stood at 3.80 times as on 31 March 2023 as compared to 5.01 times as on 31 March 2022.

Acuite 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 while maintaining profitability margins and capital structure.

Improvement in financial risk profile and liquidity.

Liquidity Position

Stretched

The company's liquidity position is stretched on account of average cash accruals to its maturing debt repayment obligations. NCA stood at Rs.1.59 Cr against maturing repayment obligation of Rs.3.24 Cr. Going ahead, cash accruals are expected in the range of Rs.2.40 Cr and Rs.3.25 Cr in FY2024 and FY2025 against repayment obligation of Rs.3.61 Cr during the same period. Further, the average bank limit utilization for the past 11 months ending July 2023 is ~ 90 percent. Current Ratio stood poor at 0.12 times in FY2023 against 0.36 times in FY2022.

Acuite believes that the liquidity of the firm is likely to remain stretched 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	5.93	3.31
PAT	Rs. Cr.	1.18	(0.14)
PAT Margin	(%)	19.92	(4.13)
Total Debt/Tangible Net Worth	Times	3.80	5.01
PBDIT/Interest	Times	1.42	1.09

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Oct 2023	Secured Overdraft	Long Term	11.45	ACUITE B (Issuer not co-operating*)
07 Jul 2022	Secured Overdraft	Long Term	11.45	ACUITE B Stable (Reaffirmed)
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*)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

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