

Press Release

Anmol Fluid Control Products Private Limited (Anmol Fluid Control)

12 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer annexure for details

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the abovementioned bank facilities of Anmol Fluid Control Products Private Limited (Anmol Fluid Control). The outlook is '**Stable**'.

Anmol Fluid Control, led by Mr. Jagmohan Arora, Chief Managing Director owns a corporate hotel by the name 'Grand Hometel' at Malad, Mumbai. The hotel commenced commercial operations from 2008 under the technical management of Sarovar Hotels. Grand Hometel has 93 rooms, three banquet halls and a restaurant with branches at Malad and Goregaon.

Key rating drivers

Strengths

Experienced management and long track record of operations: Anmol Fluid Control is promoted by Mr. Jagmohan Arora and family. Mr. Arora, has over three decades of entrepreneurial experience across industries including dairy, mining, distilleries and real estate. The company is run by the second and third generation members of the family.

Locational advantage, reputed clientele: The hotel is located in close proximity to several commercial establishments in Malad. A corporate business hotel, 'Grand Hometel' caters to corporate clients include Bank of America, Infosys, J P Morgan to name a few. The hotel generates around 30 per cent revenue from online aggregators and 60 percent from walk-in clients. It registered healthy occupancy averaging ~90 per cent in FY2015-16. Plans are on to revamp all 92 rooms through internal accruals.

SMERA believes that Anmol Fluid Control will continue to benefit from its experienced management and locational advantage.

Improvement in profit margins: The operating margins improved to 28.86 percent in FY2017 from 25.57 percent in the previous year on account of effective cost management. Further, the PAT margins increased from 1.02 per cent in FY2015-16 to 5.42 per cent in FY2016-17 mainly on account of increase in EBITDA margins.

Above average financial risk profile: The financial risk profile is above average marked by tangible networth of Rs. 14.97 crore as on 31, March, 2017 as against Rs. 14.05 crore as on 31, March 2016. The gearing remained comfortable at 1.35 times as on 31 March, 2017 and in the previous year. The total debt of Rs.20.17 crore as on 31 March, 2017 comprises mainly term loan of Rs. 14.60 crore, working capital loan of Rs. 3.43 crore and current portion of long term debt (CPLTD) of Rs.2.14 crore.

The Interest Coverage Ratio (ICR) stood at 2.41 times in FY2017 over 2.31 times in FY2016. The DSCR stood at 1.24 times as on 31 March, 2017 as against 1.16 times in the previous year. The TOL/TNW has been around 1.70 times and NCA/TD at 0.15 times for FY2016-17. The Net cash accruals stood at Rs.3.00 crore for FY2017.

Weaknesses

Stagnant revenue: The revenue growth has been stagnant at a CAGR of 4 per cent in the last four years ended FY2017. The company reported operating income of Rs.16.98 crore for FY2017 as against Rs. 15.57 crore for FY2016. Further, it registered revenue of Rs. 14.65 crore from April, 2017 to Sep, 2017. Going forward, higher revenues are expected with the banquet halls starting operations soon.

Competition from existing and upcoming hotels: The company faces intense competition from hotels in and around Malad. Besides, the company is also exposed to geographic concentration risk with one hotel based in Mumbai

Exposure to group entities: The financial risk profile is expected to be constrained by significant exposure to associate companies. As on 31 March, 2017 investments and advances in associate concerns stood at Rs.2.93 crore while loans and advances extended by Anmol Fluid Control to group companies stood at Rs.1.00 crore. The total exposure of Anmol Fluid Control to group entities stood at ~26 per cent of the total tangible net worth. Since the unwinding of these exposures is uncertain, the adjusted net worth (i.e. net worth after knocking off the exposure to these entities) stood at Rs.11.04 crore as on 31 March 2017. SMERA believes that the credit profile of Anmol Fluid Control will depend on its ability to curtail these exposures. Moreover, it has given bank guarantee of Rs.6.45 crore on behalf of its sister company, Drillwell Cement Private Limited to Department of Mines & Geology, Government of Rajasthan for obtaining prospective licences for mining. This counter guarantee is given for a year and will be realised after getting prospective license as informed by the management.

Analytical approach:

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

Outlook: Stable

SMERA believes that Anmol Fluid Control will maintain a healthy outlook in the medium term on the back of moderate occupancy rate at hotels and extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case of higher than expected revenue, sustainable profitability and healthy growth in cash accruals while curtailing exposure to other entities and managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of decline in cash accruals or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.98	15.57	15.22
EBITDA	Rs. Cr.	4.90	3.98	4.64
PAT	Rs. Cr.	0.92	0.16	0.60
EBITDA Margin	(%)	28.86	25.57	30.48
PAT Margin	(%)	5.42	1.02	3.91
ROCE	(%)	8.05	5.63	14.59
Total Debt/Tangible Net Worth	Times	1.35	1.35	1.39
PBDIT/Interest	Times	2.41	2.31	2.83
Total Debt/PBDIT	Times	4.12	4.78	4.15
Gross Current Assets (Days)	Days	57	38	49

Any other information

Not Applicable

Applicable Criteria

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

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 for the last three years: None

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	NA	NA	NA	3.50	SMERA BB+/ Stable (Assigned)
Term loan	NA	NA	NA	3.50	SMERA BB+/ Stable (Assigned)
Overdraft Facility	NA	NA	NA	2.50	SMERA BB+/ Stable (Assigned)
Overdraft Facility	NA	NA	NA	2.50	SMERA BB+/ Stable (Assigned)
Bank Guarantee#	NA	NA	NA	3.50	SMERA A4+ (Assigned)
Bank Guarantee#	NA	NA	NA	3.50	SMERA A4+ (Assigned)
Proposed	NA	NA	NA	1.00	SMERA BB+/ Stable (Assigned)

Includes counter bank guarantee of Rs.6.45 crore

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ABOUT SMERA

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