Press Release

Anmol Fluid Control Products Private Limited

April 09, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB+ Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** and short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 20.00 crore bank facilities of ANMOL FLUID CONTROL PRODUCTS PRIVATE LIMITED (AFPL). The outlook is **'Stable'**.

AFPL was taken over by Mr. Jagmohan Arora for setting up of hotel at Malad West in Mumbai in 2002. The company is engaged in running of corporate business hotel by the name of 'Grand Hometel'. The hotel is under the technical management of Sarovar Hotels. The hotel has a total of 93 rooms, 3 banquet halls and 1 restaurant.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone business and financial risk profile of AFPL.

Key Rating Drivers

Strengths

Experienced management and long track of operations

AFPL 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 ran by the second and third generation members of the family.

Location advantage with reputed clientele

The hotel is located in close proximity to several commercial establishments in Malad. As corporate business hotel, 'Grand Hometel' caters to corporate clients including Bank of America, Infosys and 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 ~87 per cent in FY2017 -18. Acuité believes that AFPL will continue to benefit from its locational advantage.

Above average financial risk profile

The financial risk profile of the company is above average marked by tangible net worth of Rs.15.85 crore as on 31, March 2018 as against Rs.14.97 crore as on 31, March 2017. The gearing remained comfortable at 1.38 times as on March 31, 2018 and 1.35 times in the previous year. The total debt of Rs.21.92 crore as on March 31, 2018 comprises majorly of term loan of Rs.16.51 crore, working capital loan of Rs.4.66 crore and unsecured loan of Rs.0.74 crore. The interest coverage ratio (ICR) stood at 2.55 times in FY2018 over 2.41 times in FY2017. Debt Service Coverage Ratio stood at 1.11 times as on March 31, 2018 as against 1.24 times as on March 31, 2017. Total Outside Liabilities to Total Net Worth is moderate at 1.71 times for FY2018 with Net Cash Accruals to Total Debt of 0.12 times for the same time period. Acuité believes that the financial risk profile will remain stable over near to medium term.

Weaknesses

Stagnant revenues and competition from existing and upcoming hotels and resorts

AFPL faces competition from various hotels located in Mumbai and its suburbs. Availability of hotels in different categories and budgets around the area impacts the occupancy levels and revenues. The revenue of AFPL remained stagnant during the period under study. The company registered operating income of Rs.17.21 crore for FY2018 as against Rs.16.98 crore for FY2017. Further, the firm has reported operating income of Rs.16.51 crore for the period during April, 2018 to February, 2019. The company's ability to compete with the already established renowned players in the market while maintaining its occupancy levels at competitive average room rates would be very critical.

Exposure to group entities
The financial risk profile is expected to be constrained by significant exposure to associate companies. As on 31 March, 2018 investments in associate concerns stood at Rs.2.93 crore while loans and advances extended by AFPL to group companies stood at Rs.1.00 crore. The total exposure of AFPL to group entities stood at ~25 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) is Rs.12.92 crore as on 31 March, 2018. Acuité believes that the credit profile of AFPL 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 by the government as informed by management.

Liquidity Position
AFPL has comfortable liquidity profile marked by net cash accruals of about Rs.7.82 crore during FY2016-18. The company had long term debt obligations of Rs.2.55 crore in FY2018. The cash accruals are estimated to remain between Rs.6.00 – 10.00 crore in the near to medium term, while its repayment obligations are estimated to be ~Rs.8.00 to 9.00 crore in the medium term. The working capital operations are comfortable as marked by Gross Current Asset (GCA) days of 57 in FY2018. The company had unencumbered cash and bank balances of Rs.0.44 crore as on March 31, 2018. The current ratio of the company declined to 0.42 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain comfortable over the medium term on account of modest cash flows from operations and comfortable GCA days over the medium term.

Outlook: Stable
Acuité believes AFPL will maintain 'Stable' outlook in the medium term on the back of moderate occupancy rate at hotels and experience of the promoters in the business. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenue with sustainable profitability and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.21	16.98	15.57
EBITDA	Rs. Cr.	4.56	4.90	3.98
PAT	Rs. Cr.	0.88	0.92	0.16
EBITDA Margin	(%)	26.51	28.86	25.57
PAT Margin	(%)	5.13	5.42	1.02
ROCE	(%)	7.83	8.05	5.63
Total Debt/Tangible Net Worth	Times	1.38	1.35	1.35
PBDIT/Interest	Times	2.55	2.41	2.31
Total Debt/PBDIT	Times	4.71	4.07	4.67
Gross Current Assets (Days)	Days	57	78	61

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Services Entities - https://www.acuite.in/view-rating-criteria-8.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-40.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. Crore)	Ratings/Outlook
12-January-2018	Term Loan	Long Term	3.50	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	3.50	ACUITE BB+/Stable (Assigned)
	Overdraft Facility	Long Term	2.50	ACUITE BB+/Stable (Assigned)
	Overdraft Facility	Long Term	2.50	ACUITE BB+/Stable (Assigned)
	Bank Guarantee#	Short Term	3.50	ACUITE A4+ (Assigned)
	Bank Guarantee#	Short Term	3.50	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB+/Stable (Assigned)

#Includes counter bank guarantee of Rs.6.45 crore.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+/Stable (Reaffirmed)
Overdraft Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+/Stable (Reaffirmed)
Overdraft Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+/Stable (Reaffirmed)
Bank Guarantee#	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee#	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+/Stable (Reaffirmed)

#Includes counter bank guarantee of Rs.6.45 crore.

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About Acuité Ratings & Research:
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