

Press Release

Anmol Fluid Control Products Private Limited

July 16, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.20.00 crore
Long Term Rating	ACUITE BB+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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**) on the Rs. 20.00 crore bank facilities of Anmol Fluid Control Products Private Limited (AFCPPL). The outlook is '**Stable**'.

Incorporated in the year 1995, AFCPPL is a Mumbai based company which was taken over by Mr.Jagmohan Arora for setting up of hotel at Malad West in Mumbai in 2002. The company commenced its commercial operation in the year 2008. The company is promoted by Mr.Jagmohan Singh Arora, Mr.Kuljeet Singh Arora and Mr.Karan Singh Arora. The company is engaged in running of a corporate business hotel by the name of 'Grand Hometel' which is located at Malad West (Mumbai). 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

Acuité has considered the standalone business and financial risk profiles of AFCPPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

AFCPPL is promoted by Mr.Jagmohan Singh Arora, Mr.Kuljeet Singh Arora and Mr.Karan Singh Arora. The promoters of the company have been engaged in the business line for over six decades. The management of the company is associated with J.K. Arora Group of companies since 1965. The group is engaged in various businesses such as dairy product processing since 1965, marble mining industry since 1982 and distillery industry since 2016. The experience of the promoters of the company has helped in establishing healthy relationships with its customers and suppliers. The company caters to corporate customers like Morgan Stanley, Tata Consultancy Services, BNP Paribas, among others with no major concentration in its revenue profile. The revenue of the company stands at Rs.16.96crore (Prov.) in FY2020 as against Rs.18.09crore in FY2019.

Acuité believes that the company will benefit from the experience of the management and established market position.

- **Location advantage with reputed clientele**

The hotel is located in close proximity to several commercial establishments in Malad, Mumbai. As a corporate business hotel, 'Grand Hometel' caters to corporate clients including Morgan Stanley, JP Morgan and Tata Consultancy Services, to name a few. The hotel generates around 35 percent of revenue from online aggregators and 65 percent from walk-in clients. The company registered a healthy occupancy rate of around 87 percent throughout the year. Acuite believes that AFCPPL will continue to benefit from its locational advantage.

- **Above average Financial Risk Profile**

AFCPPL's financial risk profile is above average, marked by comfortable net worth, low gearing and comfortable debt protection metrics. AFCPPL's net worth is estimated at around Rs.17.69crore (Prov.) as on March 31, 2020. The net worth levels have seen improvement over the last three years through FY2020 on account of healthy accretion to reserves during the same period. The company has followed a moderately aggressive financial policy in the past, the same is reflected through its peak gearing levels of 1.38 times as on March 31, 2018. The leverage levels, however, have improved to around 1.02 times (Prov.) as on March 31, 2020. The company has generated cash accruals of Rs.2.46crore (Prov.) in FY2020 as against Rs.2.57crore in FY2019. The gearing, however, is expected to be low at around 0.88 times as on March 31, 2021 on back of absence of any major debt-funded capex plan.

The operating income of the company has declined by around 6.26 percent to Rs.16.96crore (Prov.) in FY2020 from Rs.18.09crore in FY2019, while its operating margin has increased from 24.92 percent in FY2019 to Rs.26.24 percent (Prov.) in FY2020. The profitability levels, coupled with moderate debt levels, have led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2020 were comfortable at 0.14 times (Prov.) and 2.73 times (Prov.), respectively

Acuite believes the financial risk profile will be impacted over the medium term due to pressure on operating performance amidst the ongoing COVID situation.

Weaknesses

- **Stagnant Revenues and competition from existing and upcoming hotels and resorts**

AFCPPL 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 AFCPPL remained stagnant during the period under study. The company registered an operating income of Rs.16.96crore (Prov.) for FY 2020 as against Rs.18.09crore for FY 2019.

Acuite expects 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 a challenge.

- **Exposure to group entities**

The financial risk profile is expected to be constrained by significant exposure to associated companies. As on March 31, 2020 investment in associated companies stood at Rs.4.90crore. The total exposure of AFCPPL to group entities stood at ~27.82 percent of the total tangible net worth. Acuite believes that the credit profile of AFCPPL will depend on its ability to curtail these exposures. However, the bank guarantee of Rs.6.45crore that was given on behalf of its sister company, Drillwell Cement Private Limited, to Department of Mines and Geology, Government of Rajasthan for obtaining prospective licenses for mining has been realized in FY2019.

Rating Sensitivity

- Improvement in the operating income and profitability thereby improving the overall financial risk profile.

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.46crore (Prov.) in FY2020 as against maturing debt obligations of Rs.2.27crore (Prov.) during the same period. The company's working capital operations are efficiently marked by the Gross Current Asset (GCA) days of 50 days (Prov.) for FY2020 as against 48 days in FY2019. The average bank limit utilization stood at around 93.00 per cent for nine months ended March, 2020. The company maintains unencumbered cash and bank balances of Rs.0.40crore (Prov.) as on 31 March 2020. Further the company has an investment of Rs.5.10crores (Prov.) as on March 31, 2020. The current ratio stands at 0.23 times (Prov.) as on 31 March 2020 as against 0.37

times in FY2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate net cash accruals to its debt repayments over the medium term.

Outlook: Stable

Acuité believes that AFCPPL will maintain a stable outlook over the medium term backed by its experienced management and established track record in the aforementioned industry. The outlook may be revised to "Positive", if the firm demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if the company generates lower-than-anticipated cash accruals, most likely as a result of a sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	16.96	18.09
PAT	Rs. Cr.	0.83	0.94
PAT Margin	(%)	4.87	5.18
Total Debt/Tangible Net Worth	Times	1.02	1.21
PBDIT/Interest	Times	2.73	2.81

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>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- 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 (Upto last three years)

Date	Name of the Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05 February, 2020	Term Loans	Long Term	1.06	ACUITE BB+/ Stable (Reaffirmed)
	Term Loans	Long Term	2.25	ACUITE BB+/ Stable (Reaffirmed)
	Overdraft Facility	Long Term	2.50	ACUITE BB+/ Stable (Reaffirmed)
	Overdraft Facility	Long Term	2.50	ACUITE BB+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	4.69	ACUITE BB+/ Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	3.40	ACUITE A4+ (Reaffirmed)
09 April, 2019	Term Loans	Long Term	3.50	ACUITE BB+/ Stable (Reaffirmed)
	Term Loans	Long Term	3.50	ACUITE BB+/ Stable (Reaffirmed)
	Overdraft Facility	Long Term	2.50	ACUITE BB+/ Stable (Reaffirmed)
	Overdraft Facility	Long Term	2.50	ACUITE BB+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB+/ Stable (Reaffirmed)
12 January, 2018	Term Loans	Long Term	3.50	ACUITE BB+/ Stable (Assigned)
	Term Loans	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)

***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 Loans	September, 2016	Not Applicable	March, 2021	0.61	ACUITE BB+/ Stable (Reaffirmed)
Term Loans	March, 2017	Not Applicable	September, 2022	1.37	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	0.10	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.02	ACUITE BB+/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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