

Press Release

Ina Elite Hospitality Private Limited

May 03, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B+/Stable**' on the Rs.50.00 crore bank facilities of Ina Elite Hospitality Private Limited (IEHPL).

The rating downgrade reflects delays in debt servicing owing to delay in completion of its ongoing hotel project, and commencement of loan repayment obligations. The delays in debt servicing are for more than 30 days.

Ina Elite Hospitality Private Limited is a closely held private limited company, promoted by Mr. Neeraj Chhabra and family. It is into operation of hotels, operating camping sites and other provision of short-stay accommodation. IEHPL has one operating hotel under the name "Be Elite", now named as 'Sasya Homes' and an under-construction hotel under the name "Best Western". The construction of Best-Western is completed to an extent of 90 per cent and is expecting to commence operations from September 2019. It is developing 30 suite rooms, and 75 standard rooms of 4-star category at a project cost of about Rs.60.11 crores, funded out of term loan of Rs.40.75 crores and rest from promoters.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Ina Elite Hospitality Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

IEHPL is promoted by Mr. Neeraj Chhabra and Ms. Ina Chhabra. Both the directors have more than two decades of experience in the hospitality industry. The company is supported by the second line of management, Mr Aseem Chhabra and Ms. Arushi Chhabra.

- **Moderate financial risk profile**

The financial risk of the company is marked by moderate networth, gearing ratio and debt service ratios. The tangible net worth of the company increased to Rs. 14.05 crore as on 31 March, 2018 as against Rs. 12.99 crore as on 31 March, 2017. The gearing (debt-to-equity ratio) deteriorated to 2.16 times as on 31 March, 2018 as against 1.32 times as on 31 March, 2017. This is majorly because of the debt-funded capex. IEHPL reported cash accruals of Rs.0.99 crores in FY2018; they have come down owing to decline in revenue from the existing hotel, which was undergoing renovation works. The Interest coverage ratio (ICR) stood at 36.56 times for FY2018 as against 2.99 times for FY2017. The net cash accruals to total debt (NCA to TD) stood at 0.03 times in FY2018 as against 0.04 times in FY2017.

Weaknesses

- **Delays in servicing of debt obligations**

The company has been delaying in servicing of its debt obligations for the last three months through March 2019, by about 50-60 days; owing to stretch in its liquidity. The company availed project specific term loan of Rs.10.00 crores, payable over a period of 20 quarterly instalments starting from

June 2018 of Rs.0.50 crores each. The repayments have started though the project is still under construction phase; this resulted in mismatch in its cash flow and delays in debt servicing with an overdue of about Rs.0.60 crore as of March 31, 2019.

- **Working Capital Intensive Operations**

Operations of the company are working capital intensive marked by high gross current assets (GCA) at 331 days in FY2018 as against 57 days in FY2017. This is on account stretch in debtor cycle to 61 days in FY2018 as against 1 day in FY2017. The company is maintaining its working capital cycle by stretching its creditor days to 201 days in FY2018. Acuité believes that the operations continue to be working capital intensive over the medium term.

Liquidity Position:

The company has weak liquidity marked by delays in debt servicing. Delays in debt servicing owe to delay in completion of its ongoing hotel project, and commencement of loan repayment obligations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2.79	4.62	6.35
EBITDA	Rs. Cr.	(0.69)	(0.11)	0.84
PAT	Rs. Cr.	0.77	0.50	0.73
EBITDA Margin	(%)	(24.64)	(2.45)	13.23
PAT Margin	(%)	27.75	10.74	11.49
ROCE	(%)	2.67	4.22	15.80
Total Debt/Tangible Net Worth	Times	2.16	1.32	1.18
PBDIT/Interest	Times	36.56	2.99	2.79
Total Debt/PBDIT	Times	25.13	12.52	5.87
Gross Current Assets (Days)	Days	331	57	37

Any other information

Not Applicable

Applicable Criteria

- Entities in Service Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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. Cr.)	Ratings/Outlook
25-May-2018	Term Loan	Long Term	23.75	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE B+ / Stable (Assigned)
	Proposed Bank Facility	Long Term	10.25	ACUITE B+ / 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	Not Applicable	Not Applicable	Not Applicable	23.75	ACUITE D (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE D (Downgraded)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.25	ACUITE D (Downgraded)

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About Acuité Ratings & Research:

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