

Press Release

BHAGWANSHARAN CONSTRUCTIONS

May 31, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.27 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 6.27 crore bank facilities of BHAGWANSHARAN CONSTRUCTIONS. The outlook is '**Stable**'.

Jaipur based Bhagwansharan construction was established in 2015 by Mr. Bhawani Singh Shekhawat, Mrs. Neelam Shekhawat and Mr. Abhimanyu Singh Shekhawat. The hotel was started in November, 2018 under the name and Style 'HOTEL COUNTY INN' with 42 rooms, restaurant, Banquet Hall and open garden space for marriages and garden.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management:**

Mr. Abhimanyu Singh, who is the managing partner in the firm have a past experience of managing a restaurant in Jaipur in the name of 'Decked up'.

- **Location advantage:**

The hotel is situated in one of the prime location in Jaipur. Hotel is located at a place where most of the marriage garden and banquets are situated, which provides them an advantage of having larger number of potential client.

- **Association with online platforms:**

The hotel has agreement and tie-up with different online sites such as IBIBO, Make my trip to name a few. Company generate a significant amount of its revenue through these association.

Weaknesses

- **Small scale of operations:**

The firm has limited track record of operation for just few months. The scale of operations is small with revenue of around Rs.0.68 crore in FY2019.

- **Seasonal business and intense competition**

Bhagwansharan construction is exposed to risks associated with the nature of seasonal business. However, the said risk is partially mitigated due to regular revenue generated through online sites. The hotel industry faces intense competition from a large number of organized and unorganized players. OYO, ZO, Lemon tree, Radisson to name a few.

Outlook: Stable

ACUITE believes that Bhagwansharan construction will continue to benefit from experienced management, continuous capacity expansion and service diversification. The outlook may be revised to 'Positive' if the firm increases its scale of business operations while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case the firm's financial risk profile deteriorates significantly.

Liquidity position

The firm has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.13 crore during financial year 2019, while there was no significant maturing debt obligation for the same period. The cash accruals of the firm are estimated to increase from Rs. 0.90 crore in FY20 to Rs.1.46 crore in FY22 while its repayment obligation is estimated to be around Rs. 0.50-0.70 Crore for the period (FY 2020-2022). The firm maintains cash and bank balances of Rs.0.05 crore as on March 31, 2019. The current ratio of the firm stands healthy at 1.52 times as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term on account of moderate cash accrual to its maturing debt obligation.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)
Operating Income	Rs. Cr.	0.69
EBITDA	Rs. Cr.	0.29
PAT	Rs. Cr.	(0.37)
EBITDA Margin	(%)	41.68
PAT Margin	(%)	(54.11)
ROCE	(%)	(6.43)
Total Debt/Tangible Net Worth	Times	2.51
PBDIT/Interest	Times	1.89
Total Debt/PBDIT	Times	17.09
Gross Current Assets (Days)	Days	321

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***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	4.50	ACUITE B / Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.37	ACUITE B / Stable (Assigned)

Contacts

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About Acuite Ratings & Research:

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