Press Release

Jaksons Developers Private Limited

October 03, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 100.00 crore (Enhanced from Rs. 50.00 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed & Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed its long-term rating '**ACUITE BBB-**' **(read as ACUITE triple B minus)** on the Rs. 50.00 crore bank facilities of JAKSONS DEVELOPERS PRIVATE LIMITED (JDPL). The outlook is **'Stable'**.

Acuité has assigned its long-term rating '**ACUITE BBB-**' **(read as ACUITE triple B minus)** to the Rs. 50.00 crore bank facilities of JAKSONS DEVELOPERS PRIVATE LIMITED (JDPL). The outlook is **'Stable'**.

New Delhi-based, Jaksons Developers Private Limited (JDPL) was incorporated in 2006 by Mr. Arun Kumar Gupta and Mr. Virender Gupta. JDPL was originally engaged in real estate development and developed a mall, City Centre, and later the company entered into its maiden hospitality venture, after developing and now operating a hotel-cum-commercial project in the Northern part of Delhi. The hotel is branded as 'Crown Plaza' *(brand owned by InterContinental Group)* and commenced its operations in May 2011. Crown Plaza has a total of 183 rooms divided into three categories – Standard Rooms (161 rooms), Deluxe Rooms (18 rooms) and Executive Suites (4 rooms). Further, the company is also engaged in the real-estate activities.

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of Jaksons Developers Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and brand name**

  JDPL was incorporated in 2006 as a real-estate development company and it developed a mall, City Centre Mall and a hotel cum commercial complex. The company subsequently ventured into hospitality industry with the commencement of operations in the hotel-cum-commercial complex, branded as 'Crown Plaza' in May 2011. The Promoters, Mr. Arun Gupta and Mr. Virender Gupta, have more than two decades of experience in the hospitality industry apart from real estate industry. The promoters backed by their experience have been able to create a market for the hotel in Rohini located in the Northern part of Delhi, which is area's preferred place to meet and celebrate. JDPL reported revenues of Rs. 72.39 crore and PAT of Rs. 10.66 crore during 2018-19 (Provisional).

  Acuité believes that JDPL will continue to benefit from its established presence in Northern region of Delhi, strong brand recognition and the promoter's extensive experience in the hospitality industry.

- **Favorable location with along with healthy Occupancy Rate (OR) and Average Room Rate (ARR)**

  The hotel is located in the Northern part of Delhi, having no other 5-star hotel in the nearby localities and has an occupancy rate of ~70 per cent with an average room rate (ARR) of Rs. 6,960 approximately during FY2019. Further, the hotel's close proximity to shopping complexes, local attractions such as Adventure Island, which is an immensely popular amusement-cum-shopping arcade has made it preferred destination in this part of the city. The revenue profile is diversified as reflected from the F&B segment accounting for ~50 per cent and room revenues, accounting for ~36.55 per cent of total revenue from the hospitality sector over the last three years. Further, the company is also engaged in the real-estate activities which accounts for ~6 per cent of the total operating income.

Acuité believes that the OR and ARR of the hotel will continue to be healthy on account of established brand position, increasing tie-ups with corporate clients as well as various online aggregators and favorable hotel location.

- **Healthy financial risk profile**

  The financial risk profile of the company is healthy marked by healthy net worth, low gearing, healthy debt protection metrics and coverage indicators.

  The net worth of JDPL is healthy, estimated at around Rs. 230.31 crore as on 31 March, 2019 (Provisional). The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy accretion to reserves due to its healthy profitability margins during the same period.

  The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.22 times as on March 31, 2018 and 0.42 times as on March 31, 2017. The leverage levels continue to remain low at around 0.28 times as on March 31, 2019 (Provisional). The company has taken a fresh loan of Rs. 50.00 crore, of which Rs. 5.00 crore to Rs. 7.00 crore were disbursed in FY2019 (Provisional) and rest of the amount will be disbursed in FY2020, due to which debt-to-equity is likely to go up marginally and remain in the range of 0.29-0.31 times. JDPL's healthy cash accruals to the tune of about Rs. 18.84 crore have also supported in minimizing the reliance on external debt, thereby leading to healthy gearing and absolute debt levels of 0.28 times and Rs. 64.08 crore as on March 31, 2019 (Provisional), respectively. The total debt of Rs. 64.08 crore as on 31 March, 2019 (Provisional) comprises of long-term borrowings of Rs. 31.80 crore, unsecured loans of Rs. 22.72 crore and working capital borrowings to the tune of Rs. 9.56 crore. The total exposure of JDPL to other related entities stood at ~6.65 per cent of the total tangible net worth. Since the unwinding of these exposures is uncertain in the near to medium term, the adjusted net worth (i.e. net worth after knocking off the exposure to these entities) is Rs. 214.99 crore, resulting in an adjusted debt to equity ratio of 0.30 times as on 31 March, 2018. JDPL's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.19.78 crore to Rs. 21.68 crore, which are adequate to service its repayment obligations and support its incremental working capital requirements to a certain extent.

  The revenues of the company have gone up to Rs. 67.75 crore during FY2018-19 as against Rs. 62.62 crore in FY2017-18, and its operating margins are healthy at 23.37 per cent in FY2019 (Provisional). The low debt levels have led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 (Provisional) were healthy at 0.29 per cent and 5.73 times, respectively.

  Acuité believes that the financial risk profile of JDPL will continue to remain healthy over the near to medium term.

Weaknesses

- **Exposure to intense competition**

  JDPL faces competition from other upcoming and presently operating hotels in and around North Delhi. Further, in the hotel industry, the company is susceptible to risks arising from the cyclicality therein. The hotel revenues are also vulnerable to general economic slowdown and other factors such as terrorist attacks, geopolitical crisis, natural calamities etc.

  Increase in the occupancy rate of the hotel, thereby resulting in the increase in the revenue and sale of the real estate spaces will remain key rating sensitivity factors over the medium term.

Rating Sensitivity Factor

- Ability to maintain healthy OR as well as ARR
- Sale of real estate inventory and realization thereof
- Substantial increase in exposure to other related entities (exceeding 20 per cent of its tangible net worth)

Material covenants

None

Liquidity: Adequate

The company has adequate liquidity profile marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 18.84 crore for FY2019 (Provisional), while its maturing debt obligations are around Rs. 8.17 crore for the same period. The cash accruals of the company are estimated to remain around Rs. 19.78 crore to Rs. 23.93 crore during FY2020-22 against repayment obligations of around Rs. 8.17 crore. JDPL's working capital operations are intensive marked by gross current asset (GCA) of 291 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 2.52 crore as on 31 March, 2019 (Provisional). However, the current ratio stood low at 0.81 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that JDPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its 'extensive experience of promoters' and 'healthy financial risk profile'. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues 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 sharp decline in operating margins thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	72.39	59.63	55.45
EBITDA	Rs. Cr.	20.48	17.24	7.65
PAT	Rs. Cr.	10.66	8.11	0.64
EBITDA Margin	(%)	28.29	28.90	13.80
PAT Margin	(%)	14.72	13.61	1.15
ROCE	(%)	4.96	3.56	1.58
Total Debt/Tangible Net Worth	Times	0.28	0.22	0.18
PBDIT/Interest	Times	5.73	8.34	3.82
Total Debt/PBDIT	Times	2.81	2.74	3.04
Gross Current Assets (Days)	Days	305	306	232

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Service Entities - 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 (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
Sept 26, 2019	Term Loan-I	Long term	35.00	ACUITE BBB-/ Stable (Assigned)
	Overdraft	Long term	15.00	ACUITE BBB-/ 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 Loan-I	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan-II	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB-/ Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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