

Press Release

Jaksons Developers Private Limited

January 20, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from '**ACUITE BB+**' (read as **ACUITE double B plus**) to '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) on the Rs.100.00 Cr. bank facilities of Jaksons Developers Private Limited (JDPL). The outlook is '**Stable**'.

Rationale for Rating Action

The rating upgrade considers the comfort drawn on long track record of operations, extensive experience of the promoters and stable business risk profile. Coupled to that, the company has moderate financial risk profile and improvement in ARR and RevPAR.

About the Company

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 segment.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of JDPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations visible in the brand reputation

Jaksons Developers Private Limited (JDPL) is engaged in real estate business i.e., construction and management of Shopping Mall (City Centre Mall, Rohini) & Commercial Complexes including the hotel (Crown Plaza). JDPL is promoted by Mr. Arun Gupta and Mr. Virender Gupta who have more than two decades of experience in the real estate and the hospitality 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.

Revenue and profitability

JDPL reported operating income of Rs. 49.37 Cr in FY2022 as against Rs. 17.91 Cr in FY2021 due to Recovery trend in Hospitality industry post Covid era. There has been increase in EBITDA margin from (1.44) % in FY21 to 38.14 % in FY22 (25.95% in FY 20). The increase in EBITDA margins is due to Reinstatement of revenue level. Net Profit margin has increased from (55.26) % in FY2021 to 12.62 % in FY2022 (14.41% in FY 20) due increase in rentals in line with pre covid figures.

Weaknesses

Moderate Financial Risk Profile

JDPL has moderate financial risk profile marked by strong net worth and moderate debt protection metrics. Company's net worth stood at Rs. 231.28 Cr as on 31st March 2022 as against Rs. 225.09 Cr as on 31st March 2021. Gearing levels (debt-to-equity) increased from 0.48 times as on March 31, 2021 to 0.58 times as on March 31, 2022. Further, the interest coverage ratio stood at 2.35 times for FY2022 as against 0.64 times in FY2021. However, Debt service coverage ratio improved from 0.31 times in FY2021 to 1.08 times in FY 2022.

Company has availed GECL loans of Rs 25 crores. Total outside liabilities to total net worth (TOL/TNW) stood at 0.68 times as on FY 2022 vis-à-vis 0.60 times as on FY2021. However, Debt-EBITA stood at 6.14 times as on 31st March 2022 as against 21.40 times as on 31st March 2021

Intensive Working Capital Operation

Working capital operations of the JDPL stood improved yet intensive as GCA days 513 days in FY 2022 in comparison to 1201 Days in FY2021. Debtor days increased to 40 days in FY 2022 in comparison to 18 days in FY 2021. Inventory days stood at 280 days in FY 2022. Inventory days decreased by 102 days in comparison to FY 2021. Creditor days in FY 2022 stood at 160 days and decreased by 307 days in comparison to FY 2021.

Highly competitive industry

The Indian subcontinent with vast opportunities and potential for high growth has become the focus area of major international chains. Several of these chains have established and others have their plans to establish hotels to take advantage of these opportunities. These entrants are expected to intensify the competitive environment. Acuité believes the success of the company will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, service level and convenience of location and also the quality and scope of other amenities, including food and beverage facilities.

Rating Sensitivities

Any Significant incremental exposure in group companies

Significant improvement in scale of operations, while maintaining its profitability margins.

Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the entity.

Material covenants

None

Liquidity Position

Adequate

Company's liquidity is adequate marked by its net cash accruals to its maturing debt obligations. In FY 2022, company has generated cash accruals of 12.33 Cr as against Rs 10.80 crores debt obligation. Current ratio of the company stood at 1.21 for FY 22. Fund based Capital limit utilization for last eight months ended November 22 stood at 93.60% accordingly there is not much cushion after repayment of debt obligation to meet contingencies.

Outlook: Stable

Acuité believes that JDPL will maintain a 'Stable' outlook in the near to medium term on account of its established track record of the entity supported by extensive experience of

the promoters. Further Acuite believes that there will not be incremental exposure in loans and Advances, Security Deposits and other long term investments. The outlook may be revised to 'Positive' if the entity registers higher-than-expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the entity registers substantial decline in revenues, or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	49.37	17.91
PAT	Rs. Cr.	6.23	(9.90)
PAT Margin	(%)	12.62	(55.26)
Total Debt/Tangible Net Worth	Times	0.58	0.48
PBDIT/Interest	Times	2.35	0.64

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Oct 2021	Term Loan	Long Term	50.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	35.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Secured Overdraft	Long Term	15.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB- Stable Upgraded
Karnataka Bank Ltd	Not Applicable	Term Loan	01 Dec 2018	10.45	28 Feb 2029	Simple	50.00	ACUITE BBB- Stable Upgraded
Karnataka Bank Ltd	Not Applicable	Term Loan	01 Jan 2018	9.28	31 Mar 2028	Simple	35.00	ACUITE BBB- Stable Upgraded

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About Acuité Ratings & Research

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