

Press Release

Hiranya Builders Private Limited

May 12, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.17.50 Cr.
Long Term Rating	ACUITE B- / Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs.17.50 crore bank facilities of HIRANYA BUILDERS PRIVATE LIMITED (HBPL). The outlook is '**Stable**'.

The rating reaffirmation reflects the review of the rating based on the information available on public domain.

Udipi based Hiranya Builders Private Limited (HBPL) was incorporated in 2009 as a private limited company at Manipal, Karnataka. The company is engaged in hotel and real estate business. It has built a four star hotel at Udipi Karnataka named 'Country inn & suites'. The hotel has been in operation since 2016. The hotel consists of 54 rooms, 2 restaurants, 1 bar, 1 banquet hall, swimming pool and 3 conference rooms and other amenities. In addition the company also completed a residential layout project of 95 plots and out of which 3 plots are yet to be sold.

Analytical Approach

Acuité has considered standalone business and financial risk profile of HBPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The company was established in 2012 and has operational track of around a decade. The company is managed by Mr. Raghupathi Bhat, Managing Director, having an experience of more than two decades in similar line of business. The total operating income of the company improving Y-o-Y during the review period. The total operating income has increased from Rs. 8.30 crore in FY17 to Rs. 11.13 crore in FY19.

Weaknesses

- **Weak financial risk profile**

HBPL's financial risk profile is weak, marked by a modest networth, high gearing (debt-to-equity), and modest debt protection measures. HBPL's networth has remained modest at around Rs.6.53 crores as on March 31, 2019. The debt equity ratio of the company stood at 2.82 times in FY2019 when compared to 2.66 in FY2018 due to increase in the higher utilization of working capital limits. Interest coverage ratio improved from 0.44 times in FY2018 to 1.45 times in FY2019 due to increase in EBITDA and decrease in interest expense. The debt service coverage ratio is weak and below unity and stood at 0.76 times in FY2019 when compared to 0.23 times in FY2018. The TOL/TNW ratio stood at 3.18 times in FY2018 when compared to 2.85 times in FY2018.

Further, the company has high repayments for coming years as against modest cash accruals. The company generates cash accruals of Rs.0.88 crore for FY2019 as against repayment of Rs.1.84 crore for the same period. The cash accruals are expected to remain in the range of Rs.1.40 to Rs.2.00 crore as against repayment of Rs.1.84 crore for next three years. Acuité believes the company's ability to generate sufficient cash accruals to match the repayments will remain a key monitorable.

- **Modest scale of operations and losses during the review period**

The scale of operations of the company has remained modest. The total operating income stood at Rs. 11.13 crore in FY2019 as against Rs. 9.68 crore in the previous year. The operating margins stood at 28.61 per cent for FY2019 as against 9.98 per cent in the previous year. Further, the company has reported losses during the period. The company has reported a net loss of Rs. 1.15 crore in FY2019 as against Rs. 3.64 crore in FY2018.

Rating Sensitivity factors:

- Substantial and sustained growth in revenues
- Any further decline in cash accruals leading to further mismatch with repayments

Material Covenants: None

Liquidity Position: Weak

Company has weak liquidity marked by weak net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.88 crore in FY2019, while its maturing debt obligations were in the range of Rs.1.84 crore over the same period. The cash accruals of the company are estimated to remain around Rs. 1.50-2.00 crore against its maturing debt obligations in the range of Rs.1.84 crore. The company's current ratio stood at 0.70 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of debt repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on HBPL will remain 'Stable' over the medium term on back of the experience of management. The outlook maybe revised to 'Positive' in case of sustained increase in operating income and profitability. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in margins leading to low cash accruals as against its maturing debt.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	11.13	9.68
PAT	Rs. Cr.	(1.15)	(3.64)
PAT Margin	(%)	(10.31)	(37.54)
Total Debt/Tangible NetWorth	Times	3.18	2.85
PBDIT/Interest	Times	1.45	0.44

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

None

Any other information

None

Applicable Criteria

- Entities in Service Sector: <http://acuite.in/view-rating-criteria-8.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
12-Dec-19	Term Loan	Long Term	11.15	ACUITE B- / Stable (Assigned)
	Over Draft	Long Term	3.00	ACUITE B- / Stable (Assigned)
	Proposed bank facility	Long Term	3.35	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 Loan	November 2016	Not Applicable	December 2024	11.15	ACUITE B-/Stable (Reaffirmed)
Over Draft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B-/Stable (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	3.35	ACUITE B-/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-4929041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Bhavani Nagidi Rating Analyst - Rating Operations Tel: 040-40042327 nagidi.bhavani@acuite.in	

About Acuité Ratings & Research:

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