

Press Release

Hiranya Builders Private Limited

July 20, 2021



Rating Withdrawn

| | |
|-------------------------------------|--------------------------|
| Total Bank Facilities Rated* | Rs.17.50 Cr. |
| Long Term Rating | ACUITE B- (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs.17.50 crore bank facilities of Hiranya Builders Private Limited (HBPL).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 rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from banker.

About the company

Udipi based Hiranya Builders Private Limited (HBPL) was incorporated in the year 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'. Its construction started in the year 2013 and operations started from April 2016. The hotel consists of 54 rooms, 2 restaurants, 1 bar, 1 banquet hall, swimming pool and 3 conference rooms and other amenities.

Analytical Approach

Acuité has considered the 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. Acuité believes that the company will continue to sustain its existing business profile on the back of experienced management.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of the company has remained weak with modest networth, high gearing and weak debt protection metrics. The networth of the company stood at Rs.4.34 Cr and Rs.5.86 Cr as on March 31, 2021 (Provisional) and 2020 respectively. The eroded networth is on account of losses incurred during the year FY2021. Gearing stood at 3.80 times and 2.92 times as on March 31, 2021 (Provisional) and 2020 respectively. The debt protection metrics Interest Coverage Ratio and Debt Service Coverage Ratio stood below unity at 0.98 times and 0.41 times respectively as on March 31, 2021 (Provisional) as against 1.60 times and 0.79 times as on March 31, 2020 respectively. TOL/TNW stood at 4.37 times and 3.41 times as on March 31, 2021 (Provisional) and 2020 respectively.

- **Decline in revenues and losses during the review period due to Covid-19**

The scale of operations of the company has remained modest and declined owing to impact of Covid-19. The revenues of the company stood at Rs.7.49 Cr in FY2021 (Provisional) as against Rs.12.27 Cr in FY2020. The EBITDA margin stood at 21.90 percent in FY2021 (Provisional) as against 25.05 percent in FY2020. The net profit margin stood at (20.29) percent in FY2021 (Provisional) as against (5.48) percent in FY2020.

Rating Sensitivities

- Any decline in revenue and profitability
- Any further decline in cash accruals leading to further mismatch with repayments

Liquidity Position: Weak

The liquidity position of the company has remained weak with negative cash accruals to service debt obligations. The negative net cash accruals are on account of losses during the period due to Covid-19 impact. The company generated Rs. (0.04) Cr cash accruals in FY2021 (Provisional) as against the repayment of Rs.2.37 Cr for the same period. The company has opted for six months moratorium benefit and the term loan payments are auto debited from the OD account. 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: Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY21 (Provisional) | FY20 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 7.49 | 12.27 |
| PAT | Rs. Cr. | (1.52) | (0.67) |
| PAT Margin | (%) | (20.29) | (5.48) |
| Total Debt/Tangible Net Worth | Times | 3.80 | 2.92 |
| PBDIT/Interest | Times | 0.98 | 1.60 |

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

ICRA Ratings, vide its press release dated April 29, 2020 had denoted the rating of Hiranya Builders Private Limited as 'ICRA D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Brickwork Ratings, vide its press release dated December 22, 2020 had denoted the rating of Hiranya Builders Private Limited as 'ICRA D; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any Material Covenants

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount(Rs. Cr) | Ratings/Outlook |
|-------------|---------------------------------|-----------|----------------|-------------------------------|
| 12-May-2020 | Term Loan | Long Term | 11.15 | ACUITE B-/Stable (Reaffirmed) |
| | Over Draft | Long Term | 3.00 | ACUITE B-/Stable (Reaffirmed) |
| | Proposed bank facility | Long Term | 3.35 | ACUITE B-/Stable (Reaffirmed) |
| | Term Loan | Long Term | 11.15 | ACUITE B-/Stable (Assigned) |

| | | | | |
|-------------|------------------------|-----------|------|-----------------------------|
| 12-Dec-2019 | 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 | Nov 2016 | Not Available | Dec 2024 | 11.15 | ACUITE B- (Withdrawn) |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE B- (Withdrawn) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 3.35 | ACUITE B- (Withdrawn) |

Contacts

| Analytical | Rating Desk |
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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,446 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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