

Press Release

SBR Recreations

November 20, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.8.40 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of **'ACUITE B-' (read as ACUITE B minus)** on the Rs.8.40 crore bank facilities of SBR Recreations (SBRR). The outlook is **'Stable'**.

About the Firm

Gujarat-based, SBRR was established as a partnership firm in 2019. The firm is planning to set up entertainment zone with gaming zone including cafeteria at Ahmedabad, Gujarat. The proposed entertainment zone will provide common services like Children play area, Garden, Indoor and Outdoor Sport Zone, Soft play zone, etc. Mrs. Mayurikaben Ramanlal Patel, Mrs. Fizu Maunang Patel and Mrs. Komal Priyesh Patel are the partners of the firm.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management**

SBRR, established in 2019, is promoted by Mrs. Mayurikaben Ramanlal Patel, Mrs. Fizu Maunang Patel and Mrs. Komal Priyesh Patel. Mr. Maunang Patel and Mr. Priyesh Patel manage marketing and finance departments.

Acuite believes that partners' experience is expected to support its business risk profile over the medium term; however, operations are expected to remain impacted in FY2021 due to the outbreak of COVID – 19.

Weaknesses

- Project implementation risk**

The total cost of the project is Rs.11.67 Cr out of which Rs.3.27 Cr is promoter's contribution and Rs.8.40 Cr is the Term Loan from Bank. The project construction started in December, 2019 and the commercial operations were expected to commence by the end of May, 2020. But, due to the global outbreak of COVID-19, there was a shift in DCCO (Date of Commencement of Commercial Operations) and the commercial operations are now expected to commence by April, 2021. Because of the global outbreak of COVID-19, the operations were disrupted and due to lack of labor availability, the construction had also stopped.

Acuite believes that the ability of the firm to complete the project on time as per the revised DCCO and then to generate healthy cash flows after the commencement of the commercial operations in order to service the debt obligations in a timely manner will be a key rating sensitivity factor.

- Risk of withdrawal associated with partnership nature**

SBRR was established as a partnership firm in December, 2019. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

Rating Sensitivities

- Ability to complete the project on time and generate healthy cash flows after the commencement of commercial operations in order to service debt obligations.

Material Covenants

None

Liquidity: Stretched

SBRR has stretched liquidity as reflected by negative cash accruals of Rs. (0.18) Cr in FY2020 (Provisional) against nil repayment obligations. The firm has reported low unencumbered cash and bank balance of Rs.0.01 Cr as on 31st March, 2020 (Provisional). As per the original Date of Commencement of Commercial Operations (DCCO), the moratorium for principal repayment of term loans was supposed to start in April, 2020 and the repayments were supposed to start from October, 2020. But, due to shift of DCCO, the moratorium has further extended for 6 months from September, 2020 and the repayment now will start from April, 2021.

Acuite believes that the liquidity of the firm is expected to be stretched over the medium term on account of modest net worth and moderate net cash accruals. Further, the ability of the firm to complete the project on time as per the revised DCCO and then to generate healthy cash flows after the commencement of the commercial operations in order to service the debt obligations in a timely manner will be a key rating sensitivity factor.

Outlook: Stable

Acuite believes that SBRR will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position when the operations commence. Conversely, the outlook may be revised to 'Negative' in case the firm delays the commencement of commercial operations leading to inability to generate adequate cash flows or if the firm registers lower-than-expected growth in revenues & profitability, deterioration in the firm's financial risk profile and significant elongation in working capital cycle after the commencement of commercial operations.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY2019 (Actual)
Operating Income	Rs. Cr.	0.00	-
PAT	Rs. Cr.	(0.18)	-
PAT Margin	(%)	0.00	-
Total Debt/Tangible Net Worth	Times	3.08	-
PBDIT/Interest	Times	(0.06)	-

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

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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 Loan	19-12-19	11.80%	Sep-27	8.40	ACUITE B-/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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