

Press Release

PKH Ventures Limited (Erstwhile P K Hospitality Services Private Lin

January 17, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.88	ACUITE BB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	74.12	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	105.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.105.00 Cr. bank facilities of PKH VENTURES LIMITED (PKHVL).

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account of the improvement in the operating income of the company,

The rating also draws comfort from experienced promoter and the company's long track record in the industry. These strengths are however, offset by the working capital intensive in nature of operations along with average financial risk profile.

About the Company

P K H Ventures Limited (PKHVL) was established in March 2000, promoted by Mr. Pravin Kumar Agarwal and Mr. Vijay Shinde Kashinath to carry on business of hospitality services. The company has a wide range of fine dining restaurants, take-away food kiosks, quick service restaurants (QSR), pubs, airport lounges and hotels. The company is also involved in trading and warehousing of food grains & pulses, providing infrastructure services, engaged in contract of user fee collection and has built a food processing plant to manufacture pulp, paste, sausages and chutneys. The registered office of the company is in Mumbai.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PKHVL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

PKHVL benefits from its experienced management. PKHVL was incorporated in 2000 and its current Directors, Mr. Pravin Kumar Agarwal and Mr. Vijay Shinde Kashinath have around two decades of experience in the hospitality industry. The company primarily owns and operates 2 hotels in Mumbai, 1 resort in Goa and 10 restaurants & food kiosks across India. Acuité believes that the experience of the promoters will continue to support the company's growth plans going forward.

Average financial risk profile

PKHVL's average financial risk profile is marked by healthy net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth has increased to Rs. 112.82 Cr. as on 31st March 2022 as compared to Rs.107.42 Cr as on 31st March 2021 due to accretion of reserves. The gearing of the company stood at 0.33 times as on 31st March 2022 as compared to 0.28 times as on 31st March 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.49 times as on 31st March 2022 as against 0.48 times as on 31st March 2021. The debt protection metrics of the company marked by comfortable Interest Coverage Ratio (ICR) at 2.61 times as on 31st March 2022 as compared to 6.48 times as on 31st March 2021 but moderate Debt Service Coverage Ratio at 1.23 times as on 31st March 2022 as compared to 3.20 times as on 31st March 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.18 times as on 31st March 2022. Acuité believes that financial risk profile is expected to be remain average over the medium term in absence of major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 224 as on 31st March 2022 as compared to 89 days of 31st March 2021 due to significantly changes in high other current asset which consists of other deposit, prepaid expenses material on loans etc. However, the debtor days stood comfortable at 43 days as on 31st March 2022 as compared to 08 days as on 31st March 2021. The inventory period stood relatively low at 05 days as on 31st March 2022 as compared to 03 days 31st March 2021 respectively. Acuité believes that the working capital management of PKHVL's will remain intensive given the nature of the industry.

Cyclical nature of the hotel industry

The company is exposed to inherent cyclical nature of the hotel industry. Acuité believes the success of the company will be dependent upon its ability to excel in areas such as room rates, quality of accommodation, service level and convenience of location and the quality and scope of other amenities, including food and beverage facilities after the completion of the project.

Rating Sensitivities

None

Material covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.6.75 Cr as on 31st March 2022 as against Rs. 4.81 Cr. long-term debt repayment during the same period. The current ratio stood at 1.52 times as on 31st March 2022, as compared to 0.88 times as on 31st March 2021. The cash and bank balances stood at Rs. 0.52 Cr. 31st March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 224 days as on 31st March 2022 as compared to 89 days as on 31st March 2021, due to high other current asset. Acuite believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	76.82	120.96
PAT	Rs. Cr.	5.36	11.78
PAT Margin	(%)	6.97	9.74
Total Debt/Tangible Net Worth	Times	0.33	0.28
PBDIT/Interest	Times	2.61	6.48

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

Crisil vide its press release dated 22.2.022, had rated the company to Crisil B+/A4; INC.

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
	Cash Credit	Long Term	16.60	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.12	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	6.45	ACUITE BB- (Downgraded and Issuer not co-operating*)

15 Sep 2022	Term Loan	Long Term	2.26	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.57	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	65.00	ACUITE A4+ (Issuer not co-operating*)
18 Jun 2021	Bank Guarantee	Short Term	1.12	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	5.57	ACUITE BB (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.26	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	65.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	6.45	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	16.60	ACUITE BB (Downgraded and Issuer not co-operating*)
02 Apr 2020	Term Loan	Long Term	2.26	ACUITE BB+ Stable (Downgraded from ACUITE BBB-)
	Term Loan	Long Term	5.57	ACUITE BB+ Stable (Downgraded from ACUITE BBB-)
	Cash Credit	Long Term	16.60	ACUITE BB+ Stable (Downgraded from ACUITE BBB-)
	Bank Guarantee	Short Term	1.12	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Facility	Short Term	65.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Term Loan	Long Term	6.45	ACUITE BB+ Stable (Downgraded from ACUITE BBB-)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Downgraded from ACUITE A3)
25 Feb 2020	Cash Credit	Long Term	16.60	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	2.26	ACUITE BBB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Issuer not co-operating*)
	Term Loan	Long Term	6.45	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	5.57	ACUITE BBB- (Issuer not co-operating*)
			Short	
	Bank Guarantee	Term	1.12	ACUITE A3 (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	65.00	ACUITE A3 (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4+ Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.12	ACUITE A4+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.60	ACUITE BB- Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	65.00	ACUITE A4+ Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.26	ACUITE BB- Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.57	ACUITE BB- Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.45	ACUITE BB- Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Abhishek Singh Analyst-Rating Operations Tel: 022-49294065 abhishek.s@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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