



Press Release
ARAHA HOSPITALITY PRIVATE LIMITED
January 23, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	109.20	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	4.80	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	114.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs.109.20 crore and short-term rating of 'ACUITE A3'(read as ACUITE A three) on the Rs. 4.80 Cr. bank facilities of Araha Hospitality Private Limited. The outlook is 'Stable'.

Rationale for rating

The rating takes into cognizance long track record of operations, increasing revenues and operating profitability, average financial risk profile and adequate liquidity; however, these strengths are partly offset by intensive working capital.

About the Company

West Bengal – Based, Araha Hospitality Private Limited erstwhile Jayanta Kumar Ghosh Outdoor Catering Private Limited was incorporated in 2014. The company is engaged in food catering services for IRCTC and also provides food plazas catering services to a few railway stations. The directors of the company are Mr. Amar Thakkar and Mr. Bhupendra M Thakkar.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Araha Hospitality Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters

The operations of the company are managed by Mr. Amar Thakkar and Mr. Bhupendra M Thakkar. Initially, Mr. Amar Thakkar started his career in the catering business, he had joined as a working partner for a catering firm for IRCTC. After gaining experience over the years, he started his own venture. The company already has a healthy portfolio of trains to which it provides catering services and presence across stations where it operates food plazas. Acuite believes that the experience of the promoters will leverage and benefit the company going forward.

Steady increase in Revenues and operating profitability

The revenues of the company have increased to Rs. 189.55 Cr. as on March 31, 2024 as compared to Rs. 139.37

Cr. as on March 31, 2023 due to increase in the number of trains (both short duration and long duration) being catered as well as their contractual timelines . Additionally, the company also provides catering services on the static units i. e Food Plazas on the stations. The operating profitability have increased to 7.90 percent as on March 31, 2024 as compared to 6.07 percent as on March 31, 2023. This has been a result of improving absorption of

employee and administrative costs for the Company. Acuite believes that the company's scale of operations and profitability is expected to steadily increase with the increase in the number of trains to be catered over the medium term.

Weaknesses

Average Financial Risk profile with leveraged capital structure

The financial risk profile of the company average marked by comfortable net worth, moderate gearing and comfortable debt protection metrics. The adjusted tangible net worth stood at Rs. 41.25 Cr. as on March 31, 2024 as compared to Rs. 32.41 Cr. as on March 31, 2023 due to accretion of reserves. Acuite has considered unsecured loans of Rs. 20.23 Cr. as on March 31, 2024 as compared to Rs. 18.06 Cr. as on March 31, 2023 as quasi equity since these are interest free and are sub-ordinated to bank loans. Adjusted Gearing stood at 2.16 times as on March 31, 2024 compared to 1.68 times in FY2023 this has largely been due to large debt funded working capital requirements of the company. The short term debt of the company increased to Rs. 80.07 Cr. as on March 31, 2024 as compared to Rs. 45.88 Cr. as on March 31, 2023. The interest coverage ratio stood at 2.12 times as on March 31, 2024 compared to 2.77 times as on March 31, 2023. The debt service coverage ratio stood stable at 1.42 times as on March 31, 2024 as compared to 1.74 times as on March 31, 2023. The TOL/TNW stood at 2.62 times as on March 31, 2024 as compared to 2.31 times as on March 31, 2023. Acuite believes that the company's financial risk profile will improve over the medium term backed by steady cash accruals and absence of any debt funded capex plans albeit constrained by dependence of short term working capital borrowings.

Intensive working capital cycle

The operations of the company have an intensive working capital requirement as reflected from Gross Current Assets of 193 days as on March 31, 2024 compared to 203 days as on March 31, 2023. The inventory days stood at 29 days as on March 31, 2024 as compared to 16 days as on March 31, 2023. The debtor days stood at 78 days as on March 31, 2024 as compared to 94 days as on March 31, 2023. The other current assets amount to Rs. 43.21 Cr. as on March 31, 2024 as compared to Rs. 34.21 Cr. as on March 31, 2023 largely in the form of advances provided to suppliers. The creditor days stood at 37 days as on March 31, 2024 compared to 68 days as on March 31, 2023 largely because the food vendors of the company provides supplies on cash and carry model with limited credit. Acuite believes that working capital requirements are expected to remain intensive over the near to medium term due to the nature of business.

Rating Sensitivities

Movement in revenues and operating profitability

Working capital cycle

Improvement in the capital structure

Liquidity Position

Adequate

The liquidity is adequate marked by steady net cash accruals of Rs. 6.61 Cr. as on March 31, 2024 as against long term debt repayment of Rs. 2.27 Cr. over the same period. The cash and bank balances stood at Rs. 2.42 Cr. as on March 31, 2024 as compared to Rs. 1.26 Cr. as on March 31, 2023. The current ratio stood stable at 0.99 times as on March 31, 2024 as compared to 1.13 times as on March 31, 2023. The fund-based utilization for six months ended, October 2024 is 90%. Acuite believes that going forward the liquidity position of the company will remain adequate in the near to medium term backed by steady cash accruals, moderate current ratio, financial flexibility of promoters to infuse funds in business, absence of debt funded capex plans albeit a large debt funded working capital cycle.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	189.55	139.37
PAT	Rs. Cr.	6.30	4.22
PAT Margin	(%)	3.32	3.03
Total Debt/Tangible Net Worth	Times	2.16	1.68
PBDIT/Interest	Times	2.12	2.77

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, Acuité 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:Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.80	Simple	ACUITE A3 Assigned
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	34.70	Simple	ACUITE BBB- Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.50	Simple	ACUITE BBB- Stable Assigned
RBL Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB- Stable Assigned

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