



Rating Rationale

ACCIL Corporation Private Limited

30 Jan 2018

Brickwork Ratings assigns long term rating for the bank loan facilities aggregating Rs. 306.31 Crores of ACCIL Corporation Private Limited (ACPL or ‘the Company’).

Particulars

Facilities	Limits (Rs Crs)	Tenure	Rating
Fund Based: Term Loans	306.31	Long Term	BWR B – [Pronounced B Minus] (Outlook: Stable)
Total Rated Limits	306.31	INR Three Hundred and Six Crores & Thirty One Lakhs Only	

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Long Term Rating assigned to BWR B – (Stable outlook).

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company’s audited financial results upto FY17, projected financials up to FY20, publicly available information and clarifications provided by the Company.

The rating, inter-alia, factors in the strategic location of the hotel operated by ACCIL Corporation Pvt. Ltd. (ACPL or ‘the Company’) in Jaipur, improvement in operational performance considering significant increase in the hotel’s occupancy levels during FY17, successful implementation of restructuring scheme approved by majority of the consortium of lenders with lower interest rates and elongated repayment schedule, private equity investment in the company and secured mechanism in place for the next one year by way of Debt Service Reserve Account (DSRA) for servicing interest payment as and when due. BWR also takes note of the classification of its accounts under standard asset as confirmed by the lender viz. Corporation Bank.

While the company faced liquidity issues in the past three years owing to heavy expenditure on fixed assets and resultant debt repayment obligations, the consortium of lenders have undertaken a restructuring of the term loans in FY18, with reduction in interest rates and elongation in the period of repayment up to 25 years, thereby providing relief to the Company in minimizing the repayment obligation during the initial period of 5 years.



Key Rating Drivers

Credit Strengths:

Strategical location of the hotel: The Company has set up a 5-star deluxe hotel, located in the heart of Jaipur city. The hotel is operated with a name of “Holiday Inn” located at Sardar Patel Marg, Jaipur, close to the Secretariat area. It has entered into management agreement with InterContinental Hotels Group (Asia Pacific) Pte. Ltd. (IHG) for the management of the hotel for a period of 10 years.

Improvement in operational performance: ACPL has shown improvement in its operational performance considering significant increase in the hotel’s occupancy levels from 65.96% to 80.40% during FY17. Total Operating Income increased significantly by 19% during FY17. The management has made efforts to de-risk its revenue concentration risks through opening up an open lawn adjacent to the hotel which would add up to its total operating income with higher profitability margins. It has also proposed for a roof-top banquet hall and other expansion plans out of the contribution received from the investor which would further add to the operating income.

Successful restructuring of its existing bank loan facilities: Majority of the lenders (73.33% by value and 60% by numbers) approved of the restructuring scheme (by sanctioning of a fresh term loan plus FITL to repay earlier term loans with revised repayment schedule elongated upto 25 years and lower interest rates along with DSRA maintained). The cumulative repayment (principal and interest) to be paid as per the revised repayment schedule.

Private Equity investment in the Company along with DSRA creation: The Company has received private equity investment from Dubai based firm. The investment was made for the purpose of DSRA creation and proposed capex.

Credit Weaknesses

Below average financial risk profile: The Company incurred losses on account of high interest cost burden over the past three years. The financial risk profile was weak, as reflected in the FY17 audited financials. However, this position has largely been mitigated with the consortium of lenders undertaking the restructuring of its loan repayment obligations in FY18. Even if the Company is not in a position to generate adequate cash surplus in the initial years, the promoters’ contribution brought in as DSRA would be utilized to honour the repayment obligations in the short term.

Stretched liquidity position of ACCIL Group: ACPL belongs to promoters who have also promoted the other company in the group viz, Asian Colour Coated Ispat Limited. While the group company is under financial stress, it is not likely to have an adverse impact on ACPL by virtue of it being a part of the same group.

Competition from other hotels located in Jaipur: The Company faces competition from other established hotels in Jaipur, besides being subjected to risks associated with seasonal fluctuations inherent to the hospitality industry.



Analytical Approach

BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes **ACCIL Corporation Private Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company maintain its operational performance, generate adequate cash accruals to meet its debt obligation and improve its total operating income & profitability over the medium term. The rating outlook may be revised to 'Negative' if the financial risk profile is further deteriorated, reports cash losses and show lower total operating income than expected figures.

About the Company

ACPL was originally incorporated as Benzer Agencies Limited in the year 1991 and later acquired by Mr. Pradeep Aggarwal & Mr. Vikas Aggarwal (Promoters of ACCIL Group), for developing a 5-star deluxe hotel project at Jaipur, Rajasthan. The hotel became fully operational since June 2014. ACPL has entered into management agreement with InterContinental Hotels Group (Asia Pacific) Pte Ltd (IHG) for the management of the hotel for a period of 10 years from the date that the hotel first commences business under "Holiday Inn" brand.

Company Financial Performance

The Company has reported a total operating income of Rs. 33.60 Crs in FY17 as against Rs. 28.24 Crs in FY16. It has reported a net loss of Rs. 34.94 Crs during FY17 as against Rs. 58.82 Crs during FY16. As on 31st March 2017, it has reported a tangible net worth of Rs. 124.56 Crs against Rs. 133.58 Crs as on 31st March 2016.

Key financial indicators are summarized below.

Particulars	FY16 (A)	FY17 (A)
Total Operating Income (Rs. Crs)	28.24	33.60
EBITDA (Rs. Crs)	5.79	8.36
PAT (Rs. Crs)	-58.82	34.94
Total Tangible Networkth (Rs. Crs)	133.58	124.56
Gearing (TOL/TNW) Ratio (times)	2.08	2.23
ISCR (times)	0.14	0.22



Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Facility	Current Rating (FY2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016	FY2015*
1	Fund Based Term Loans	Long Term	306.31	BWR B – (Outlook Stable)	N.A.	N.A.	N.A.
Total			306.31	INR Three Hundred & Six Crores and Thirty One Lakhs Only.			

*FY refers to the period from 1st April to 31st March

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Services Sector](#)
- [Approach to Financial Ratios](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.