



## Rating Rationale

### ASV Hotels & Properties Developers

20 Dec 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.77 Crores of ASV Hotels & Properties Developers.**

## Particulars

Facility (Fund Based)	Amount (₹ Crs)	Tenure	Rating*
Term Loan*	5.77	Long Term	<b>BWR B</b> (Pronounced as BWR Single B) Outlook: <u>Stable</u>
<b>Total</b>	<b>5.77</b>	<b>INR Five Crores and Seventy Seven Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\* O/s amount of INR 4.12 crores out of disbursed amount of INR 4.35 crores; Undisbursed amount of INR 1.65 crores (Sanctioned INR 6.00 crores)

## Rationale/Description of Key Rating Drivers/Rating sensitivities

Brickwork Ratings has principally relied upon the the audited financial results upto FY 2018, projections upto FY 2021, publicly available information and information/clarifications provided by the management team of the firm.

The rating has factored, inter-alia, experience of the partners, locational advantage of the proposed hotel being in the capital city of Uttar Pradesh and in close proximity to the lucknow railway station. However, the rating is constrained by the nascent stage of operations and highly competitive industry.

Going forward, ability of the firm to execute its project on time, achieve its targeted revenue and to manage its capital structure will be the key rating sensitivities.

## Credit Strengths

- ➔ **Experience of the partners:** The firm consists of six partners of which three partners carry rich experience of the business of construction of hotel and development of properties
- ➔ **Locational Advantage:** The hotel under-construction enjoys the advantage of being in the capital of Uttar Pradesh and is near to the Charbagh Railway Station, Lucknow and thus it is expected to generate a good revenue.



## **Credit Weaknesses**

- **Nascent stage of operations:** The firm is constructing the hotel which will be expected to be completed in November 2019.
- **Highly competitive industry:** The hospitality industry is intensely competitive so the firm may face cut throat competition from other established players.

## **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## **Rating Outlook: Stable**

BWR believes the **ASV Hotels & Properties Developers** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## **About the Firm**

ASV Hotels & Properties Developers was constituted as a partnership firm on 20th of July 2012 having six partners, with the main objective of engaging in the hotel constructing and property developing business. The firm is constructing a hotel in Lucknow, Uttar Pradesh. The starting date of the construction of the hotel was November 2014 and the tentative completion date will be November 2019. The firm has joined hands with Unique Mercantile India Pvt Ltd and as per the agreement with Unique, ASV will construct the hotel and the interiors will be taken care by Unique which will operate the hotel as well under the name of Howard Johnson, a world famous brand of hotel by Wyndham Group. ASV will get 15% share of the revenue from the hotel.

## **Project Details**

The total cost of the project is INR 35.00 crores of which INR 12.00 crores is the cost of constructing the hotel building which will be borne by ASV. There has been escalation in the cost due to delay in executing the project and as a result ASV will have to contribute INR 12.00 as against the original estimate of INR 9.50 crores. The cost of interiors of the hotel is INR 23.00 crores which will be borne by Unique Mercantile. ASV has been sanctioned with a Term Loan of INR 6.00 crores by Allahabad Bank and an amount of INR 4.35 crores has been disbursed till now. The firm is expecting to complete the project by November 2019 and commencement of operations of the hotel will take place after that.

### Company Financial Performance

Key Parameters	Units	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Result Type		Audited	Audited	Proj.	Proj.	Proj.
Operating Revenue	₹ Cr	NA	NA	2.05	2.49	2.67
EBITDA	₹ Cr	-0.09	-0.03	2.01	2.44	2.61
PAT	₹ Cr	-0.09	-0.04	0.14	0.70	1.08
Tangible Net worth	₹ Cr	2.72	3.35	3.64	4.33	5.41
TOL/TNW	Times	2.10	1.63	1.78	1.18	0.63
Current Ratio	Times	0.06	0.08	1.19	1.39	1.54

### Rating History for the last three years

S.No	Facility	Current Rating (Dec 2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Term Loan*	Long Term	5.77	<b>BWR B Outlook: <u>Stable</u></b>	NA	NA	NA
	<b>Total</b>		<b>5.77</b>	<b>₹ Five Crores and Seventy Seven Lakhs Only</b>			

\* O/s amount of INR 4.12 crores out of disbursed amount of INR 4.35 crores; Undisbursed amount of INR 1.65 crores (Sanctioned INR 6.00 crores)

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

Any other information: NA

### Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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