

Rating Rationale

Brickwork Ratings assigns ‘BWR BB’ & ‘BWR A4’ for the Bank Loan Facilities aggregating ₹ 11.49 Cr of Aasharya Hotels & Estates Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating**¹ for the Bank Loan Facilities aggregating ₹11.49 Cr of Aasharya Hotels & Estates Pvt Ltd (“AHEPL or “the Company”)

Bank Facilities	Limits	Tenure	Rating
OD(OMLS Scheme)	3.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable
Term Loan	8.00	Long Term	
Bank Gaurantee	0.49	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	11.49	INR Eleven Crores Forty Nine Lakhs only	

BWR has principally relied upon the Audited Financial results up to FY14, Provisional Financials for FY15, Projection Financials for FY16, publically available information and information / clarifications provided by the firm’s management.

The rating factors the rich experience and professional management of the company in hospitality sector, locational advantage of the hotel, continuous financial support from the holding company (MHRPL), comfortable gearing level, and improving operating profit margins. However, the rating is constrained by high competition in the vicinity, modest level of revenues, and liquidity issues faced by the company in 2014.

Background:

Aasharya Hotels & Estates Private Limited (AHEPL), part of Manjeera Group, based Hyderabad, was incorporated in the year 1997. It is a closely held company, promoted by Manjeera Hotels & Resorts Pvt Ltd (MHRPL) and Mr. Shyam Sundar Goud. AHEPL is engaged in hospitality business and operating as a “Three star hotel” at Ammerpet, Hyderabad. AHEPL has a business tie ups with the online booking sites like Experia.com, Booking.com & Make My Trip and other local travel agents, contributing 35% of its total bookings. AHEPL has in total 92 rooms, 2 banquet halls and a Minibar with Restaurant.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Ownership & Management:

AHEPL is a Subsidiary of Manjeera Hotels & Resorts Private Limited (MHRPL) with 75% shares and 25% shares held with Mr. Shyam Sunder Goud. Mr. Yoagananda is the key promoter of the company and also the Chairman of the Manjeera Group. Mr. D Kiran Kumar and Mr. M V Sudarsan are the other directors of the company.

Financial Performance:

The company has submitted provisional financial statements for FY15. Net Revenue from Operations of the Company has increased from ₹ 6.40Cr in FY 14 to ₹6.69 Cr in FY 15, with PAT at ₹ 0.73 Cr (loss of Rs.0.10 Cr in FY14) . Occupancy rate was around 80%. AHEPL's net worth stood at ₹ 7.44Cr as of March 31, 2015. It has both term loan and working capital facilities from Oriental Bank of Commerce. The recent term loan is for the minor capex program for its interiors and furniture. Its total debt: equity ratio was low at 0.66x as at March 31, 2015. This ratio would come down further, if the Unsecured Loan from the promoters amounting to ~Rs.2.20 Cr were to be treated as quasi-equity.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, ability of the company to improve occupancy rates and/or Average Revenue per Room, and thereby improve profitability shall remain the key rating sensitivities.

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