Rating Rationale

Aashraya Hotels & Estates Private Limited

23rd January 2018

Brickwork Ratings reaffirms the ratings 'BWR BB (Outlook: Stable)/A4' for the Bank Loan Facilities of Rs. 9.08 Crore of Aashraya Hotels & Estates Private Limited

Particulars

Facilities Rated	Amount (Rs. Crs)		Tenure	Ratings*	
	Previous	Present		Previous	Present
Fund Based Overdraft Term Loan	3.00 7.03	3.00 5.86#	Long Term	**BWR BB** *(Pronounced BWR Double B)* **Outlook: Stable**	**BWR BB** *(Pronounced BWR Double B)* **Outlook: Stable** Reaffirmed
Non Fund Based Bank Guarantee	0.49	0.22	Short Term	**BWR A4** *(Pronounced BWR A Four)*	**BWR A4** *(Pronounced BWR A Four)* Reaffirmed
Total	**10.52**	**Rs. 9.08 Crore (Rupees. Nine Crore Eight Lakh Only)**			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Term Loan outstanding as on 10th January 2018
Complete details of Bank facilities is provided in Annexure-I

Rating Reaffirmed: Brickwork Ratings reaffirms the Long Term rating of *BWR BB (Outlook: Stable)* and Short Term rating of *BWR A4* for the Bank Loan facilities of Rs. 9.08 crore of Aashraya Hotels & Estates Private Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the company's management.

The rating continues to factor the experience of management in Hotels & Hospitality industry, established business operations, locational advantage of the hotel and implicit support from Hyderabad based Manjeera Group. However, the rating continues to be constrained by susceptibility of AHEPL's revenue to intense competition, cyclicality nature and inherent risks associated with hospitality sector and working capital intensive nature of operations.

Going forward, ability of the company to improve its occupancy levels and Average Room Rent (ARR) to increase its revenue and profitability, to extend its geographical reach, to strengthen its financial profile and to manage its working capital efficiently will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that **Aashraya Hotels & Estates Private Limited's (**'AHEPL' or 'the company') 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.

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).

Key Rating drivers

Credit Strengths

- **Experienced management:** The management of Aashraya Hotels & Estates Private Limited has more than two decades of experience in Hotels & Hospitality industry.
- **Group support:** AHEPL receive implicit support from parent company 'Manjeera Hotels & Resorts Private Limited' who own *Radisson (Five Star Hotel at Gachibowli)* and *Aditya Park (Three Star Business Hotel at Ameerpet)*.
- **Business operations & Locational advantage:** AHEPL has been creating a strong brand value in the business hotel segment and locational advantage of the hotel as evidenced from occupancy rate of around 85% throughout the year and strong recommendation ratings verified from online travel portals.

Credit Weaknesses

- **Susceptibility of Revenue:** The performance of Hotels & Hospitality industry remains highly susceptible to the economic cycles, which is likely to cause volatility in the profitability and cash flows.
- High working capital requirement of the business.

About the Company

Aashraya Hotels & Estates Private Limited ('AHEPL' or 'the company') was incorporated on 6th January 1997, by M/s. Manjeera Hotels & Resorts Private Limited and Shri. B Shyamsunder Goud, at Hyderabad, Telangana. AHEPL is part of Hyderabad based Manjeera Group. The company operates a 'Three Star' category business hotel in Ameerpet, Hyderabad. The hotel has

92 rooms compression - 4 Junior Suites, 24 Superior Single rooms, 64 Superior Double rooms. The hotel also has two meeting rooms, restaurant, mini bar and cellar parking.

Shri. G Yogananad, Shri. B Shyamsunder, Smt. G Veena and Shri. D Kiran Kumar are the directors of the company.

Financial Performance

AHEPL's net revenue has increased to Rs. 7.61 crore for FY17 from Rs. 7.20 crore for FY16 with net profit of Rs. 0.56 crore for FY17 as against Rs. 0.54 crore for FY16. Tangible net worth was Rs. 8.41 Crore as on 31st March 2017. On a provisional basis, the company reported revenue of around Rs. 5.75 crore in 9MFY18.

Key Financial Parameters

(Rs. Crore)		FY16	FY17
		Audited	Audited
Revenue	Rs. Cr	7.20	7.61
EBIDTA	Rs. Cr	2.47	2.28
Profit After Tax	Rs. Cr	0.54	0.56
Tangible Net worth	Rs. Cr	7.84	8.41
Total Debt : Tangible Net worth	Times	1.46	1.23
Current Ratio	Times	1.99	2.03

Rating History for the last three years

<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Instrument/ Facilities</th><th colspan="3">Current Rating (Year 2018)</th><th colspan="3">Rating History</th></tr>
<tr><th>Type</th><th>Amount (Rs. Cr)</th><th>Ratings</th><th>2017</th><th>2016^ (27th Oct 2016)</th><th>2015^^ (21st July 2015)</th></tr>
<tr><td>1</td><td>Overdraft</td><td rowspan="2">Long Term</td><td>3.00</td><td rowspan="2">BWR BB (Outlook: Stable) Reaffirmed</td><td rowspan="2">-
-</td><td rowspan="2">BWR BB (Outlook: Stable) Reaffirmed</td><td rowspan="2">BWR BB (Outlook: Stable) Assigned</td></tr>
<tr><td>2</td><td>Term Loan</td><td>5.86#</td></tr>
<tr><td>3</td><td>Bank Guarantee</td><td>Short Term</td><td>0.22</td><td>BWR A4 Reaffirmed</td><td>-</td><td>BWR A4 Reaffirmed</td><td>BWR A4 Assigned</td></tr>
<tr><td colspan="3">Total</td><td colspan="5">Rs. 9.08 Crore (Rupees. Nine Crore Eight Lakh Only)</td></tr>
</table>

^Amount Rated: Rs. 10.53 Crore
^^Amount Rated: Rs. 11.49 Crore
Term Loan outstanding as on 10th January 2018

Status of Non-Cooperation with Other CRA: Not Applicable

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Services Sector
- Short Term Debt

Analytical Contacts	Media
K Venkateswara Raju **Head – MSME Ratings** analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.