



Rating Rationale

Aone Enclave

24 April 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 13.50 Crores of Aone Enclave.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based: TL TL Proposed OD Proposed	10.00 2.50 1.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Total	13.50	INR Thirteen Crores Fifty lakhsOnly	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Aone Enclave(AE)Audited Financial Statements from FY16 to FY18 for ease in understanding and comparison. AE has also provided the projected financial statements for FY19 & FY20, publicly available information and information / clarification provided by the AE management.

The ratings assigned to the bank facilities of AE draws strength from extensive experience of the partners,improvement in the industry operating metrics, moderate levels of TNW,comfortable coverage ratios,moderate profitability.

The ratings are however constrained by susceptibility to cyclicity in the hospitality industry,constitution as a partnership firm, marginal increase in the scale of operations, slightly stretched gearing, below average liquidity profile

Going forward the ability of the company to accelerate its scale of operations, maintain its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Extensive experience of the partners: The partners have an experience of over 30 yrs in the industry.

Improvement in the industry operating metrics, with room tariffs witnessing improvement across major cities over the past years: – The Indian hospitality industry, which had experienced a prolonged downturn during FY09 – FY15 because of excess supply in several key markets in India, posted improvement (as measured by Revenue per Available Room or RevPAR) over the past three years. This was driven by improvement in occupancy levels in FY2015–FY2016, as pace of supply additions slowed down across markets amid robust demand growth. Scale up in room occupancy offered some pricing power to the industry, as witnessed by the improvement in Average Room Rates (ARRs), albeit modest, across cities over past two years.

Moderate levels of TNW : Moderate level of TNW with the TNW for FY18 standing at Rs 6.91 Cr in FY18 as compared to Rs 6.45 Cr in FY17.

Comfortable coverage ratios: Comfortable coverage ratios with ISCR level at 4.05x in Fy18 and 4.29x in Fy17 which has declined marginally but still adequate and DSCR which has increased to 1.50x in FY18 as compared to 0.70x in Fy17.

Moderate profitability: Moderate profitability with the OPM and NPM at 21.75% and 13.67% respectively in FY18 and 24.40% & 17.68% respectively in Fy17.

Credit Risks:

Susceptibility to cyclicity in the hospitality industry, and to economic slowdowns-The hospitality industry is susceptible to changes in domestic and international economies. Typically, the industry follows a six-year cycle. During non-peak periods, revenue per available room of premium hotels is likely to be constrained more significantly than that of mid-scale or economy hotels. On the other hand, the cost of operating premium properties remains high even during downward shifts in demand; cash flow from these properties are, therefore, more vulnerable to economic downturns.

Constitution as a partnership firm : This results in an inherent risk of fluctuation of capital on account of the withdrawal of capital by the partners.

Marginal Increase in the scale of operations: There is a marginal increase in the scale of operations with the TOI standing at Rs 4.63 cr in FY18 as compared to rs 4.05 cr in Fy17.

Slightly stretched gearing: Slightly stretched gearing with the Total debt/TNW standing at 1.31x & 1.60x respectively in FY18 & FY17.

Below average liquidity profile: Below average liquidity profile with the current ratio standing at 0.47x in FY18 which has further deteriorated from 0.82x in Fy17.



Liquidity profile: The firm has cash and cash equivalents amounting to Rs 0.30 Cr in FY18. The current ratio of the firm stands at 0.47x in FY18. The firm has cash accruals amounting to Rs 1.02 Cr in FY18 as opposed to a term debt liability of Rs 0.70 cr in FY18.

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 **Aone Enclave** 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 Company

Aone Enclave is a part of A-One group which is a diversified business group having its major business operations situated in Ujjain region of Madhya Pradesh. Founded by Mr. Sayyed Hamid Ali, Mr Sayyed Abid Ali about 30 years ago, the group is engaged in metal trading, hotel & hospitality, bakery products, real estate. Aone Enclave is a partnership firm engaged in hotel & hospitality business under the name Hotel Imperial with 73 fully equipped rooms.

Company Financial Performance

During FY17, the total operating income of AE stood at Rs.4.05 crore (vis-à-vis Rs.4.63 crore in FY18), whereas the PAT during the same year stood at Rs. 0.72 crore (vis-à-vis Rs 0.63 crore in FY18). DSCR stood at 0.70 Times in FY17 as compared to 1.50 Times in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	4.63	4.05
EBITDA	₹ Cr	1.34	1.29
PAT	₹ Cr	0.63	0.72
Tangible Net worth	₹ Cr	6.91	6.45
Total Debt/Tangible Net worth	Times	1.31	1.60
Current Ratio	Times	0.47	0.82



Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	April, 2016
1	Fund Based	Long Term	13.50	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA	NA
	Total		13.50	₹Thirteen Crores Fifty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Hyperlink/Reference to applicable Criteria

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

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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