RATING RATIONALE

29 Nov 2019

Elite India Constructions Private Limited

Brickwork Ratings revises the ratings for the enhanced Bank Loan Facilities of ₹ 18.75 Crores of Elite India Constructions Pvt Ltd

Particulars:

Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2019)	Present
Fund based: **Cash Credit** **Term loan #**	1.50 12.08	5.00 13.75	Long Term	BWR BB Stable Reaffirmation Issuer Non Cooperation; based on best available information	BWR BB- Stable Downgrade
Total	**13.58**	**18.75**	**INR Eighteen Crores and Seventy five Lakhs Only**		

 # Term loan amount outstanding as on 23.10.2019

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities is provided in Annexure - I

RATING ACTION / OUTLOOK

Brickwork Ratings downgrades the ratings of BWR BB Stable Issuer Non Cooperation to BWR BB- Stable for the enhanced bank loan facilities of Rs. 18.75 crs of M/s. Elite India Constructions Pvt Ltd.

BWR has essentially relied upon the company's audited financial results up till FY18, provisional statements for FY19 and publicly available information and clarifications provided by the management.

KEY RATING DRIVERS

The rating has inter-alia, factored experience of the promoters in the real estate, breweries & hospitality industry for more than a decade, brand recognition, ability to meet competition from many small & medium units in the region. However, the ratings are constrained by stagnant operating revenue, continued business loss, reduced net worth, high financial risk profile, decline in debt service coverage ratio and working capital intensive nature of operations.

- **Credit Strengths:**

Vast management experience: Promoters being qualified and having experience of more than 2 decades in the real estate, breweries & related industry. They are supported by a team of experienced personnel in the day to day activities

Brand name of the business: Company has established brand recognition of "The Biere Club" with three outlets in spite of high competition in the city of Bangalore

Ability to meet competition: The management has established three outlets in and around the city of Bangalore; in spite of high competition from many small and medium outlets in the region

- **Credit Risks:**

Stagnant operating revenue and profit level: Operating revenue of the company has remained stagnant for last 3 audited financials. It stood at Rs. 23.23 crs for FY18 as compared to Rs. 22.40 in FY17 and Rs. 21.39 crs in FY16; while PAT stood at Rs. (0.01) cr as against Rs. 0.01 cr in FY17. As per Provisional statement for FY19, Operating revenue was at Rs. 23.17 crs. Further, as per the management, sales revenue from April till July '19 stood at Rs. 15.19 crs

High financial risk profile: Gearing ratio of the company for FY18 was high with Debt Equity at 10.38 times as against 6.23 times in FY17

Decline in Profitability margin: Net Profit margin of the company for FY18 was at (4.23) percent as against (0.06) percent in FY17; while, operating profit margin for FY18 stood at 14.63 percent as against 18.19 percent in FY17

Reduced Debt service coverage ratio: The debt protection matrix of the company has declined for the last 3 audited financial years, ISCR stood at 2.89 times while DSCR was at 1.77 times for FY18 against 3.25 times and 1.26 times in FY17; 3.31 times and 3.54 times in FY16 respectively

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward the ability of the company to improve its operating revenue and profitability margin, to increase its net worth, to improve its financial risk profile and to manage its working capital efficiently will be the key rating sensitivities.

LIQUIDITY POSITION

Liquidity position of the company was moderate with current ratio at 2.55 times for FY18 as compared to 0.55 times in FY17. Net cash accruals to total debt has come down for FY18 at 0.06 times as compared to 0.13 times in FY17. Although cash conversion cycle for FY18 was (44) days with average receivables of 3 days.

COMPANY PROFILE

M/s. Elite India Constructions Pvt Ltd(EICPL) was established as a private limited company on 26 July, 2006 with its registered office situated at Bommanahalli, Karnataka. The company is engaged in setting up of microbrewery and a lounge bar and restaurant business. It is constituted by four directors. All directors are qualified and have more than two decades of business experience. The management has currently set up three microbreweries in Bangalore in the name of "The Biere Club" and a commercial building. "The Biere Club" has gained popularity in Bangalore region with it being the first microbrewery to open up in Bangalore. The Biere Club has 6 types of beers brewed by them and served to the customers in 300 ml, 500 ml and 1.50 ltr. The types are Lager, Ale, Stout, Wheat, Club special and Seasonal. It has presently appointed 155 nos employees (including 10 nos temporary staff).

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY17
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Crs	23.23	22.40
EBITDA	₹ Crs	3.40	4.07
PAT	₹ Crs	(0.01)	0.01
Tangible Net worth	₹ Crs	4.13	4.14
Total Debt/Tangible Net worth	Times	10.38	6.23
Current Ratio	Times	2.55	0.55

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None

RATING HISTORY

Facilities	Current Rating (2019)			Rating History		
Fund Based	**Tenure**	**Amount (₹ Cr)**	**Rating**	**Jun, 2019**	**FY18**	**FY17**
Cash Credit	Long term	5.00	BWR BB- stable Downgrade	BWR BB Stable/ Reaffirmation; Issuer Non Cooperation	BWR BB Stable	-
Term loan		13.75				
Total		**18.75**	**INR Eighteen Crores and Seventy Five Lakhs Only**			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**

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Elite India Constructions P Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facility	Tenure	Total (₹ Cr)
1	Canara Bank	Cash credit	Long term	5.00
2		Term loan#		13.75
TOTAL				18.75

 # Term loan amount outstanding as on 23.10.2019

Total Rupees Eighteen Crores and Seventy Five Lakhs only.

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