



Rating Rationale

Hotel Highway King

19 Nov 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of Hotel Highway King

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based (Proposed)	15.00	Long Term	BWR BB- [Pronounced as BWR Double B Minus] Outlook: Stable
Total	15.00	INR Fifteen Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, projected financials of FY19 & FY20, publicly available information and information/clarifications provided by the firm's management.

The rating has factored, inter alia, long existence of the firm in hotel business, low gearing, strong debt protection metrics, moderate liquidity, locational advantages and absence of any long term debt.

However, the rating is constrained by low net worth, low scale of operations, limitations of proprietorship constitution and intense competition from many players in the vicinity .



Going forward, ability of the firm to increase its scale of operations, to improve its profitability margins, to increase its net worth and to service its debt obligations on time would be the key rating sensitivities of the firm.

Description of Key Rating Drivers:

- **Credit Strengths:**

Long existence in the business:- HHK was established in 2003. Thus, it has been in existence for more than a decade and has seen complete business cycles .

Low gearing ratio:- The gearing ratio remains low indicated by total debt/TNW ratio of 0.02 times in FY18 against 0.04 times in FY17.

Strong debt protection metrics:- The debt protection metrics remain strong indicated by ISCR of around 13.22 times in FY18 against 13.46 times in FY17 and DSCR of 9.07 times in FY18 against 7.22 times in FY17.

Moderate liquidity profile:- The liquidity profile remains moderate indicated by current ratio of about 1.50 times in FY18 against 1.61 times in FY17.

Locational advantages:- All the 4 hotels are located in Rajasthan which is famous among tourists.

Absence of long term debt:- There is no term loan. Even, the working capital is proposed and not availed yet. So, net cash accruals would be used to service working capital interest effectively due to absence of long term debt.

- **Credit Risks:**

Low networth:- In spite of its long existence in business, the networth of the firm was low at Rs 3.81cr in FY18 against Rs 3.59cr in FY17.



Low scale of operations:- The scale of operations remain low as indicated by total operating income of Rs 5.28cr in FY18 against Rs 5.05cr in FY17.

Intense competition:- Due to fragmented nature of the industry, there is an intense competition which affects profitability margins.

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 that **Hotel Highway King's** 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

Established in 2003, Hotel Highway King (HHK) is a proprietorship concern which at present operates 4 hotels in Rajasthan. The client is proposing to establish one more hotel in Gurgaon, Delhi. The Firm is managed by Mr. Ratan Kumar Yadav who has an experience of about 20 years in this industry. All the hotels have all modern amenities and facilities.

Firm's Financial Performance:

As per audited financials of FY18, the concern has achieved a revenue of Rs 5.28 cr and PAT of Rs 0.19 cr against revenue of Rs 5.05cr and PAT of Rs 0.12 cr in FY17 . Net Worth of the firm stood at Rs 3.81cr in FY18 against Rs 3.59cr in FY17.



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	15.00	BWR BB-(Stable)	NA	NA	NA
	Total		15.00	₹ Fifteen Crores Only			

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

Key Financial Indicators

Key Parameters	Units	2018 (Audited)	2017 (Audited)
Result Type			
Operating Revenue	₹ Cr	5.28	5.05
EBITDA	₹ Cr	0.65	0.59
PAT	₹ Cr	0.19	0.12
Tangible Net worth	₹ Cr	3.81	3.59
Total Debt/Tangible Net worth	Times	0.02	0.04
Current Ratio	Times	1.50	1.61

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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For print and digital media

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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.

DISCLAIMER

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