



Rating Rationale

Mehta Star Hotels Pvt. Ltd.

16 Oct 2018

Brickwork Ratings assigns the long term rating for the Bank Loan Facilities of Rs. 4.44 Crs of Mehta Star Hotels Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Term Loan	4.44	Long Term	BWR B+ (Pronounced as BWR Single B Plus) (Outlook: Stable)
Total	4.44	INR Four Crores and Forty Four Lakhs Only	

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

Rating: Long Term Rating Assigned

Brickwork Ratings assigned the long term rating of 'BWR B+' with outlook Stable for the bank loan facilities of Rs. 4.44 Crores of Mehta Star Hotels Pvt. Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, completion of first full year of business operation of the hotel managed by the company and locational advantage of the hotel being situated in a tourist destination - Gaya, Bihar. However the rating is constrained by low scale of operations, limited track record and thin net profit margin. Going forward, ability of the company to scale up its operations, to improve its profit margins and to improve its gearing in an intensely competitive industry will remain the key rating sensitivities.

Rating Outlook: Stable



BWR believes that the business risk profile of Mehta Star Hotels Pvt. Ltd. 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 (hyperlinks provided at the end of this rationale)

Key Rating Drivers

Credit Strengths:

- **Completion of First Full Year of Business Operations:** The company has established a hotel namely "Sukhdeo Palace" in Gaya, Bihar and the commercial operations of the hotel has been started in December, 2016. The Hotel has completed its first full year of business operation in FY18.
- **Locational Advantage:** The hotel managed by the company is having Locational advantage being situated in a tourist destination of Gaya, Bihar.

Credit Weaknesses

- **Limited Track Record:** Limited track record, as the company is in existence for 3 years with only one full year of business operations.
- **Thin PAT Margin:** On Provisional basis, the company has generated very thin PAT margin of 0.07% in FY18.
- **High Gearing:** Provisionally , the company has high gearing with total debt to tangible net worth of 5.91 times due to low tangible net worth.
- **High Degree of Competition:** Highly competitive industry with stiff competition from other established players in the vicinity.

About the Company

Mehta Star Hotels Private Limited was incorporated in 2015 with registered office in Gaya, Bihar. The Company has two Directors namely Mr. Anup Lal Mehta and Mr. Anil Kumar. The Company has established a hotel namely "Sukhdeo Palace" in Gaya, Bihar and the commercial operations of the company has started in December, 2016. The hotel is located at a distance of ~10 KM from Gaya Airport and at a distance of 5KM from Gaya Railway Station.



Company's Financial Performance:

As per the provisional financials, the Company has achieved a total operating income of Rs. 2.00 Cr in FY18. Provisionally the company has generated operating profit margin of 55.10% and net profit margin of 0.07 % in FY18. Tangible net worth of the Company stood at Rs. 0.90 Cr as on March 31, 2018.

Parameters	Units	31-Mar-2017	31-Mar-2018
		(Audited)	(Provisional)
Total Operating Income	Rs. Crores	0.61	2.00
EBIDTA	Rs. Crores	0.01	1.10
Tangible Net Worth (TNW)	Rs. Crores	0.89	0.90
Operating Profit Margin	%	1.38	55.10
Net Profit Margin	%	0.87	0.07
Total Debt : TNW	Times	6.43	5.91
DSCR	Times	0.01	0.74
ISCR	Times	2.71	1.66
Current Ratio	Times	0.03	0.05

Note: "CRISIL" has assigned the long term rating of "CRISIL B/Stable" for the Bank Loan Facilities of Rs. 5.44 Crores of Mehta Star Hotels Pvt. Ltd. in November, 2016.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Term Loan	Long Term	4.44	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	Nil	Nil	Nil
Total			4.44	INR Four Crores and Forty Four Lakhs Only			



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
K V 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

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities



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