

Rating Report

Brickwork Ratings assigns 'BWR B+' for the Bank Loan Facilities aggregating ₹ 10.04 Cr of Amrapali Hospitality Services Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of Amrapali Hospitality Services Pvt. Ltd. (*AHSPL or 'the Company'*).

Facility	Amount (₹ Cr)	Tenure	Rating
Term Loan O/S (Fund Based)	10.04	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Total	10.04	(INR Ten Crores and Four Lakhs only)	

BWR has principally relied upon the audited financial results up to FY13 and provisional financial results for FY14 of Amrapali Hospitality Services Pvt. Ltd. (AHSPL), publicly available information and information/clarifications provided by the Company.

The ratings draw strength from the experienced management, strong parentage of Amrapali Group, strategic location of the hotel and established brand name of 'Clarks Inn'. The rating is, however, constrained by overall weak financial and operational performance of the hotel, heavy operating and net losses, intense competition from other hotels in the city and seasonality associated with the sector.

Background:

Amrapali Hospitality Services Pvt Ltd (AHSPL) was incorporated in 2008 by the Amrapali Group with an objective to build and manage a three star hotel in Deoghar, Jharkhand. Deoghar has high religious significance being home to Baidyanath Temple, one of the 12 Jyotirlingams and 51 Shaktipeeths. The Company has entered into an agreement with UP Hotels Ltd to operate the hotel with their brand name 'Clarks Inn'. As per the agreement, UP Hotels Ltd will provide managerial assistance to AHSPL and the Company will pay them a management fee.

The hotel started commercial operations towards the end of March 2013 under the name of *Amrapali Clarks Inn*. The hotel consists of 69 rooms (48 Deluxe Rooms, 16 Premium Rooms and 5 Suites) and a multi cuisine restaurant with 72 covers. The hotel has 81 trained staff members.

AHSPL belongs to the Amrapali Group established in 2002. The group, a real estate player of standing, has so far completed 45 projects in more than 22 cities in India, including projects of Group Housing, Commercial Complexes, IT Parks, Townships and Multiplex Malls etc.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management:

The Board of Directors consists of Mr. Anil Kumar Sharma, Mr. Shivpriya, and Mr. Suvash Chandra Kumar. All the directors are well qualified and experienced in the Real Estate segment. The directors are also assisted by a team of well qualified professionals to manage different aspects of the hotel. Also, AHSPL is provided managerial assistance by UP Hotels Ltd as part of the agreement.

Financial Highlights:

FY14 was the first year of operations for AHSPL. According to the provisional financial statements for FY14, the Company has reported a Net Revenue of Rs. 2.19 Cr and has reported Operating and Net Losses. The operations are expected to stabilise over the current financial year.

The financial details are in the Annexures I & II.

Key Rating Determinants:

Experienced Management: The management of the hotel includes well experienced professionals from the construction industry. Also, as per the agreement with UP Hotels Ltd, they provide managerial assistance to AHSPL.

Strong Parentage: AHSPL belongs to the Amrapali group which is a well-known name in the Real Estate sector and has completed multiple projects in the past.

Strategic Location of the Hotel: The hotel is located in the temple town of Deoghar, Jharkhand. Deoghar is home to the Baidyanath Temple, one of the twelve Jyotirlingams and attracts a lot of pilgrimage throughout the year.

Weak Performance of the Hotel: The hotel has received low occupancy level of 22% during the first year of operations i.e. FY14 resulting into lower Operating Income and RevPAR (Revenue per available room) levels of Rs. 593.95. The management had, however, expected a higher occupancy level of 50% with a RevPAR of Rs. 1500 for the first year operations. Going forward, the operations are expected to stabilise.

Heavy Losses: The Company has suffered heavy operating and net losses of (100%) and (179%) respectively in FY14. The management expects to achieve breakeven within the next two years. Going forward, with the improvement in the occupancy and revenue levels, the losses are expected to reduce.

Risks associated with the sector: The hospitality sector is seasonal in nature resulting into volatile revenue stream. The high level of competition in the sector further increases the volatility in the revenue and expected occupancy levels.

Rating Outlook:

The outlook is expected to be stable for the current year. The ability of the Company to improve operational efficiency and occupancy levels resulting in an increase in the scale of operations, reflected by improved financials, shall remain the key monitorables.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Amrapali Hospitality Services Pvt Ltd
Annexure I – Balance Sheet Details

LIABILITIES (RS. Crs)	FY11 (A)	FY12 (A)	FY13 (A)
Equity and Reserves	0.01	5.71	16.37
Share capital	0.01	0.01	0.01
Share Application money Pending allotment	0.00	5.70	16.36
Reserves and Surplus	0.00	0.00	0.00
Non-current liabilities	0.00	6.46	11.45
Long-Term Borrowings	0.00	6.46	11.45
Current liabilities	0.01	0.28	2.84
Trade Payables	0.00	0.01	2.30
Other Current Liabilities	0.01	0.27	0.54
Total Liabilities	0.02	12.46	30.67
ASSETS	-	-	-
Non-current assets	0.00	12.34	27.51
Net Fixed assets	0.00	12.34	0.96
Capital Work-In-Progress	0.00	0.00	26.55
Current assets	0.02	0.12	3.16
Inventories	0.00	0.00	0.00
Cash and Cash Equivalents	0.02	0.10	0.19
Short-Term Loans and Advances	0.00	0.02	2.97
Total Assets	0.02	12.46	30.67

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Annexure II – Key Financial Ratios

Key Ratios	Unit	FY11 (A)	FY12 (A)	FY13 (A)
Total Debt	Crores	0.00	6.46	11.45
Tangible Net Worth	Crores	0.01	5.71	16.37
Total Debt/TNW	Times	0.00	1.13	0.70
Long Term Debt/TNW	Times	0.00	1.13	0.70
TOL/TNW	Times	1.00	1.18	0.87
ISCR	Times	NA	NA	NA
DSCR	Times	NA	NA	0.00
Net Cash Accruals/Total Debt	Times	NA	0.00	0.00
Net Cash Accruals/Long Term Debt	Times	NA	0.00	0.00
Net Profit Margin	%	NA	NA	NA
Operating Profit Margin	%	NA	NA	NA
ROCE	%	-60.14	0.00	0.00
Current Ratio	Times	2.00	0.43	1.11