

Press Release

Brilliant Hotels Private Limited

07 December, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 57.00 Cr. (Enhanced from Rs. 53.00 crore)
Long Term Rating	SMERA BBB- / Negative (Rating Reaffirmed and Outlook Revised to Negative)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 46.95 crore bank facilities of Brilliant Hotels Private Limited (BHPL). Further, SMERA has assigned rating of **SMERA BBB-(read as SMERA BBB minus)** on the Rs. 10.05 crore bank facilities of Brilliant Hotels Private Limited (BHPL). The outlook is '**Negative**'.

BHPL (formally known as Brilliant Hotels and Infrastructures Private Limited), incorporated in 1985 was acquired by the Brilliant Group in 2006. The company has a large convention centre at Indore, Madhya Pradesh spread over 1 lakh square ft. to organise national and international events, marriages, exhibitions among others.

Revision of Outlook:

SMERA has revised the outlook to '**Negative**' from '**Stable**' on account of slower than expected growth in revenues and net cash accruals vis. a vis the initial expectation. This is likely to continue over the near to medium term. Any further slowdown in net cash accruals due to lower occupancy or pricing pressures could result in downward revision in the rating. Conversely any significant and sustainable improvement in the net cash accruals and debt protection metrics from existing levels could cause a revision of outlook to Stable.

Key Rating Drivers

Strengths

• Experienced management

BHPL benefits from its experienced management and locational advantage. The Director, Mr. Sanjay Choudhary has around four decades of experience in the hospitality industry owing to group companies such as Brilliant Estate limited, Brilliant Retail Private Limited, Navkar Ventures to name a few.

• Comfortable financial risk profile

The financial risk profile of the company is marked by healthy network, modest gearing and comfortable debt protection measures. The tangible network stood at Rs.44.28 crore as on 31 March, 2017 as against Rs. 43.54 crore as on 31 March, 2016. The network includes unsecured loans of Rs.9.00 crore in FY2017 treated as quasi equity as the same is subordinated to bank debt. The gearing (debt-to-equity ratio) stood at 1.36 times as on 31 March, 2017 as against 1.22 times as on 31 March, 2016. The total debt of Rs.60.31 crore includes term loan of Rs.50.66 crore, unsecured loans of Rs. 0.24 crore and short term working capital borrowings of Rs. 9.41 crore as on 31 March, 2017. The interest coverage ratio (ICR) stood at 2.85 times for FY2017 as against 2.53 times for FY2016. The net cash accruals to total debt (NCA to TD) stood at 0.17 times in FY2017 as against 0.25 times in FY2016. The debt to EBITDA ratio stood at 3.69 times as against 3.39 times in 2016.

Moderate liquidity position

BHPL has comfortable net cash accruals of Rs.10.34 crore as against debt repayment obligations of Rs. 7.05 crore. Moreover, the company has unencumbered cash and bank balance of Rs. 9.62 crore as on 31 March, 2017 as against 0.07 crore in the previous year.

Weaknesses**Moderate scale of operations**

The operations are at a moderate level. The company registered revenue of Rs. 33.65 crore for FY2016-17 compared to Rs.33.98 crore for FY2015-16. From April to September 2017, the company registered revenue to the tune of Rs.12 crore (Provisional). Further, BHPL has moderate order book position marked by current orders-in-hand of Rs. 20.00 crore to be executed by March 2017 which leads to moderate revenue visibility over the medium term.

Competitive and fragmented nature of industry

The operating revenues of BHPL are completely dependent on orders received for events/exhibitions by the company. However BHPL's long track record and experience of directors in this line of business partly mitigates the risk of decline in market share. The company faces intense competition from other established hotels such as Hotel Radisson Blu, Hotel Sayaji to name a few.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

Outlook: Negative

SMERA believes that the outlook of BHPL will remain 'Negative' over the medium term. The rating may be downgraded in case the company exhibits lower than expected revenues and margins causing further deterioration of debt to EBITDA margins. Conversely, the outlook may be revised to 'Stable' in case of significant and sustainable improvement in revenues and accruals resulting in improved Debt protection indicators.

About the Rated Entity - Key Financials

For FY2016-17, BHPL reported net profit after tax (PAT) of Rs. 0.73 crore on operating income of Rs.33.65 crore as against PAT of Rs. 6.01 crore on operating income of Rs. 33.98 crore in the previous year. The net worth (includes quasi equity) stood at Rs. 44.28 crore as on 31 March, 2017 as against Rs. 43.54 crore in the previous year

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Service Entities - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Nov, 2016	Term Loan	Long Term	INR 30.00	SMERA BBB- / Stable (Assigned)
	Term Loan	Long Term	INR 23.00	SMERA BBB- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	29.00 (Reduced from Rs. 30 crore)	SMERA BBB- / Negative (Rating Reaffirmed, and outlook revised)
Term Loan	Not Applicable	Not Applicable	Not Applicable	17.95 (Reduced from Rs. 23 crore)	SMERA BBB- / Negative (Rating Reaffirmed, and outlook revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB- / Negative (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.05	SMERA BBB- / Negative (Assigned)

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ABOUT SMERA

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