

Press Release

Sahara Hospitality Limited

June 18, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 560.00 Cr.
Long Term Rating	ACUITE D (Reaffirmed)
Short Term Rating	ACUITE D (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE D**' (read as **ACUITE D**) and short term rating at '**ACUITE D**' (read as **ACUITE D**) on the Rs. 560.00 crore bank facilities of Sahara Hospitality Limited (SHL).

SHL is a Mumbai-based company incorporated in 1989. The company runs a 5-star hotel named 'Sahara Star' with 354 guest rooms, 25 luxury suites, 8 restaurants, 7 banquet halls, preview theatre and other facilities. The company also leased out a part of the hotel premises to the outsiders, and still about 40,000 sq. ft. is yet to be leased out. Further, the company is also running a petrol pump. It is a part of Sahara India Pariwar group and it is a subsidiary of Sahara Prime City Limited.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SHL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and brand name**

The company was incorporated in 1989 and Phase 1 of the project is operational since 2006. Further, considering that Sahara is a known brand, the company benefits from a competitive edge it enjoys over other hotels in the vicinity.

- **Improving revenues and profitability**

SHL's revenues have improved significantly by about 27 per cent in FY2019 (Provisional) over FY2018. Also, its profitability has improved from about 16 per cent in the past to 37 per cent in FY2019. The revenues are likely to improve further on leasing out the balance area of about 40,000 sqft. Improvement in the profitability is expected to support in improvement of its accruals and liquidity over the medium term while repaying its term loans. Sustaining the revenues and profitability margins are key rating sensitivity factors over the medium term.

Weaknesses

- **Delays in servicing debt obligations**

There are ongoing delays of more than 60 days in servicing of debt obligations on account of mismatch in its cash flows. The account is classified under SMA 2 category by the banks.

- **Weak financial risk profile**

Financial risk profile of the company is weak marked by negative net worth in FY2019 (Provisional) and FY2018 on account of accumulated losses for the last three years. Net worth stood negative at Rs.(224.13) crore as on 31 March, 2019 (Provisional) as against Rs.(132.85) crore as on 31 March, 2018. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are weak at 0.75 times and -0.02 times respectively in FY2019 (Provisional). Debt service coverage ratio stood weak at below one for the last three years through FY2019.

Liquidity Position:

Liquidity of the company is poor marked by accumulated losses for the last three years through FY2019. It has generated negative cash accruals of Rs.(33.45) crore in FY2019 (Provisional) against its repayment obligations of Rs.31.90 crore; it uses its working capital limits to meet its loan obligations besides working capital requirements. The company has cash and bank balance of Rs.3.38 crore as on 31 March, 2019 (Provisional).

About the Rated Entity - Key Financials

	Unit	FY2019 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	270.90	214.24	211.59
EBITDA	Rs. Cr.	101.40	34.01	35.32
PAT	Rs. Cr.	-91.43	-169.45	-104.30
EBITDA Margin	(%)	37.43	15.87	16.69
PAT Margin	(%)	-33.75	-79.09	-49.29
ROCE	(%)	3.56	-1.75	-2.12
Total Debt/Tangible Net Worth	Times	-6.51	-10.69	36.66
PBDIT/Interest	Times	0.75	0.26	0.29
Total Debt/PBDIT	Times	14.38	39.13	34.43
Gross Current Assets (Days)	Days	63	68	58

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Service Sector - <https://www.acuite.in/criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs.Cr.)	Ratings/Outlook
29-Mar-2018	Term Loan	Long Term	85.00	ACUITE D (Assigned)
	Term Loan	Long Term	43.78	ACUITE D (Assigned)
	Term Loan	Long Term	50.77	ACUITE D (Assigned)
	Term Loan	Long Term	70.68	ACUITE D (Assigned)
	Term Loan	Long Term	35.32	ACUITE D (Assigned)
	Cash Credit	Long Term	8.00	ACUITE D (Assigned)
	Term Loan	Long Term	19.46	ACUITE D (Assigned)
	Term Loan	Long Term	113.95	ACUITE D (Assigned)

	Cash Credit	Long Term	6.67	ACUITE D (Assigned)
	Term Loan	Long Term	79.87	ACUITE D (Assigned)
	Cash Credit	Long Term	6.00	ACUITE D (Assigned)
	Proposed Bank Facility	Long Term	20.50	ACUITE D (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE D (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	85.00	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	43.78	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	50.77	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	70.68	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	35.32	ACUITE D (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	19.46	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	113.95	ACUITE D (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.67	ACUITE D (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	79.87	ACUITE D (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE D (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.50	ACUITE D (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE D (Reaffirmed)

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About Acuité Ratings & Research:

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