

Press Release

Narayani Hotels and Resorts Limited

11 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 76.00 Crore
Long Term Rating	SMERA D (Assigned)
Short Term Rating	SMERA D (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term and short term rating of '**SMERA D**' (read as **SMERA D**) on the Rs. 76.00 crore bank facilities of Narayani Hotels and Resorts Limited (NHRL).

NHRL is an Ahmedabad-based company incorporated in 1993 by Mr. Anand Gupta, Mr. Rajiv Gupta, Mr. Gopiram Gupta and Mr. Sanjeev Gupta. The company runs a hotel under the name 'Narayani Heights' near the Ahmedabad airport. The hotel has around 122 rooms, eight meeting rooms/halls, three restaurants, a discotheque, a lawn and a terrace. Further, the company also provides club memberships, event management and catering services across Gujarat, Rajasthan and Madhya Pradesh. The operations commenced from 1999.

Key rating drivers

Strengths

Established presence and experienced promoters

The hotel benefits from its proximity to the Ahmedabad Airport. The promoters collectively possess around two decades of experience in the business.

Improved profitability

The operating profitability of the company has improved during the period under study to 46.43 per cent in FY2017 from 41.49 per cent in FY2014 mainly on account of increase in the occupancy rate and economies of scale.

Weaknesses:

Delays in servicing of debt obligations

SMERA has observed delays of more than 60 days in the repayment of principal and interest towards the term loan. The delays are mainly on account of insufficient cashflows.

Modest scale of operations and geographical concentration risk

The company has modest scale of operations with revenue of Rs.32.80 crore in FY2017 as against Rs.28.98 crore in the previous year. Further, the company reported revenue of Rs.32.51 crore during April, 2017 to February, 2018. While the company has been in the hotel business for over a decade, it has only one property at Ahmedabad and has not expanded to any other location. Hence, it is exposed to geographical concentration risk.

Weak capital structure

The company has weak capital structure marked by debt to equity ratio at 6.41 times as on 31 March, 2017 as against 6.79 times in the previous year. The total debt of Rs.82.38 crore as on 31 March, 2017 includes long term loan of Rs.72.57 crore and unsecured loan of Rs.9.81 crore. The Interest Coverage Ratio has

deteriorated to 1.64 times for FY2017 as against 2.05 times in the previous year. The networth stood at Rs.12.84 crore as on 31 March, 2017 as against Rs.12.52 crore in the previous year. The total outside liabilities to tangible networth stood at 8.16 times as on 31 March, 2017 as against 8.58 times in the previous year. SMERA believes that the capital structure will remain weak in the medium term on account of high debt burden.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of the NHRL for arriving at the rating.

Applicable Criteria

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

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.80	28.98	26.39
EBITDA	Rs. Cr.	15.23	12.03	9.50
PAT	Rs. Cr.	0.77	0.31	0.21
EBITDA Margin (%)	(%)	46.43	41.49	35.98
PAT Margin (%)	(%)	2.34	1.06	0.79
ROCE (%)	(%)	10.77	6.54	4.81
Total Debt/Tangible Net Worth	Times	6.41	6.79	6.86
PBDIT/Interest	Times	1.64	2.05	2.28
Total Debt/PBDIT	Times	5.36	7.00	8.75
Gross Current Assets (Days)	Days	98	90	99

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.93	SMERA D
Tem Loan I	Not Applicable	Not Applicable	Not Applicable	24.36	SMERA D
Tem Loan II	Not Applicable	Not Applicable	Not Applicable	15.54	SMERA D
Tem Loan III	Not Applicable	Not Applicable	Not Applicable	17.67	SMERA D
Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	9.03	SMERA D
Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.90	SMERA D
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	4.57	SMERA D

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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