

Press Release

H S India Limited

September 12, 2018



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 19.80 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 19.80 crore bank facilities of H S India Limited (HSIL). The outlook is '**Stable**'.

HSIL was incorporated in 1989 in the name of Hotel Silver Plaza Private Limited. Subsequently in 1997, the constitution has been changed to public limited company and listed on Bombay Stock Exchange. HSIL operates a three-star hotel under the name 'Lords Plaza' and has entered into an agreement with Lords INN Hotels and Developers Limited to use brand name 'Lords'. The hotel comprises of 134 rooms, a multi-cuisine restaurant under the name 'Blue Coriander' and a sky grill restaurant under the name 'Lime tree'; six banquet halls and one liquor shop. The 'Lords Plaza' hotel is situated at Surat (Gujarat) and commenced its commercial operations in 1989.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of HSIL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

HSIL is promoted by Mr. Ramesh Bansal who has over three decades of experience in hospitality industry. He is the Managing Director and Chief Financial Officer of the company. HSIL has a tie-up with promoter owned entity - Lords INN Hotels and Developers Limited. It is promoted by Mr. Bansal & Associates, which owns the rights of 'Lords' brand name for its hotel property. The company is presently managing 27 hotels with approximately 1502 rooms. Hence, HSIL is expected to benefit from its association with global hospitality player- Lords INN Hotels and Developers Limited with respect to the operation and management of the hotel.

- Favourable location of property and reputed clientele**

The hotel property is located in Surat (Gujarat) which is a major industrial hub, mainly, diamond and textile hub. It is the fourth fastest growing city globally and attracts mainly business tourist. The hotel location provides easy access to railway station, bus station, highway and to Surat's entry-exit points. HSIL has established long standing relations with reputed corporate clients. Its marquee clients include Axis Bank, Indian Oil Corporation, Reliance Capital Limited, Maruti Suzuki India Limited to name a few.

- Average financial risk profile**

The financial risk profile is average marked by tangible net worth of Rs.27.96 crore as on March 31, 2018 as against Rs.26.03 crore as on March 31, 2017. The gearing stood comfortable at 0.73 times as on March 31, 2018 and 0.90 times in the previous year. The total debt of Rs.20.50 crore as on March 31, 2018 comprises term loan of Rs.14.79 crore and current portion of long term debt (CPLTD) of Rs.5.71 crore. Interest Coverage Ratio (ICR) stood at 2.55 times in FY2018 as compared to 2.44 times in FY2017. However, the company has significant debt service commitments vis-à-vis net cash accruals from operations. The company has used its cash and bank balance to meet its debt obligations and is expected to utilise its high cash and bank balance to repay the future debt obligations. Total outside Liabilities / Tangible Net worth (TOL/TNW) was around 0.89 times and Net Cash Accruals/Total Debt stood 0.20 times for FY2018.

Weaknesses

- **Modest scale of operations**

The company is operating at modest scale of operations as the operating income of Rs.26.82 crore for FY2018 as against Rs.22.78 crore for FY2017. However, the company reported growth in operating income during FY2017-18 due to improvement in occupancy rate during FY2017-18 over the previous year. Further, the company registered revenue of Rs.7.81 crore for the period April, 2018 to June, 2018. Going forward, the ability of the company to achieve higher occupancy levels and average room rate will be key rating sensitivity factor.

- **Intense competition and cyclical nature of hotel industry**

The city of Surat has immense competition from other established hotels and resorts. The company faces stiff competition from other five star and three star hotels. Further, the hotel industry is inherently cyclical in nature as the demand for hotels is directly dependent on the level of economic activity.

Outlook: Stable

Acuité believes that HSIL will maintain a 'Stable' outlook over the medium term on the back of established presence and favourable location of the property. The outlook may be revised to 'Positive' in case the company achieves the expected occupancy levels and Average room rate (ARR) rates. Conversely, the outlook may be revised to 'Negative' in case of decline in occupancy levels leading to lower cash accruals, undertakes a sizeable debt-funded capex programme, resulting in weakening of its debt protection metrics.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 26.82 | 22.78 | 22.26 |
| EBITDA | Rs. Cr. | 5.71 | 6.50 | 6.72 |
| PAT | Rs. Cr. | 1.93 | 1.04 | 1.11 |
| EBITDA Margin | (%) | 21.28 | 28.55 | 30.17 |
| PAT Margin | (%) | 7.19 | 4.55 | 4.98 |
| ROCE | (%) | 8.37 | 8.57 | 8.77 |
| Total Debt/Tangible Net Worth | Times | 0.73 | 0.90 | 1.02 |
| PBDIT/Interest | Times | 2.55 | 2.44 | 2.20 |
| Total Debt/PBDIT | Times | 3.22 | 3.29 | 3.51 |
| Gross Current Assets (Days) | Days | 119 | 140 | 116 |

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to 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. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 17.85 | ACUITE BB / Stable |
| Proposed Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.95 | ACUITE BB / Stable |

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About Acuité Ratings & Research:

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