

Press Release

Ganapati Parks Limited

September 06, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs.51.09 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 51.09 Cr bank facilities of Ganapati Parks Limited (GPL). The outlook is **'Stable'**.

The ratings assigned to GPL reflects the improving business risk profile of the property, favorable location and the resourcefulness and willingness of the Ambuja-Neotia group to support the business operations demonstrated by regular infusion of funds in the form of unsecured loans and equity. Further, Acuité has also taken into cognizance the improving nature of occupancy and ARR of the hotel properties post lifting of lockdown and restrictions and also being based out of Kolkata. These strengths are however, partly offset by the below average financial risk profile of the company and highly competitive hotel industry.

About the company

Incorporated in 1994, Ganapati Parks Limited (GPL) is a Kolkata based heritage plaza and a joint venture between Ambuja Neotia Group and Kolkata Municipal Corporation (KMC). Currently, management control of the company is with Neotia Group. The heritage plaza, namely, 'Swabhumi' focuses on showcasing the heritage and culture from various regions in the country, especially Bengal. Swabhumi has a 33 bedroom 5-star hotel 'Raajkutir', 3 banquet halls 'Raasmanch', 'Rangmanch' and 'Rangdarbar', 3 restaurants 'Loafer's Cafe', 'East India Room' and 'The Swig' and several other adjoining facilities such as spa, swimming pool, cafeteria, sports bar & lounge and an artisans gallery.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of GPL to arrive at the rating. While arriving at the rating of GPL, Acuité has taken into account a strong level of support from the Ambuja-Neotia group given that Ambuja Neotia Holdings Pvt Ltd (ANHPL) has a significant stake in GPL, directly and indirectly. Moreover, the rating also factors in the corporate guarantee of Ambuja Housing and Urban Infrastructure Company Limited (AHUICL) which is a wholly owned subsidiary of ANHPL.

Key Rating Drivers

Strengths

• Experienced management

The Ambuja-Neotia group has a long operational track record in the hospitality industry of around four decades. In addition to this, the promoter is highly experienced and actively involved in the operations of the company. Acuité believes that the long operational track record of the group and promoters' extensive understanding and expertise will support the company's growth plans going forward.

• Financial flexibility of the Ambuja-Neotia group

The Ambuja-Neotia Group has been promoted by the Neotia Family, which has been an integral part of the business community in Kolkata for nearly 125 years. The group through its various Joint Venture Companies and Special Purpose Vehicles (SPVs) has been engaged in development of Real Estate properties, both housing and commercial complexes and in the Hospitality business. The group has executed more than 15 million square feet of development comprising of residential, commercial and hospitality projects through its various joint ventures and subsidiary companies over a period of the last 20 years and has established its brand which is widely recognized in the region. The group has also ventured into the states of Sikkim, Bihar, Punjab,

Chhattisgarh and Maharashtra for undertaking various types of real estate and hospitality projects.

The group has strong financial risk profile with a willingness to support their businesses, demonstrated from the continuous infusion of unsecured loans and equity funds into GPL. The group over the years has infused Rs.32.18 Cr (Rs.25 Cr classified as equity) as on FY2021 (provisional) to support the business operations of the company.

Acuite believes that GPL, being a strategically important entity for the group shall continue to benefit from the financial, operational and management support from the Ambuja-Neotia Group as and when required. Moreover, the loans of GPL is currently having guaranteed by Ambuja Housing and Urban Infrastructure Company Limited (AHUICL). The parent company Ambuja Neotia Holdings Pvt Ltd (ANHPL) holds around 43 per cent in GPL which imparts further comfort to the rating. Any changes in the ownership pattern of GPL or any event that impinges the group's overall credit profile shall remain a key rating sensitivity.

- **Improving occupancy levels and ARR coupled with healthy traction in the F&B revenues**

The hotel 'Raajkutir' became operational since December, 2018 and their occupancy levels picked up from November'19 to more than 35 per cent. Further, the average room rate (ARR) stood at an average of Rs.8000. Thereafter, the pandemic severely impacted the occupancy of this property during the period of March'20 to November'20 and the ARR also declined substantially in this time period. However, the business has managed to partly recover from the pandemic induced slowdown and the occupancy has started to pick up from December, 2020 to more than 30 per cent and the ARR has increased further. F&B revenues were reported at remain 70 percent across the years due to 3 luxurious banquet halls and 3 restaurants. Though the quantum of F&B revenue has decreased in FY2021, however, it is expected to increase at a healthy pace going forward. Acuite believes the occupancy levels and ARR of the hotel are expected to improve in the medium term with resumption of traveling.

Weakness

- **Constrained financial risk profile**

The company's below average financial risk profile is marked by reducing networth and weak debt protection metrics. The tangible net worth of the company has been eroded due to continuous accumulated losses. Acuite has considered unsecured loans of Rs.25 Cr as on March 31, 2021 (provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Further, Acuite has considered redeemable preference shares of Rs.1.45 Cr as on March 31, 2021 (provisional), as a portion of equity. The debt of Rs.62.22 Cr mainly consists of long term borrowings of Rs.43.76 Cr, working capital borrowing of Rs.7.38 Cr, unsecured loan of Rs.7.18 Cr and current obligations of Rs.3.90 Cr, as on March 31, 2021 (provisional). The weak debt protection metrics of the company is marked by negative Interest Coverage Ratio and Debt Service Coverage Ratio as on March 31, 2021 (provisional), on account of operating losses. Acuite believes that going forward the financial risk profile of the company will improve backed by the gradually improving accruals buoyed by the increasing room occupancy levels in Raajkutir.

- **Impact of Covid outbreak on hotel industry**

Occupancy growth for hotels in India decelerated by a staggering 60 percent in Covid hit 2020 and total room inventory occupancy for hotels in India stood at 29 percent and the RevPAR plummeted to Rs.1,423 down 62 percent when compared to 2019. Hospitality and Tourism roughly account for 10 percent of India's GDP and employ nearly 9 percent of India's working population and has found little space in the Union Budget. The tourism, travel and hospitality industry were looking for immediate and short-term measures for critical revival which have not been highlighted in the recent budget announcements.

- **Highly competitive industry**

The Indian subcontinent with vast opportunities and potential for high growth has become the focus area of major international chains. Several of these chains have established and others have their plans to establish hotels to take advantage of these opportunities. These entrants are expected to intensify the competitive environment. Acuite believes the success of the company will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, service level and convenience of location and also the quality and scope of other amenities, including food and beverage facilities.

Rating Sensitivity

- Improvement in the operations while increasing momentum in occupancy levels and ARR of the hotel
- Improvement in networth levels; any withdrawal of unsecured loans from business
- Higher than expected debt availed leading to weighing down of financial risk profile and liquidity
- Withdrawal of support from the group

Material Covenant

None

Liquidity Profile: Stretched

The group has provided fund to the company from time to time as required; which provides financial flexibility to the company. However, the company's liquidity is stretched marked by accumulated losses. The current ratio stood below unity at 0.21 times as on March 31, 2021 (provisional), on account of high other current liabilities due to high interest accrued and borrowings. The company has availed loan moratorium which was repaid within December 2020 and has availed additional Covid loans of Rs. 9.77 Cr. The cash and bank balances of the company stood at Rs.0.04 Cr as on March 31, 2021 (provisional) as compared to Rs.0.22 Cr as on March 31, 2020. However, the fund based limit remains utilised at around 62 per cent over the ten months ended July, 2021. Acuite believes that going forward the liquidity position of the company will improve backed by the gradually improving accruals.

Outlook: Stable

Acuite believes that the outlook on GPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, and financial flexibility of the Ambuja-Neotia group. The outlook may be revised to 'Positive' in case the company is able to increase its occupancy levels while maintaining a stable credit risk profile. Conversely, the outlook may be revised to 'Negative' in case there is significant drop in occupancy levels or any deterioration of financial risk profile leading to pressure on liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	8.96	18.74
PAT	Rs. Cr.	(20.57)	(13.29)
PAT Margin	(%)	(229.44)	(70.91)
Total Debt/Tangible Net Worth	Times	(4.11)	10.49
PBDIT/Interest	Times	(0.37)	0.37

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Lender name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/ Outlook
Axis Bank	Term Loan	25-05-2018	8.95%	30-06-2027	27.89	ACUITE BBB-/Stable (Assigned)
Axis Bank	ECLGS	Not Applicable	Not Applicable	Not Applicable	9.77	ACUITE BBB-/Stable (Assigned)
Axis Bank	Overdraft	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB-/Stable (Assigned)
Not Applicable	Proposed Long Term Bank Facilities	Not Applicable	Not Applicable	Not Applicable	5.93	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research

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