

Press Release
Ganapati Parks Limited

October 06, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.09	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	51.09	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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'**.

Rationale on the rating

The ratings reflects the improving business risk profile of the property, favorable location, tie-up with Indian Hotels Company Ltd (IHCL) to operate under the brand of 'Selection' 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, Acuite 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, 'Swabhumii' focuses on showcasing the heritage and culture from various regions in the country, especially Bengal. Swabhumii has a 33 bedroom 5star 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. Moreover, GPL has recently entered into a hotel operating agreement with India Hotel Company Limited for the management of the boutique hotel under the brand "Selection".

Analytical Approach

Acuite 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, Acuite 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.

- **Healthy traction in the F&B revenues coupled with tie-up with TIHCL**

The hotel 'Raajkutir' became operational since December, 2018 and thereafter, the pandemic severely impacted the occupancy of this property during FY2021 and Q1 of FY2022 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, 2021 to more than 50 per cent and the ARR has increased further to around Rs.6000. Moreover, to operate the boutique hotel, the company has a 30 year arrangement with The Indian Hotels Company Limited (TIHCL). As per the agreement, TIHCL will be receiving 7-9 per cent of the revenue generated by GPL.

In addition to this, the F&B revenues were reported at around 70 percent of the total revenues of Rs.17.72 Cr in FY2022 due to 3 luxurious banquet halls and 3 restaurants. Though the quantum of F&B revenue had decreased in FY2021, however, it has picked up again in FY2022 and is expected to increase at a healthy pace going forward. Acuité believes the occupancy levels and ARR of the hotel are expected to improve in the medium term.

- **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.47.14 Cr (Rs.25 Cr classified as equity) as on FY2022 to support the business operations of the company.

Acuité 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.

Weaknesses

- **Below average financial risk profile**

The company's 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. Acuité has considered unsecured loans of Rs.25 Cr as on March 31, 2022, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Further, Acuité has considered redeemable preference shares of Rs.4.06 Cr as on March 31, 2022, as a portion of equity. The weak debt protection metrics of the company is marked by Interest Coverage Ratio of 0.27 as on March 31, 2022 and Debt Service Coverage Ratio of 0.19 as on March 31, 2022. Acuité 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".

- **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. Acuité 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.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Improvement in the operations while increasing momentum in occupancy levels and ARR of the hotel
- Any withdrawal of unsecured loans from business or withdrawal of support from the group
- Any deterioration of its financial risk profile and liquidity position

Material covenants

None

Liquidity Position: 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 0.26 times as on March 31, 2022, on account of high other current liabilities due to high interest accrued and borrowings. The cash and bank balances of the company stood at Rs.1.94 Cr as on March 31, 2022 as compared to Rs.1.50 Cr as on March 31, 2021. However, the fund-based limit remains utilised at around 64 per cent over the ten months ended August, 2022. Acuité believes that going forward the liquidity position of the company will improve backed by the gradually improving accruals.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	17.72	8.94
PAT	Rs. Cr.	(18.04)	(21.02)
PAT Margin	(%)	(101.79)	(235.21)
Total Debt/Tangible Net Worth	Times	(2.21)	(3.95)
PBDIT/Interest	Times	0.27	(0.20)

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Sep 2021	Secured Overdraft	Long Term	7.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.77	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	5.93	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	27.89	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.67	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	25-05-2018	8.95	30-06-2027	21.92	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Kaustav Saha Manager-Rating Operations Tel: 022-49294065 kaustav.saha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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