



Press Release
Ganapati Parks Limited
December 11, 2023
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	-	-

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 'SeleQtion' 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 Average Room Rate (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 48 bedroom hotel 'Taj Raajkutir', 5 banquet halls 'Raasmanch', 'Rangmanch', 'Rangdarbar', 'Santushti' and 'Velvet Lounge', 3 restaurants 'Loafer's Cafe', 'East India Room' and 'The Swig' and several other adjoining facilities such as spa & swimming pool, sports bar & lounge and an artisans gallery. Moreover, GPL has entered into a hotel operating agreement with India Hotel Company Limited for the management of the boutique hotel under the brand "SeleQtion".

Unsupported Rating

Not Applicable

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.

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 picked up from FY2023 to about 67 per cent and the ARR has increased further to around Rs.6422. The revenues of the Company has improved to Rs. 29.86 Cr in FY2023 compared to Rs.17.72 Cr in FY2022. The occupancy rate for 7 months ended October 2023, 75% and is expected to be buoyed by the wedding season in the next few months. 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.22.79 Cr in FY2023 due to 5 luxurious banquet halls and 3 restaurants. 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 25 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 and Chhattisgarh 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. 77.08 Cr as on FY2023 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. The parent company Ambuja Neotia Holdings Pvt Ltd (ANHPL) and other group companies holds around 51.42 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

Weak financial risk profile

GPL's financial risk profile is weak marked by reducing networth and weak debt protection metrics. The adjusted tangible net worth of the company has been eroded due to continuous accumulated losses. However, the Company has cumulative preference share of Rs.4.06 Cr which is being treated as part of quasi equity and will remain in the business for a long term. The weak debt protection metrics of the company is marked by Interest Coverage Ratio of 0.71 as on March 31, 2023 and Debt Service Coverage Ratio of 0.56 as on March 31, 2023 (includes interest on unsecured loans). The interest coverage is expected to improve further as the Company has availed better rates from ICICI bank for a majority of its term loan and cash credit. 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. However, the timely funding support of the group entity

will continue to remain a key rating monitorable.

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 support from the group
- Any deterioration of its financial risk profile and liquidity position

All Covenants

None

Liquidity Position Stretched

The liquidity of GPL continues to remain stretched due to accumulated losses, low current ratio, long term debt repayments. However, it remains supported by the financial flexibility availed from group's unsecured loan from time to time on need basis. GPL has incurred losses during last 3 years on account of stabilisation challenges of the hotel post pandemic and low brand recall. Against the same, the Company has debt repayments of about Rs.7.89 Cr which are being met out of unsecured loan support from group companies. As on March 31, 2023, the support in the form of unsecured loans from group companies were at Rs. 77.08 Cr. The current ratio continues to remain below unity at 0.68 times as on March 31, 2023, 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.18.51 Cr as on March 31, 2023 as compared to Rs.1.94 Cr as on March 31, 2022 due to influx of unsecured loan towards year end. However, the fund-based limit remains utilised at around 65 per cent over the seven months ended October 2023. Acuité believes that going forward the liquidity position of the company will improve marginally on the back of improving margin, continued support from group in the form of unsecured loans over the medium term.

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 and generating cash profits. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	29.86	17.72
PAT	Rs. Cr.	(11.51)	(18.04)
PAT Margin	(%)	(38.53)	(101.79)
Total Debt/Tangible Net Worth	Times	(1.79)	(2.21)
PBDIT/Interest	Times	0.71	0.27

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2022	Secured Overdraft	Long Term	7.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	21.92	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	11.67	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.59	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	29.00	ACUITE BBB- Stable Reaffirmed

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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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