

Press Release

Bahdl Hospitality Limited

March 15, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	110.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 110.00 Cr bank facilities of BAHDL Hospitality Limited (BHL). The outlook remains **'Stable'**.

Rating Rationale

The ratings takes into cognizance the resumption of the operations after renovation of the property coupled with improving nature of occupancy and ARR, favorable location, tie-up with Indian Hotels Company Ltd (IHCL) to operate under the brand of 'Taj' 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. 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 2009, BAHDL Hospitality Limited (BHL) is a part of Ambuja Neotia Group and manages a 5-star deluxe hotel in Netown, Kolkata. Earlier, the hotel started operation in 2010 with 147 rooms of various categories including luxury suites and all modern amenities. The hotel was subsequently closed for renovation in FY2021 and FY2022. Further, the hotel was partially operational in May 2022 and June 2022 and fully operational from July 2022 under the new name of "TAJ City Center New Town". BHL has entered into a hotel operating agreement with India Hotel Company Limited for the management of the luxury hotel under the brand "Taj".

Standalone (Unsupported) Rating

ACUITE BB/Stable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of BHL to arrive at the rating. While arriving at the rating of BHL, 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 54 per cent stake in BHL, indirectly.

Key Rating Drivers

Strengths

Established presence in hospitality industry

The Ambuja-Neotia group has three decade long experience in the hospitality industry. Moreover, the management is highly experienced and involved in the day to day operations of the company. Acuité draws comfort from the experience and expertise of the group as well as the management of BHL.

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

The hotel 'TAJ City Center New Town' was under renovation and non operational during FY2021 and FY2022. However, the hotel has become fully operational from May, 2022 with occupancy level more than 57 per cent and the ARR has increased further to around Rs.6600. 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 BHL.

In addition to this, the F&B revenues were reported at around 45 per cent of the total revenues of Rs.12.73 Cr in 10MFY2023 (Provisional) 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 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 BHL.

Acuité believes that BHL, 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) holds upto 54 per cent indirectly in BHL which imparts further comfort to the rating. Any changes in the ownership pattern of BHL 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 below average financial risk profile is marked by eroded networth due to continuous losses. Acuité believes of the company that financial risk profile is expected to improve over the medium term.

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.

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 further 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. The cash and bank balances of the company stood at Rs.0.76 Cr in FY2022. The current ratio stood weak at 0.49 as on 31st March, 2022. Acuité believes that going forward the liquidity position of the company will improve from its stretched position backed by increased ARR and occupancy and hence a key monitorable over the medium term due to leveraged capital structure.

Outlook: Stable

Acuité believes that the outlook on BHL will remain 'Stable' over the medium term on account of the long track record of operations of the group, 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 any deterioration of financial risk profile or pressure on liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.95	5.82
PAT	Rs. Cr.	(25.87)	(29.01)
PAT Margin	(%)	(2736.00)	(498.25)
Total Debt/Tangible Net Worth	Times	(4.93)	(3.46)
PBDIT/Interest	Times	(0.72)	(0.07)

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

In order to inform the investors about complexity of instruments, Acuité 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 Jan 2022	Proposed Bank Facility	Long Term	2.34	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	97.66	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	10.00	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	9.10	ACUITE BBB- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	21 Mar 2018	Not available	31 May 2033	Simple	90.90	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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