

Press Release

GHK Hospitality And Infrastructures Limited

December 07, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	50.00	Provisional ACUITE C Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of "**PROVISIONAL ACUITE C** (read as **Provisional ACUITE C**)" on the Rs. 50 Cr Non- Convertble Debenture facility of GHK HOSPITALITY AND INFRASTRUCTURES LIMITED.

Rationale for Rating:

The Rating is proposed to be Provisional C since the company is making significant delays in payments of it's Term Loan Facility that is running with Indiabulls Commercial Credit Limited. Acuite takes in cognizance the fact that the company had entered into a contract with ITC Limited to renovate its hotel. The Hotel will start its operations in phases from December 2022 wherein 66 keys will be open and the hotel will start generating revenues. It is expected that the renovation will finish in the first quarter of Financial Year 2024 wherein all the 131 keys will be operational along with the Spa and Roof top restuarant giving full revenues to the hotel.

The final rating on the Rs.50 Cr proposed NCDs is subject to receipt of the following documentation:

1. Final NCD term sheet
2. Executed agreement with debenture trustee and trust deed
3. Any other relevant for the transaction structure

About the Company

Pune-based GHK Hospitality & Infrastructures Limited (GHIL) (formerly known as St. Larn Hotels Limited) was incorporated in 2007. GHIL is a single hotel company that owns the 5-star hotel named "Welcomhotel" in Ahmedabad. The centrally located business hotel is a 131-key property at Ashram Road which is the commercial business district in Ahmedabad. GHIL is a closely held company, with the members of the Karia family holding 100% of the equity. The company is currently run under the leadership of Mr. Rajesh Gopichand Karia and Mr. Suнил Gopichand Kariyaa.

Analytical Approach

Acuite has taken standalone approach of GHIL to arrive at the rating

Key Rating Drivers

Strengths

Experience of directors in the same line of business

The company was incorporated in 2007 and the Directors Mr. Rajesh Gopichand Karia and Mr. Suunil Gopichand Kariyaa are Graduates -Hotel Management and are having experience of more than 1.5 decades in the hotel industry. Acuité believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

Weaknesses

Loss of revenue due to COVID 19 outspread and restriction imposed

The Hotel Industry was one of the industries that was severely impacted due to the Covid Pandemic. Even after Covid, the industry had been struggling to get into balance. GHK HOSPITALITY AND INFRASTRUCTURES LIMITED is no exception as to this. The Hotel was severely hit due to no business demand since covid.

Default history

There has been continuous default in a Term Loan Facility (LAP) running with Indiabulls Commercial Credit Ltd due to liquidity concerns. The company hasn't made any payments in the loan account since August 2022.

Rating Sensitivities

- **Project Execution:** The Hotel is still under renovation and is proposed to be started in phases (Phase 1: 1 st -10 th December; Phase 2: March 2023 and Phase 3: 1 st Quarter of FY 2024). Timely operationalization of hotel remains key monitorable
- Improvement in company's operations resulting into revenue and profitability supporting the liquidity of the company
- Ability of the company to clear default and make timely payments

Material covenants

None

Liquidity Position

Poor

GHK Hospitality and Infrastructures has poor liquidity marked by net cash accruals of (5.65) Cr. In FY 22 as against Rs. (9.58) Cr in FY 21. Current Ratio stood at 1.13:1 as on 31 March 2022 as against 1.43:1 in the previous year. Therefore, the firm does not have enough liquidity to cater its obligation

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1.88	1.77
PAT	Rs. Cr.	(6.87)	(10.95)
PAT Margin	(%)	(364.87)	(619.16)
Total Debt/Tangible Net Worth	Times	(4.59)	(8.92)
PBDIT/Interest	Times	(0.08)	(1.19)

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

None

Any other information**Supplementary disclosures for Provisional Ratings.**

A. Risks associated with the provisional nature of the credit rating 1. Absence of any structured payment mechanism. 2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation
The rating would be equated to the standalone rating of the entity: ACUITE C

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

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>

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:

Not Applicable

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	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	Simple / Complex	50.00	Provisional ACUITE C Assigned

Contacts

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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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