

Press Release
Kamat Hotels (India) Limited
January 23, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	297.50	ACUITE BB Stable Upgraded	-
Non Convertible Debentures (NCD)	27.50	Provisional ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	325.00	-	-

Rating Rationale

Acuite' has upgraded its long term rating of '**ACUITE C' (read as ACUITE C)** to '**ACUITE BB' (read as Acuite double B)** on the Rs 297.50 Cr Non Convertible Debentures of Kamat Hotels (India) Ltd (KHIL). The outlook is '**Stable**'.

The long term rating on the Rs.27.5 Cr proposed NCD is upgraded from **provisional ACUITE C (Read as Provisional ACUITE C) to Provisional ACUITE BB (Read as Provisional ACUITE double B)** The outlook is '**Stable**'. The final rating is subject to receipt of pending documentation.

1. Receipt of the executed trust deed
2. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions
3. Legal opinion on the transaction, if applicable

Rationale for upgrade

The rating has been upgraded based on the group's proven track record as promoters have been in the hospitality industry for over 35 years. The group has various established hotel brands accross Maharashtra, Goa and Odisha such as The Orchid, Fort Jadhavgadh and Lotus Resorts. Further, the rating factors in the improvement in operational metrics after the Covid pandemic with an average occupancy in key properties (which account for more than 80% of the revenue) rising to 80% in FY2023 as compared to 65% in FY 2022 and 38% in FY 2021. However, the rating is constrained by moderate financial risk profile due to liquidity issues faced by the company in the past which had resulted in take over of bank facilities by Asset reconstruction companies (ARCs) in FY 2015 & 2016. Further, the company had also defaulted in its payment to ARCs and opted for a one time settlement (OTS). However, these issues are resolved with full and final payment by way of refinancing through the issue of NCD. Acuite believes that the liquidity & financial risk profile of the company will improve in the future with improvement in ARR & Occupancy in existing properties and operationalization of new properties.

About Company

Kamat Hotels (India) Limited (KHIL) was founded in 1986 and is one of The Kamats Group's pioneering companies, with over 80 years of experience. KHIL is into many hospitality ventures other than hotels and restaurant such as timeshare, clubs, resorts, heritage hotels and much more across India. KHIL is also into Hotel Consultancy, setups, and other such related activities. It is located in Mumbai. The Group is headed by Dr Vithal Venkatesh Kamat who has been spearheading the Kamat Group growth. Now, he is the Chief Mentor to the next

generation, Mr Vishal Kamat and the host of Professional team members who work under his guidance and experience. KHIL's most globally recognized brand is THE ORCHID, An Ecotel

Hotel, Asia's first chain of a 5- star, environment-sensitive hotel which has won over 95 National & International awards. The Orchid is in Mumbai, Pune and many more location. KHIL has grown in the past 29 years from a residential hotel to 13 Hotels properties in 4 & 5 Star categories and received 91 prestigious national and International awards under the vision of Dr. Vithal Venkatesh Kamat (CMD) and experienced hotel management Team. These hotels are situated in the prime locations in various cities like Mumbai, Pune, Bhubaneshwar, Konark, Shimla, Manali and Puri, Goa etc.

Unsupported Rating

None

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated financial and business risk profile for Kamat Hotels (India) Limited (KHIL), Orchid Hotels Pune Pvt Ltd, Mahodadhi Palace Private Limited, Kamats Restaurants (India) Pvt Ltd, Fort Jadhavgadh Hotels Pvt Ltd and Orchid Hotels Eastern (I) Pvt Ltd.

Key Rating Drivers

Strengths

Established track record, along with the experienced management

KHIL is the flagship company of Kamat Group and is engaged in operating hotels for more than thirty five years. The group has presence primarily in Maharashtra, Goa and Odisha with established hotel brands such as The Orchid, Fort Jadhavgadh and Lotus resorts. Dr Vithal V. Kamat, Executive Chairman and Managing Director of the company has an experience of more than 38 years in the line of hospitality business. He also rendered consultancy services for formation of restaurants in other countries as well such as Europe, USA, Japan & Singapore. Mr Vishal Vithal Kamat, son of Mr. Vithal Kamat is supported and guided by his father towards achieving various milestones.

Improvement in operational metrics

The business risk profile of the group has seen improvement post COVID as can be seen from the operation metrics of the company. The room revenue saw a substantial growth in FY23 and crossed the pre-covid revenue for almost all the properties and the growth is attributable to better occupancy and ARR. Further the profitability position of the group has also seen growth due to the aforesaid reasons. The profitability of the group improved as can be inferred from EBITDA, which stood at 36.88% in FY23 as compared to 25.47% in FY22.

Weaknesses

Albeit improved a moderate financial risk profile

Albeit improved the financial risk profile of the group remained moderate in FY23. The group's networth turned positive on account of additional equity share issued, profit from business operations, exceptional gains of Rs. 238.36 Cr. and proceeds from issue of warrants. Further the past debts were cleared in FY23 and as on 30th September 2023 the group has prepaid Rs. 125 Cr. of NCD bringing the outstanding from Rs. 297.50 Cr. to Rs. 172.50 Cr. resulting into better leverage ratios. Further due to lowering of debt the interest expenses as well as repayments have decreased which in turn resulted into better interest coverage indicators. Acuite believes that the financial risk profile of the group will see improvement in coming years on account of lower repayment obligations and better funds available for the repayments.

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 group 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

Substantial improvement in ARR & Occupancy resulting into better revenue and profitability
Improvement in the liquidity position of the group
Dip in the revenue or profitability resulting into liquidity stretch
Timely operationalization and profit generation from upcoming projects

Liquidity Position Adequate

With sale of Ira Mumbai (erstwhile VITS Mumbai) and refinancing of past debt with NCD issue the groups liquidity profile has seen improvement and it remained adequate in the FY23 and H1FY24. The group generated substantial cash accruals of Rs. 328.66 Cr. in FY23 and is expected to generate cash accruals of Rs. 88 Cr in FY24 and Rs. 90 Cr. in FY25 against a repayment obligation of Rs. 40 Cr. in each fiscal. However the liquidity profile of the group remains constrained with current ratio remaining below unity in past three years.

Outlook: Stable

Acuité believes that KHIL will maintain a 'Stable' outlook and continue to benefit over the medium term with respect to the extensive experience of management and established brand presence. The outlook may be revised to 'Positive' in case the group 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	294.88	144.58
PAT	Rs. Cr.	313.18	(22.67)
PAT Margin	(%)	106.21	(15.68)
Total Debt/Tangible Net Worth	Times	2.26	(2.53)
PBDIT/Interest	Times	15.05	0.75

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

Not Applicable

Any Other Information

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating

1. Lack of third party monitoring of compliance in absence of executed trust deed and no finalized terms in absence of final term sheet
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

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
24 Jan 2023	Proposed Non Convertible Debentures	Long Term	27.50	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	297.50	ACUITE C (Assigned)
10 Jan 2023	Proposed Non Convertible Debentures	Long Term	27.50	ACUITE Provisional C (Assigned)
	Proposed Non Convertible Debentures	Long Term	297.50	ACUITE Provisional C (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	INE967C07015	Non-Convertible Debentures (NCD)	25 Jan 2023	14	24 Jan 2027	Simple	297.50	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	27.50	Provisional ACUITE BB Stable Upgraded

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

Kamat Hotels (India) Limited (KHIL)
 Orchid Hotels Pune Pvt Ltd
 Mahodadhi Palace Private Limited
 Kamats Restaurants (India) Pvt Ltd
 Fort Jadhavgadh Hotels Pvt Ltd
 Orchid Hotels Eastern (I) Pvt Ltd.

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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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