

Press Release

Dream Gateway Hotels Limited

April 03, 2023



Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|----------------------------------|-------------------|
| Bank Loan Ratings | 3.60 | ACUITE BBB Stable Assigned | - |
| Bank Loan Ratings | 76.71 | ACUITE BBB Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 80.31 | - | - |

Rating Rationale

Acuite has reaffirmed and assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 80.31 Cr bank facilities of Dream Gateway Hotels Limited (DGHL). The outlook is '**Stable**'.

Rating Rationale

The rating for Dream Gateway Hotels Ltd (DGHL) factors in the healthy sales and collections of the company in FY2022 and sustenance of the same in FY2023, on the back of adequate sales in ongoing projects. The rating draws comfort from the established market position of the Jain Group, with a track record of around two decades in the real estate industry. The adequate liquidity driven by steady cash flows from the ongoing projects, given the high level of committed receivables and adequate collection efficiency also provides some ease. The rating, however, remains constrained by the high concentration of the Group's operations, which are primarily confined in one city, i.e. Kolkata and its surrounding areas, thereby exposing it to fluctuations in a single market's performance. These strengths are also exposed to the risks in the real estate industry.

About the Company

Dream Gateway Hotels Ltd (DGHL) was originally incorporated at Kolkata as Dream Gateway Hotels Private Limited on 4th February, 2009, under the provisions of the Companies Act, 1956, and subsequently, the Company was converted into a Public Limited Company vide a Fresh Certificate of Incorporation dated 21st June, 2017. The company is into real estate business and hospitality business. The Company is operating the Hotel Holiday Inn Kolkata since February 2017, which is located next to City Centre - II in New Town and offers 137 rooms. The hotel is built on an area of 1 lakh sq. ft. and offers three specialty restaurants, two floors of banqueting facilities, swimming pool, gym and a spa. It is also involved in the development of residential real estate projects in Kolkata and its suburban areas.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of DGHL to arrive at the rating.

Key Rating Drivers

Strengths

Established real estate developer with long track record and strong market position in Eastern India

The Group has an established track record in the real sector in eastern India, particularly in and around Kolkata (comprising residential and commercial developments). The Group also comprises multiple completed projects across residential, commercial and individual plots. The company has a strong in-house project execution capability, as demonstrated through timely completion in the past decade. Since the inception, the group has already developed and delivered more than 2 million sq ft of residential spaces. Aided by the extensive experience of Mr. Premal Jain of more than two decades in the real estate sector and their track record, the group has established a strong position in West Bengal's real estate market.

Comfortable leverage position

The company's financial risk profile is healthy driven by comfortable leverage position. The external debt has reduced to Rs. 83.97 Cr as on March 2022 from over Rs. 94.90 Cr as on March 2021, on account of scheduled plus cash flow-linked repayments based on the healthy sales velocity of the projects. Acuité believes the good saleability in residential projects shall help in maintaining healthy financial risk profile characterized by a modest debt service coverage ratio in the near term.

Healthy sales velocity till Q3FY2023 and collections coupled with improving nature of occupancy rates and ARR

The company reported healthy bookings in FY2022 and H1 FY2023. This coupled with the good brand recall, particularly in Kolkata, helped the sales velocity. Further, the collections from the residential segment remained healthy at in FY2022 and H1FY2023, respectively. In FY2023 as well, the prices are also expected to be hiked, depending on the project specific sales traction, to compensate for the rise in construction cost seen in recent quarters. Acuité expects even with an increase in interest rate on home loans, the demand is expected to remain firm, supported by reduced unsold inventory levels and steady demand.

At end-December 2022 the company's ongoing projects Dream World City and Dream One Phase- II were 98% and 88.5% completed, with likely completion by September 2023 and September 2024, respectively. DGHIL successfully executed a residential real estate projects, Dream Exotica and Dream Valley in FY21.

The hotel property had shown an improvement in the occupancy levels in the H1FY2023 as compared to FY2022. It recorded an average occupancy level of 75 per cent and healthy ARR till Q3FY2023. Even during the restrictions of lockdown, the hotel maintained healthy occupancy level. But the operations further improved as domestic leisure travel was the driving force behind the road to recovery coupled with an increase in business travel, and with most organisations gradually resuming to a full or hybrid work-from-office model. Acuité believes the strategic location of the hotel near city Centre II, New Town, with proximity to the Kolkata airport and Salt Lake City, which is an office hub, will help maintaining adequate occupancy levels going forward.

Weaknesses

Susceptible to real estate cyclicity and regulatory risks

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. The group is exposed to the risk of volatile prices on account of demand-supply mismatches in the Ranchi real estate industry. The group is also exposed to market risks for the unsold inventory, in terms of sales velocity, pricing and

timely collection, particularly if there are sustained lockdowns owing to fourth wave Covid-19 pandemic. Further, the industry is exposed to regulatory risk, thereby impacting its operating capabilities. However, Acuité believes that from the customer demand for the ongoing project being developed under 'Dream One Phase II' has been strong as evident from the unit's sales data and mitigates the risks to an extent.

Rating Sensitivities

- Timely receipt of customer advances
- Scheduled completion of ongoing projects

Material covenants

None

Liquidity Position: Adequate

The company's adequate liquidity position is expected to support debt servicing in the near-to-medium term on account of significant customer advances from sale of residential units to ensure timely repayment. The current ratio stood comfortable at 1.85 times as on March 31, 2022 as compared to 1.57 times as on March 31, 2021. Acuité notes that liquidity of the company will be further supported by healthy committed receivables from the sold area.

Outlook: Stable

Acuité believes that the outlook on DGHL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and healthy financial risk profile of the company. The outlook may be revised to 'Positive' in case the company receives substantial customer advances over the medium term. Conversely, the outlook may be revised to 'Negative' in case there is significant drop in bookings 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. | 57.99 | 33.77 |
| PAT | Rs. Cr. | 1.17 | 0.51 |
| PAT Margin | (%) | 2.02 | 1.51 |
| Total Debt/Tangible Net Worth | Times | 3.48 | 4.20 |
| PBDIT/Interest | Times | 1.91 | 1.92 |

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

india Ratings vide its press release dated 7.10.2022, had rated the company ro IND BBB-; INC

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.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 |
|-------------|--------------------------------|-----------|-----------------|--------------------------------|
| 08 Mar 2023 | Cash Credit | Long Term | 4.44 | ACUITE BBB Stable (Assigned) |
| | Working Capital Term Loan | Long Term | 20.72 | ACUITE BBB Stable (Assigned) |
| | Term Loan | Long Term | 51.55 | 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 |
|-------------------|----------------|----------------------------------|------------------|----------------|----------------|------------------|-------------------|----------------------------------|
| Yes Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 5.00 | ACUITE BBB Stable Reaffirmed |
| South Indian Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 3.60 | ACUITE BBB Stable Assigned |
| Yes Bank Ltd | Not Applicable | Covid Emergency Line. | Not Applicable | Not Applicable | Not Applicable | Simple | 23.88 | ACUITE BBB Stable Reaffirmed |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | Simple | 0.03 | ACUITE BBB Stable Reaffirmed |
| Yes Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 47.80 | 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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