



**Press Release**  
**LATERAL HOSPITALITY PRIVATE LIMITED**  
**January 31, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	87.00	ACUITE B+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	87.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITÉ B+**' (read as **ACUITE B plus**) on the Rs. 87.00 Cr. bank facilities of Lateral Hospitality Private Limited (LHPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned factors in the stable revenue source through lease agreement with Kamat Hotels India Ltd. However, the rating is constrained by delay in security deposit from lessee, nascent stage of operations and revenue concentration on one lessee.

**About the Company**

Incorporated in March 2021, Lateral Hospitality Private Limited is engaged in the business of hospitality, restaurants, eateries and hotel industry. The name of the Company has been changed from Sereine Hospitality and Consultancy Private Limited to Lateral Hospitality Private Limited w.e.f. 28th October 2022. LHPL owns a hotel name IRA by Orchid, Mumbai (formerly known as VITS Hotel, Mumbai). The company is owned by Mr. Anil Kohli.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of Lateral Hospitality Private Limited (LHPL) to arrive at the rating.

**Key Rating Drivers**

**Strengths**

LHPL has successfully entered into lease agreement with Kamat Hotels India Limited (KHIL) who is in the business of the hospitality. The company has signed a lease agreement for period of 2 years with KHIL which can be further extended up to 9 years. According to the agreement KHIL will pay LHPL a monthly rental of Rs.1.70 crore. Acuite believes that the successful negotiations between the parties provide a comfortable revenue visibility for the company for a short period of time.

**Weaknesses**

**Nascent stage of operation**

In October 2023, LHPL acquired the hotel - IRA by Orchid, Mumbai (formerly known as VITS Hotel, Mumbai) from Kamat Hotels India Limited (KHIL) and has lease back the same hotel to

Kamat Hotel India Limited for a period of 2 years starting October 2023. The company has just started the operation and doesn't have any experience in the managing the hospitality

business.

### **Below average financial risk profile**

LHPL has acquired the hotel on back of debt financing from the bank. The company has taken a loan of Rs.87.00 crore for acquiring the property against the net worth of Rs 38 Cr resulting into high gearing of 2.30 times. Repayment of the loan will be serviced from the monthly rentals income which are to be received from the lessee. Further the cash accruals from the business will be used to service debt and various other expenses related to the administrative and property taxes.

Acuite believes that the sufficient rental income after payment of maintenance and other administrative expenses to service the debt will be key rating sensitivity for the company.

### **Financial risk of lessee leading to delay in receiving rental income**

The financial risk profile of the lessee – Kamat Hotels India Limited will be closely monitored, as any delay in receiving monthly rentals will affect the financial risk profile of the LHPL. As it has high dependency on lease rentals from KHIL to pay its debt obligation. Further, the lessee has not yet paid the security deposit amount of Rs.6.8 crore to LHPL which needs to be paid as per the agreement.

### **Rating Sensitivities**

- Timely receipt of lease rentals

### **Liquidity Position Stretched**

The liquidity of the company is likely estimated to be remained stretched. Any delay in receiving the rental incomes from the lessee will make it inability to service the debt.

### **Outlook: Stable**

Acuite believes that outlook on LHPL will remain 'Stable' over the medium term backed by successfully entering the lease agreement for the hotel. The outlook may be revised to 'Positive' in case of higher rental income leading to sufficient cash accruals against the repayment obligations. Conversely, the outlook may be revised to 'Negative' in case of any delay in receiving of monthly rentals from the lessee leading to further deterioration of financial flexibility and liquidity for the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.16)	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(47.79)	0.00
PBDIT/Interest	Times	(2071.52)	(59.51)

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://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
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	22 Aug 2030	Simple	87.00	ACUITE B+   Stable   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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