Press Release
LATERAL HOSPITALITY PRIVATE LIMITED
April 25, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	87.00	ACUITE BB- | Stable | Upgraded	-
Total Outstanding Quantum (Rs. Cr)	87.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating to **'ACUITE BB-' (read as ACUITE double B minus**f)rom **'ACUITE B+' (read as ACUITE B plus)** on Rs. 87.00 Cr. bank facilities of Lateral Hospitality Private Limited (LHPL). The outlook is **'Stable'**.

Rationale for rating upgrade
The rating upgradation takes into consideration the timely receipts of lease rentals since November 2023 and receipt of the security deposit of Rs. 6.8 Cr. from the lessee (Kamat Hotels (India) Limited) in FY24. Further, the rating factors in the proposed change in business model from fixed lease rental income to hotel operating revenues post expiry of the lease agreement in October 2025 which is expected to improve the net cash accruals of the company. The rating also takes into account the experience of the management in the hospitality sector and factors the proposed capex plans which is expected to result in an increase in average room rate and occupancy levels of the hotel. However, the rating is constrained by moderate financial risk profile, susceptibility to cyclicality in the hospitality sector along with increasing competition.

About the Company

Incorporated in March 2021, Lateral Hospitality Private Limited (LHPL) (formerly known as Sereine Hospitality and Consultancy Private Limited) is engaged in running a five star hotel named IRA by Orchid, Mumbai (formerly known as VITS Hotel). This hotel was acquired by LHPL in October 2023 from Kamat Hotels (India) Limited (KHIL) for a total consideration of Rs. 125 Cr. The hotel includes 197 rooms, 2 restaurants, 9 banquets and 2 boardrooms. The directors of the company are Mr. Anil Kohli and Mr. Subodh Sagar Chatrath.

Unsupported Rating
Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of LHPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and sustained capital infusion
The director, Mr. Anil Kohli has prior experience in hospitality business since 2006 wherein he owns and manages international hotels of Intercontinental, Balaclava – Mauritius (210 keys) and Holiday Inn Whitechapel – London

(135 keys). Further, on acquisition of the hotel by LHPL from KHIL, equity of Rs. 31 Cr. was infused by the director. Consequently, the upcoming capex of Rs. 25 Cr. is also expected to be funded by the director to the extent of Rs. 20 Cr. and balance through internal accruals.

Expected improvement in operating performance on account of change in business model and capex plans
Post acquisition of the hotel in FY24, the company leased back the same to KHIL for 2 years. Therefore, the

operating revenue of the company stood at Rs. 8.83 Cr. in FY24 accounting for monthly lease rental income of Rs. 1.70 Cr. starting from November 2023. Further, till December 2024, the company has booked an operating revenue of Rs. 15.30 Cr. The absolute EBITDA stood at Rs. 7.47 Cr. in FY24, however, the absolute PAT stood negative at Rs. (0.06) Cr. owing to the interest cost and depreciation charged. However, post expiry of the lease agreement in October 2025, LHPL will be operating the hotel on its own leading to shift in the model from the current fixed rental revenue to variable hotel operating revenues, which is expected to improve the cash accruals. Further, in the month of August 2025, LHPL plans to renovate the entire property (furniture, interiors, etc.) which is expected to increase the average room rate and enhance the occupancy levels.
Acuité believes, going forward, with the change in business model and proposed capex shall result in increase in the operating revenue of the company, shall be a key rating sensitivity.

Weaknesses

Moderate financial risk profile
At the time of acquisition of the hotel from KHIL for Rs. 125 Cr., the company had availed debt of Rs. 87 Cr., balance was funded through equity infusion of Rs. 31 Cr. and Rs. 8 Cr. in the form of unsecured loan from related parties. While the fixed rental incomes in FY25 were sufficient to repay the debt obligations of Rs. 6 Cr. for FY25, going forward, with the change in business model to variable hospitality revenues, the ability to generate sufficient net cash accruals to repay its maturing debt obligations shall be a key rating sensitivity. Therefore, the financial risk profile is expected to remain moderate over the medium term.

Susceptibility to cyclicality in the hospitality industry and increasing competition
LHPL like any other hospitality player is exposed to inherent cyclicality owing to domestic and international economies, seasonality risk and competition from the established players. During slack seasons, revenue per available room for premium and mid-segment hotels get more acutely affected than economy hotels. On the other hand, cost of operating premium properties is high, even during downward shifts in demand; cash flow from these properties are, therefore, more vulnerable to economic downturns. Further, the company owns only one hotel in Mumbai, which exposes it to any adverse change in the demand-supply situation and event risk.

Rating Sensitivities

- Timely receipts of lease rentals for the balance tenor
- Timely completion of expected capex without any cost and time overruns
- Increase in net cash accruals and debt servicing ability post change in the business model

Liquidity Position
Adequate

During FY24, the company generated net cash accruals (NCA) of Rs. 3.00 Cr. as against no repayment obligations. Further in FY25, the company is estimated to have recorded NCA of Rs. 8.29 Cr., sufficient to meet maturing debt obligations of Rs. 6 Cr. Going forward, with change in the business while the NCA is expected to improve, its adequacy against repayment obligations of Rs. 6-12 Cr. in FY26 & FY27 shall be a key rating monitorable. Moreover, the sustained infusion by promoters provides additional comfort towards liquidity.

Outlook: Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	8.83	0.00
PAT	Rs. Cr.	(0.06)	(0.16)
PAT Margin	(%)	(0.72)	0.00
Total Debt/Tangible Net Worth	Times	3.10	(47.79)
PBDIT/Interest	Times	1.66	(1918.00)

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

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

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
31 Jan 2024	Term Loan	Long Term	87.00	ACUITE B+ | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2030	87.00	Simple	ACUITE BB- | Stable | Upgraded (from ACUITE B+)

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About Acuité Ratings & Research

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