



**Press Release**  
**A DARSH REALTY AND HOTELS PRIVATE LIMITED**  
**August 30, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	370.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	370.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 370 Cr. of Bank loan facilities of Adarsh Realty and Hotels private Limited (ARHPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned reflects the Adarsh Group's established track record in the hospitality and real estate sectors, as well as the steady growth in occupancy levels across all three hotels, coupled with stable profitability. Additionally, the rating considers the significant refinancing of the company's debt, which has led to an overall reduction in the cost of debt. The rating also benefits from the substantial reduction in the group's debt position and the adequate support provided by group companies to ARHPL. However, the rating is constrained by the company's moderate financial risk profile and the highly competitive nature of the hospitality industry.

**About the Company**

Incorporated in 1996, the Company is promoted by Mr. Bilidale Madaiah Jayeshankar. It is engaged in providing hospitality services by running three prime hotels in Bangalore. The Company is a part of Adarsh Group which has more than three decades of experience in the real estate and hospitality sector. Mr. Bilidale Madaiah Jayeshankar, Mr. Bilidale Madaiah Karunesh and Mrs. Nidhi Jayashankar are the directors of the company.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of ARHPL to arrive at

the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and long track record of operations**

Adarsh Realty and Hotels Private Limited (ARHPL) was incorporated in 1996 by Mr. Bilidale Madaiah Jayeshankar. As part of the Adarsh Group, which has over three decades of

experience in real estate and hospitality services, ARHPL operates three hotels in Bangalore: Shangri-La Bengaluru, Palm Meadows Resort, and Adarsh Hamilton. Shangri-La and Adarsh Hamilton are owned and operated by ARHPL, while Palm Meadows is owned by a group company but managed by ARHPL. The Adarsh Group has a long-standing operational track record in the real estate and hospitality sectors, with highly experienced promoters who are actively involved in operations. The company's revenue increased to Rs.205.59 crore in FY24 (Provisional) from Rs.171.96 Cr. in FY23 and Rs.103.41 Cr. in FY22, driven by improved occupancy and tariff rates. Acuite believes that the group's extensive operational history and the promoters' deep expertise will support its growth plans moving forward.

### **Timely debt refinancing and infusions from group companies**

ARHPL prepaid the outstanding Non-Convertible Debentures (NCDs) issued to Oaktree Capital and the term loan from HDFC Bank through refinancing. To facilitate this refinancing, ARHPL received an infusion of Rs.350 Cr. from group companies, which is expected to remain on ARHPL's books for the duration of the refinanced loan. Acuite has classified these infusions as quasi-equity for its analysis. Following the refinancing, ARHPL's debt structure now includes a term loan of Rs. 360 Cr. as on May'2024. Acuite believes that ARHPL is expected to generate sufficient cash flows to service its term loan obligations.

## **Weaknesses**

### **Moderate financial risk profile**

The company's financial risk profile is moderate, marked by a moderate capital structure and debt protection metrics. The net worth of the company improved to Rs.406.14 crore as of March 31, 2024 (Provisional), compared to Rs.152.74 crore as of March 31, 2023. This improvement is primarily due to the infusion of Rs.350 crore from group companies, which is considered quasi-equity. The company's gearing ratio significantly improved, standing at 1.12 times as of March 31, 2024 (Provisional), compared to 3.72 times as of March 31, 2023, supported by debt refinancing. Currently, the company's total debt consists of a term loan of Rs.360 crore. Acuite believes that ARHPL is expected to generate adequate cash flows to service its debt obligations going forward.

### **Highly competitive industry**

The city of Bangalore offers vast opportunities and significant potential for high growth, making it a focal point for major tourism destinations. Numerous companies are planning to establish hotels to capitalize on these opportunities, which will intensify the competitive landscape. The company's success will depend on its ability to compete in areas such as room rates, quality of accommodation, service levels, and location convenience, as well as the quality and range of other amenities, including food and beverage facilities.

## **Rating Sensitivities**

### **Positive**

- Improvement in financial risk profile
- Sustainable improvement in revenue and profitability.

### **Negative**

- Any withdrawal of quasi equity by group companies
- Any deterioration in revenue profile and leverage position.

## **Liquidity Position: Adequate**

ARHPL's liquidity is adequate marked by unencumbered cash and bank balance of Rs.17.58 Cr. as on March 31st 2024(Prov). Company is expected to generate adequate cash accruals for repayment of its loan obligations. The current ratio of the company stood at 1.36 times as on March 31st 2024(Prov). The GCA days of the company stood in the range of 150 to 425

days during the previous three years ending FY24(Prov).

### **Outlook: Stable**

Acuité believes that ARHPL will maintain a stable outlook due to its established track record and debt refinancing. The outlook may be revised to 'Positive' if there is a significant improvement in the scale of operations and the financial profile. Conversely, the outlook may be revised to 'Negative' if there is any deterioration in financials or withdrawal of funds infused by group companies.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	205.59	171.96
PAT	Rs. Cr.	(96.60)	155.40
PAT Margin	(%)	(46.99)	90.37
Total Debt/Tangible Net Worth	Times	1.12	3.72
PBDIT/Interest	Times	0.60	2.29

### 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
Axis Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB-   Stable   Assigned
Aditya Birla Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2036	Simple	70.00	ACUITE BBB-   Stable   Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2036	Simple	145.00	ACUITE BBB-   Stable   Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2036	Simple	145.00	ACUITE BBB-   Stable   Assigned

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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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