

08 April, 2014

**CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF
TGB BANQUETS AND HOTELS LIMITED****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	111.12	CARE BB+ (Double B Plus)	Reaffirmed

Rating Rationale

The rating of TGB Banquets and Hotels Limited (TBHL) continues to be constrained by its subdued performance during Q4FY13 (FY refers to the period from April 01 to March 31) and 9MFY14 marked by moderation in income from room revenue segment and net profit margin due to challenging scenario in the hospitality industry. The rating, further, continues to be constrained by the geographical concentration of its operations, stretched liquidity due to yet-to-be recovered large amount of loans and advances extended by it and its presence in an intensely competitive and an inherently cyclical hospitality industry.

The rating, however, continues to derive strength from TBHL's established operations in banqueting and food & beverages (F&B) business segments.

TBHL's ability to increase its scale of operations from the room revenue segment while maintaining growth from its banqueting and F&B segments, improve its profitability and recover the loans and advances extended by it while maintaining its moderate capital structure would be the key rating sensitivities.

Background

Incorporated in 1999 by Mr Narendra Somani at Ahmedabad in Gujarat, the erstwhile Bhagwati Banquets & Hotels Ltd (BBHL) was renamed as TBHL with effect from April 19, 2013. TBHL commenced its operations in June 2002 with a three-star hotel property located at Ahmedabad. Presently TBHL owns and operates two hotel properties: a three-star hotel property at Ahmedabad and a five star hotel property at Surat. TBHL also operates a property at Rajkot on management contract (which was earlier operated on lease by TBHL till August 2012). TBHL is one of the largest outside catering service companies in Gujarat and operates restaurants under the name of 'TGB' restaurants & food courts in Ahmedabad, Surat, Jaipur, etc. During Q4FY14, TBHL commenced operations of two more properties at Ahmedabad and Nadiad in the name of "TGB Express" under franchisee arrangement on revenue sharing basis. TBHL also operates room facilities and restaurants on management contract for Karnavati Club at Ahmedabad.

During FY13 (refers to the period April 1 to March 31), TBHL reported a total operating income of Rs.165.92 crore (FY12: Rs. 154.03 crore) with a PAT of Rs. 2.96 crore (FY12: PAT of Rs.0.32 crore). Furthermore, as per provisional results for 9MFY14, TBHL has reported total operating income of Rs.105.06 crore with a PAT of Rs.5.90 crore.

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¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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