

TGB Banquets and Hotels Limited

March 24, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE D; (Single D); Stable outlook assigned
Total Bank Facilities	11.00 (Rs. Eleven Crore Only)		

Details of instruments/facilities in Annexure-1

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the rating of TGB Banquets and Hotels Limited (TGB) and in line with the extant SEBI guidelines, CARE revised the ratings of bank facilities of the company to 'CARE D; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the ratings and the ratings stand at 'CARE B+; Stable'.

Detailed Rationale & Key Rating Drivers

The ratings of bank facilities of TGB Banquets and Hotels Limited (TGB) were earlier placed under Issuer Not Cooperating (INC) as company did not provide information to carry out the surveillance exercise. Company has now shared the requisite information with CARE Ratings Ltd. and accordingly rating has been removed from INC and revised the ratings due to clear track record of debt servicing along with stable financial risk profile.

The ratings remained constraint on account of declining scale of operations, significant losses and weak debt coverage indicators during FY21 (Audited, refers to period April 01 to March 31). Further, rating is constrained due to high outstanding statutory liabilities coupled with high amount of loans and advances extended by TGB and its presence in competitive and inherently cyclical hospitality industry.

The ratings, however, derives strength from established track record of operations in hospitality industry with strong presence in Food and Beverages (F&B) segment and comfortable leverage with healthy net worth base.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in liquidity of the company in the form of realization of long overdue loans and advances extended to other companies along with realization of long pending other current assets.
- Significant improvement in scale of operations beyond Rs.50 crore while maintaining PBILDT margin above 10%.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any adverse outcome from long pending statutory liabilities in litigation impacting the liquidity of the company.
- Sizable erosion in net worth base due to loss incurred arising out of any write-offs.

Detailed description of the key rating drivers

Key Rating Weaknesses

Declining scale of operations and significant losses

During FY21, total operating income (TOI) of TGB declined significantly due to COVID impact and remained at Rs.15.20 crore as against Rs.33.97 crore during FY20 (Rs.81.12 crore in FY19). Due to lower scale of operations, it reported operating loss of Rs.1.71 crore in FY21 as against Rs.14.27 crore in FY20. Further due to extra ordinary expense pertaining to loss on sale of subsidiary Luv Kush Properties Private limited amounting to Rs.3.74 crore, total comprehensive loss remained at Rs.8.17 crore during FY21. Further during 9MFY22, TOI remained at Rs.19.17 crore with total comprehensive loss of Rs.16.59 crore due to payment of old undisputed statutory dues as well as loss on sale of fixed assets.

Weak debt coverage indicators

Debt coverage indicators deteriorated and remained weak on account of operating losses and cash loss during FY21.

High Statutory liabilities

TGB has statutory liabilities of Rs.32.45 crore as on March 31, 2021, consisting undisputed statutory dues related to PT, PF, ESIC, GST, VAT, TDS, service tax, etc. However, Rs.15.86 crore is paid during FY22 and outstanding payable remains at Rs.16.59 crore as on February 28, 2022. Out of these, Rs.6.23 crore pertains to undisputed statutory dues whereas Rs.10.36 crore pertains to disputed statutory liabilities.

Large size exposure to other companies

TGB has exposure to its former subsidiary/associates in terms of unsecured loan to support their operations. TGB had invested in the form of unsecured loan/deposit of Rs.12.63 crore as on March 31, 2021 towards its former subsidiary Luv Kush Properties

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Private Limited. Further, TGB also had exposure of Rs.10.17 crore towards one of its associate concern TGB Bakers & Confectionaries private Limited. Also, Rs.16.50 crore pertains to Orchid Plaza Design and developers Private limited, Rs.15.19 crore to Kashiba finance private limited and Rs.6.36 crore to Shoppers buildcon private limited as on March 31, 2021.

High level of competition and cyclical nature of hospitality industry

The Indian hotel industry is highly fragmented in nature with presence of large number of organized and unorganized players spread across various regions. Furthermore, cyclical nature of the hotel industry and increasing competition from already established hotels has impacted operating performance of the industry players. One of the biggest challenge's hoteliers will face in upcoming years is sustaining growth as online private accommodation aggregators flood the marketplace with new inventory. Further, Average Room Revenue (ARR) is also expected to remain subdued due to increase in room inventory with more players entering the market. The market for banqueting and outdoor catering has attracted many organized players which have led to the increase in competition and pricing pressure.

Key Rating Strengths

Clear track record of debt servicing

At the time of last rating, there were instances of overdraw in its cash credit account for a period of 8-10 days mainly due to non-payment of interest charged at the month end. Further from March 31, 2021 till June 29, 2021, cash credit limit was over utilized. However, from August 2021, drawing power was reduced to Rs.5.65 crore and since then there were no instances of overdrawn in its cash credit account.

Established track record of operations in hospitality industry with strong presence in F&B segment

The overall operations of TGB are managed by Mr. Narendra Somani along with Mr. Hemant Somani and Mr. Devanand Somani. Mr Narendra Somani, Chairman & Managing Director, has an experience of more than two decades in the hospitality industry; with a restaurant and subsequently, expanding to outdoor catering, hotels and banqueting. He also serves on the board of various recognized professional body such as he was the ex-president of All Gujarat Caterers Association & the current president of Hotels & Restaurants Association of Gujarat. During FY21, TGB derived its major revenue from F&B and banquet segment with the prime revenue generating segment of TGB is banquet services consisting of managing various events, weddings, exhibitions and parties.

Comfortable leverage with healthy net worth-base

Despite erosion in net-worth base due to loss incurred during FY21, TGB had healthy net-worth base of Rs.96.35 crore as on March 31, 2021. Moreover, the total debt of company also remained low at around Rs.11.57 crore as on March 31, 2021, resulting into comfortable capital structure. The capital structure remained comfortable marked by below unity overall gearing at 0.12 times as on March 31, 2021 and as on March 31, 2020, due to low level of total debt outstanding as on balance sheet date in proportion to net worth. Further, adjusted overall gearing also remained comfortable at 0.45 times as on March 31, 2021 (adjusted with excluding long pending large size loans amounting to Rs.70.55 crore and advances from net worth).

Liquidity: Stretched

Liquidity position of TGB continued to remain stretched during FY21 marked by elongated working capital cycle and almost full utilization of working capital limits for the trailing twelve months ended February 2022. Moreover, the company had low cash and bank balance of Rs.0.60 crore as on March 31, 2021. However, it is to be noted that the company has large size statutory dues liability of Rs.16.59 crore as on February 28, 2022 which are pending at various jurisdiction of respective government authorities. The company has sizable exposure towards the group companies and related parties and any further extension of supports towards these companies also impact the liquidity. Moreover, the company had availed moratorium for a period March-August 2020 for interest on its working capital limits.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy On Curing Period](#)

[Rating Outlook and Credit Watch](#)

[Rating Methodology-Hotel Industry](#)

About the Company

Ahmedabad based TGB Banquets & Hotels Ltd (TGB; renamed on April 19, 2013) was incorporated in 1999 as Bhagwati Banquets & Hotels Ltd by Mr. Narendra Somani. TGB commenced its operations in June 2002 with a three-star hotel property located in Ahmedabad, Gujarat. Presently, TGB operates a hotel property at Ahmedabad. TGB also provides outside catering service and operates restaurants & food courts. Presently, TGB's economy hotel brand, TGB Express, is operational at Ahmedabad and Nadiad.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	33.98	15.20	19.17
PBILDT	-14.27	-1.71	-4.28
PAT	0.86	-8.25	NA
Overall gearing (times)	0.12	0.12	
Interest coverage (times)	NM	NM	NM

A: Audited, UA: Unaudited, NA: Not Available; Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure 4

Banker/Lender details: Please refer Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE B+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	4.00	CARE B+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	7.00	CARE B+; Stable	1)CARE D; ISSUER NOT COOPERATING* (01-Apr-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (19-Feb-21)	1)CARE BB; Stable (11-Dec-19)	1)CARE BB; Stable (13-Dec-18)
2	Non-fund-based - LT-Bank Guarantee	LT	4.00	CARE B+; Stable	1)CARE D; ISSUER NOT COOPERATING* (01-Apr-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (19-Feb-21)	1)CARE BB; Stable (11-Dec-19)	1)CARE BB; Stable (13-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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