

Bharat Hotels Limited

April 01, 2022

Credit Update

The ratings assigned to the bank facilities of Bharat Hotels Limited (BHL) are on 'Credit Watch with Negative Implications'. CARE in its earlier reviews has taken into cognizance the One-time restructuring (OTR) plan implemented w.e.f. June-21 in Bharat hotels Ltd (BHL). The approved plan assumed monetization of certain assets resulting in de-leveraging of the balance sheet of BHL, which is currently pending. The company has intimated CARE regarding its evaluation of various alternatives including the monetization of 'Mumbai property' in order to deleverage the balance sheet. The management is in active discussions and exploring the above opportunities. As informed by the management, either of the options are likely to be finalized and executed within 1-2 months. However, the company shall not be able to meet the threshold ratio of TOL/ATNW (Total outside liabilities/ Adjusted tangible net worth) prescribed to be met till Mar 31, 2022 by RBI in its circular dated Sept 07, 2020. BHL has been making all the debt repayments so far regularly as per the OTR plan.

Till the emergence of clarity in this regard, CARE will continue to monitor the developments closely and will take a view on the ratings once the exact implications of the above events on the credit risk profile of the company are clear.

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Bharat Hotels Limited (BHL) continue to remain constrained by its deteriorated capital structure and stretched liquidity profile. The rating also take into account the vulnerability of revenues to inherent industry cyclicality, economic cycles and exogenous events, regional trends in tourism and competition risk.

The ratings continue to derive strength from BHL's experienced promoters, long track record of operations in the hospitality business, established relationship with corporate clients and diversified portfolio of properties.

The ratings assigned to the bank facilities of Bharat Hotels Limited (BHL) continue to remain on 'Credit Watch with Negative Implications' for reasons explained above.

The previous detailed press release is available on the following link: [Click here](#)

Liquidity: Stretched

The liquidity position of the company stands stretched. The company generated cash losses during FY21. The fund requirements were met by availing interest and principal moratorium for the period Mar-20 to Aug-20. The company (BHL standalone) had free cash and bank balance of Rs.67 cr as on Mar 15, 2022 (PY: Rs.24 crore as on March 31, 2021) in form of fixed deposits of Rs.43 cr and remaining as bank balances. As against these, there are nil debt repayments in BHL standalone (due to restructuring of loans with repayments commencing from March-23). In its subsidiaries, there is liquidity of Rs.7 cr and repayment of Rs.22 cr (Kujjal Hotels Pvt Ltd and Lalit Great Eastern Kolkata) in FY22 and FY23 each. BHL has extended corporate guarantee for loans availed in these subsidiaries and the repayments of the same are considered in the consolidated profile of BHL. In the underlying subsidiaries the group has availed additional ECLGS loans to the tune of Rs.19 cr in KHPL and Rs.18 cr in LGEKHPL, which is giving comfort in respect of the debt repayments in these entities. Currently, the debt servicing (which is only interest servicing in BHL and remaining in subsidiaries) is primarily being met out of operational cashflows. BHL (Consol) has reported PBILDT of ~Rs.110 cr till Feb-22.

Further, BHL (on consolidated) has sanctioned working capital limits of Rs.84 crore including PCFC of Rs. 25 cr supporting the working capital requirements. The operating cycle stood negative at 59 days in FY21 (FY: -16 days), mainly due to higher credit period availed from the creditors. The average CC utilization stood around 15%-20% in FY21. Furthermore, the company had received termination letter from NDMC dated Feb-2020 pertaining to the termination of land license of commercial establishment of New Delhi. The company has filed writ petition to High and the matter is still sub-judice with next hearing date in April-2022. NDMC raised a demand of Rs. 198.77 cr which may materially impact the financial position of BHL in case of materialization and hence this also remains a monitorable.

Analytical approach:

Consolidated; For analysing BHL, consolidated financials have been considered which includes the support to be extended to 2 subsidiaries operating under the same for which BHL has issued unconditional & irrevocable corporate guarantee. List of entities being consolidated:

Entity	Relation	Shareholding as on Mar 31, 2021
Jyoti Ltd	Subsidiary	99.99%
Lalit Great Eastern Kokata Hotel Ltd	Subsidiary	90.00%
Prime Cellular Ltd	Subsidiary	99.60%
Prima Buildwell Pvt Ltd	Subsidiary	100.00%
Kujjal Hotels Pvt Ltd	Subsidiary	50.00%
The Lalit Suri Educational & Charitable Trust	Management control	100.00%

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