

Hotel Meghna

August 01, 2022

Rating

| Facilities | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------------|---|--|--|
| Long-term Bank Facilities | 11.96 | CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) | Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category |
| Total Bank Facilities | 11.96 (₹ Eleven crore and ninety-six lakhs only) | | |

*Issuer did not cooperate; based on best available information
Details of facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking the No Default Statement (NDS) from Hotel Meghna (HM), however, after repeated requests, HM has not submitted the No Default Statement (NDS) for the past three months. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on the bank facilities of HM will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-receipt of NDS for the past three months and uncertainty around the credit risk profile of the firm.

Detailed description of the key rating drivers

At the time of the last rating on September 06, 2021, the following were the rating strengths and weaknesses:

Key rating weaknesses

Constitution as a proprietorship entity

HM, being a proprietorship entity, is exposed to the inherent risk of the capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be amongst the key factors affecting credit decision for the lenders.

Small scale of operations with moderate occupancy level in FY21

The scale of operations of the entity remained small marked by total operating income of Rs.6.81 crore in FY21 vis-à-vis Rs. Rs.7.54 crore in FY20. The total operating income was moderate with moderate occupancy rate during the period FY20 to FY21 on account of sudden outbreak of COVID-19 which led to restrictions imposed nationwide. However, the entity was able to generate revenue by renting the rooms to state government for arranging institutional quarantine centers and also income derived from the food and beverage division. Furthermore, the net worth of the entity stood at Rs.3.43 crore as on March 31, 2021. The firm was operating partially due to restriction imposed on recent second wave and they were able to generate a turnover of Rs.2.34 crore in 4MFY22.

Seasonal, cyclical and competitive nature of the hotel industry

The demand for hotel and hospitality sector has direct relation to the overall health of the economy. The Indian hotel industry normally experiences high demand during March to June months, mainly on account of summer vacations and from October to November mainly on account of festive vacations all over India. However, this trend is seeing a change over the recent few years. Hotels have introduced various offers to improve performance (occupancy) which include targeting the conferencing segment and offering lucrative packages during the lean period. Furthermore, the industry is highly fragmented in nature with presence of large number of organized and unorganized players spread across various regions. The firm faces competition from a number of small and medium players since it is located in a tourist destination.

Deterioration in financial performance in FY21 leading to weakening of debt profile

The scale of operations of the entity remained small marked by total operating income of Rs.6.81 crore in FY21 vis-à-vis Rs. Rs.7.54 crore in FY20. The profitability margin of the firm remained moderate marked by PBILDT margin of 28.78% in FY21 as compared with 36.85% in FY20 due to lockdowns and travel restrictions on account of COVID-19 pandemic. The capital structure of the firm has deteriorated marked by overall gearing ratio of 4.34x as on March 31, 2021, as compared with 2.89x as on March 31, 2020, on account of decrease in net worth due to the adjustment of unabsorbed depreciation in the net worth.

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

The debt coverage indicators of the firm remained moderate marked by interest coverage ratio of 1.15x (1.53x in FY20) and total debt to GCA of 57.18x (14.64x as on March 31, 2020) in FY21 on account of decrease in PBILDT levels during FY21.

Key rating strengths

Experienced promoter

The proprietor of HM, Dr. Itesh Bordoloi is a consultant paediatrician by profession and also employed as chief managing partner of "Lower Assam Hospital and Research Centre", Bongaigaon. He is also the managing director of Gauripur Hospital. He is also into dealership of automobiles viz. 4-wheeler segments and 2-wheeler segments. The promoter has entered into the hotel industry over the last four years and looks after the overall management of the firm with adequate support from qualified staff and a team of experienced personnel.

Strategic locational advantage of the hotel

The hotel is located at NH-27, Chirang District Bongaigaon, Assam. It is also strategically located close to nearest domestic airport which is at a distance of 190 kms and the nearest railway station is only at a distance of 5 kms. The location boasts of tourist attractions comprising of wild life sanctuary, world heritage site, elephant reserve and biosphere reserve at an hour's drive from New Bongaigaon. The hotel provides restaurant bar and banquet hall services. With the commercial nature of location of the hotel, the firm is likely to have assured business from room bookings, restaurant business and other related incomes. Furthermore, with tourism being the main source of livelihood in lower Assam, cheap labour is also available in abundance.

Tie-up with Cygnett Hotels along with high growth prospects of the hotel industry

The firm has a tie-up with "Cygnett Hotels and Resorts INC." making it the only hotel of such star category in the locality. Moreover, the Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Assam Government has given the priority to tourism industries in the state with several privileges. On routine basis government agencies have been conducting the tourism development programmers. Assam has grown up to become one of the best favorable destinations for the corporates to organize MICEs apart from being an already established tourist destination in the country. State Government is also providing best possible support to the potential investor in hospitality industries.

Liquidity: Not Applicable

Analytical approach: Standalone

Applicable criteria

Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Rating Outlook and Credit Watch
Hotel

About the company

HM was formed as a proprietorship concern in year 2012 by Mr. Itesh Bordoloi. The hotel started commercial operations from March 2017. It is a four-star hotel located at Chapanguri, Assam with a total built-up area of 7200 sq.mt. The firm has a tie-up with "Cygnett Hotels and Resorts". The hotel is currently operating with 50 rooms (which include 42 superior rooms, 6 club rooms and 2 suit rooms). The hotel also has other amenities like conference and banquet hall, multicuisine restaurant, bar, health club, spa, saloon and a swimming pool.

| Brief Financials (₹ crore) | March 31, 2020 (A) | March 31, 2021 (A) | FY22/Q1FY23 (Prov.) |
|-----------------------------------|---------------------------|---------------------------|----------------------------|
| Total operating income | 7.54 | 6.81 | NA |
| PBILDT | 2.78 | 1.96 | NA |
| PAT | -1.23 | -1.68 | NA |
| Overall gearing (times) | 2.89 | 4.34 | NA |
| Interest coverage (times) | 1.53 | 1.15 | NA |

A: Audited; Prov.: Provisional; NA: Not available

Status of non-cooperation with previous CRA: Brickwork Ratings continues to place the rating of Hotel Meghna under issuer not cooperating category vide press release dated September 6, 2021.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---------------------------|------|------------------|-------------|----------------|-----------------------------|---|
| Fund-based - LT-Term Loan | - | - | - | September 2024 | 11.96 | CARE B; Stable; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Term Loan | LT | 11.96 | CARE B; Stable; ISSUER NOT COOPERATING* | - | 1)CARE B+; Stable (06-Sep-21) | 1)CARE BB-; Negative (28-Aug-20) | 1)CARE BB-; Stable (22-Jul-19) |

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Term Loan | 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 instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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