

## Bright Enterprises Private Limited

March 15, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	215.00 (Reduced from 255.00)	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Reaffirmed; Outlook revised from Stable
<b>Total Bank Facilities</b>	<b>215.00</b> <b>(Rs. Two Hundred Fifteen Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating for the bank facilities of Bright Enterprises Private Limited (BEPL) continues to derive strength from its experienced promoters and management team, established track record of operations, comfortable financial risk profile along with moderate operational performance and healthy liquidity, favorable location of the hotel and strong promoter group support. The rating also takes into cognizance sharp decline in operational performance during 9MFY21 owing to spread of Covid-19. The rating strengths are partially offset by high debt-funded capital expenditure plans in the medium term and competitive nature of the industry.

### Rating Sensitivities

#### Positive Factors

- Sustained improvement in scale of operations above Rs.100 crore backed by occupancy and ARR performance.
- Sustained improvement in PBILDT margin over 25%.

#### Negative Factors

- Sustained deterioration in PBILDT margin below 10%
- Delay in project implementation leading to increase in debt or cost overrun
- Any additional debt funded capex, leading to increase in overall gearing above 0.80x.

### Outlook: Negative

The revision in outlook for the long-term bank facilities of BEPL to negative is on account of the impact that the outbreak of COVID-19 will have on the global travel and tourism sector leading to disruption in hospitality industry across the globe. CARE expects the occupancy rates and ARR to substantially decline in FY21-FY22 and recovery is expected to be slow and gradual. There is a moderation in the operational performance of BEPL with the various travel restrictions being imposed across the globe and following the pan India lockdown announced by the government. CARE believes that the financial and operational profile of BEPL may weaken in the near term due to contraction in revenues owing to sub-optimal operations at the hotel and probable slower recovery. The ratings may be revised downwards if the credit profile including the profitability and scale of operations of the company gets affected due to the expected slowdown in the industry. The outlook may be revised to 'Stable' if the company is able to sustain its growing scale of operations while maintaining its capital structure and profitability margins.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced promoters and management team:** The Directors of BEPL board include three promoter directors – Ms. Satish Bala Malhotra (Chairperson) and her two daughters, Ms. Monica Malhotra, Ms. Sonica Malhotra. Ms. Satish Bala Malhotra has an experience of more than 3 decades in varied industries and currently looks after administrative functions of the company. Ms. Monica Malhotra and Ms. Sonica Malhotra have more than two decades of experience in this line of business. They take care of strategic decision making of BEPL. The management team which looks after the day to day operations comprises of qualified and experienced people from hotel industry.

**Established track record of operations:** MBD Group entered into hospitality industry through its maiden venture, Radisson Blu MBD Hotel (RBMH) under BEPL in year 2003. The company has a branding tie up with Radisson Hotels International Inc., a group company of 'Carlson Hotels Worldwide' for using the Radisson brand; however, the operations are managed by the company itself. Since, the operations of BEPL are limited to RBMH only; it limits its scale of operations. However, being in operations for 17 years, RBMH has seen healthy occupancy and ARR in the past period. Same is due to hotel's strategic location and strong brand presence.

**Moderate operational performance:** The operational performance of the hotel moderated in FY20 marked by occupancy of 82% (PY: 85.02%) and ARR of Rs.8472 (PY: Rs.9181) due to impact of COVID 19, which was visible in hospitality sector from the month of February 2020. In FY18, BEPL had renovated and upgraded three floors of the hotel to luxury floors, which helped them to improve their operational performance in FY19. Furthermore, the hotel was shut from April 2020 to September 2020

due to lockdown implemented by the government. Occupancy level in Q3FY21 was around 37% with ARR of Rs.3450 which has improved to 65% with ARR of Rs.3700 in January 2021.

**Location advantage coupled with stable outlook for hotels in Noida:** The hotel is located at Delhi NCR, in the vicinity to the top business and corporate headquarters. Besides, the hotel is located at around 24 kms from the IGI Airport (Delhi) and around 16 kms away from New Delhi Railway station. The location is ideally situated to attract business and leisure travelers.

**Strong promoter group support:** Malhotra Book Depot (MBD) Group, promoted by Late Mr. A.K Malhotra and Ms. Satish Bala Malhotra is engaged in diverse businesses comprising publishing, notebooks manufacturing, online education, hospitality, real estate, mall development etc. Apart from BEPL, the Group also includes companies like Malhotra Book Depot, MBD Printographics Pvt Ltd, Holy Faith International Pvt Ltd and AKM Enterprises Pvt Ltd etc. BEPL has received continued support from its promoters. The MBD Group had setup the RBMH completely through promoter contribution with zero debt. BEPL also uses the services of its group companies for marketing of RBMH. Also, in the recent past, the MBD group had successfully completed one hotel-cum-mall project in Ludhiana and a mall project in Jalandhar (under AKM Enterprises Pvt Ltd) having total project cost of Rs.250 crore funded through debt of Rs.113 crore and remaining through promoter contribution.

**Comfortable Financial risk profile albeit sharp deterioration during 9MFY21:** The total operating income of the company moderated by 3% to Rs.81.34 crore (PY: Rs.84.02 crore) in FY20 due to the impact of COVID 19 which led to lower operational performance. Profitability margins, PBILDT and PAT margins stood moderate at 17.61% and 10.41% respectively during FY20 as against 23.69% and 14.70% respectively during FY19. Cash accruals during FY20 stood at Rs.11.23 crores as against Rs.15.38 crore during FY19. The capital structure of the company stood comfortable as marked by overall gearing of 0.03x as on March 31, 2020. The company only has outstanding vehicle loan of Rs. 5.97cr as on March 31, 2020 as against net worth Rs.207.72 crores. Owing to low debt obligation and moderate profitability, coverage indicators as marked by interest coverage and total debt/GCA remained comfortable at 25.58x and 0.53x respectively during FY20. During 9MFY21, owing to sharp fall in operational performance BEPL has reported income of Rs.8.36 crore with PBILDT of 1.54 crore.

#### Key Rating Weaknesses

**Project Risk:** The company has proposed for development of hotel with room inventory of 168 rooms and 132 service apartments and approx. 1.23 Lac Sq. ft. of Commercial Office space over 4 acres of land parcel out of available 8 acres of land available in Bengaluru at an estimated total project cost of Rs.435 crore, funded through debt of Rs.215crore and remaining Rs. 220 crore through promoter contribution/internal accruals. The project is currently on hold due to COVID 19 and will resume after assessing the viability of the project. The expected commercial operation date is April, 2025. BEPL has already acquired 8 acres of land at Rs. 61 crore funded through internal accruals and the requisite approvals including Change in Land Use, FSI, height clearance etc., have already been taken by the company. Further, the company has entered into a JV with Steigenberger Germany whereby the company will be developing and managing a 5-star deluxe hotel in India under the Steigenberger Brand. The contract is valid for 15 years from date of commercial operations of the hotel. The company would pay operating and marketing fees on the gross room revenue. Going forward, with additional debt the overall gearing is expected to increase and would be critical monitorable.

**Competitive nature of industry:** BEPL faces competition from other luxury segment hotels present nearby like Crowne Plaza, Park Ascent, Fortune Inn etc. Furthermore, even though the demand for hotel rooms in the Delhi NCR is expected to steadily grow in the medium term on account of anticipated increased commercial and tourism activity and growth of the economy, there are several other upcoming luxury hotels from various hospitality chains, which can lead to increased supply in the competitive pool in the next five years. With the expected improvement in investment cycle, the occupancy rates are expected to rise in medium term. Going forward, BEPL's prospects would depend on improvement in the economic environment and its ability to achieve envisaged ARR and occupancy levels while distinguishing itself among the hotels operating in the vicinity.

#### Liquidity: Adequate

The liquidity profile of BEPL remained adequate, marked by current ratio of 2.32x as on March 31, 2020. Further, liquidity profile is supported by cash accruals of Rs.11.23 crore in FY20 against debt repayment of Rs.1.08 crore (Vehicle loan). BEPL had cash and liquid investments of Rs.60.93 crore as on March 31, 2020 and Rs.53.87 crore as on February 23, 2021. The company had not availed moratorium as per RBI guidelines.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for hotel companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

#### About the Company

Bright Enterprises Pvt. Ltd (BEPL) incorporated in 1998, is a part of Malhotra Book Depot (MBD) Group. The group is one of India's leading publishing houses and is diversified into various industries including paper manufacturing, online education, hospitality, real estate, mall development etc. BEPL is engaged in hospitality business. It owns and manages a hotel in the name

of Radisson Blu MBD Hotel (RBMH) located at Noida, UP. RBMH is a 5-Star hotel having 131 rooms, 2 dining restaurant, one coffee shop, bakery shop, bar and 2 halls for conferencing and banquet facilities.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	84.02	81.34
PBILDT	19.90	14.33
PAT	12.35	8.47
Overall gearing (times)	0.03	0.03
Interest Coverage	80.54	25.58

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Complexity level of various instruments rated for this company:** Annexure-3

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	FY34	215.00	CARE BBB+; Negative

#### 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	215.00	CARE BBB+; Negative	-	1)CARE BBB+; Stable (20-Mar-20)	1)CARE BBB+; Stable (05-Mar-19)	1)CARE BBB+; Stable (23-Mar-18) 2)CARE BBB+; Stable (17-Apr-17)

#### Annexure-3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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