

Diligent Pinkcity Center Private Limited

January 19, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	60.74 (Reduced from 66.80)	CARE BB-; Stable	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	12.80	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Diligent Pinkcity Center Private Limited (DPCPL) is on account of improvement in overall financial risk profile marked by improved scale of operations during FY22 (Audited; refers to period from April 01 to March 31) and 9MFY23 (Provisional; refers to period from April 01 to December 31). The ratings also continue to derive benefit from the experienced and strong promoters with continuous financial support being provided by the promoter groups and largest convention cum exhibition facility in the state providing enough space for organizing large sized events. The ratings also take into account marketing cum management tie up with "Accor" group's "Novotel" brand for the ECC and hotel property which will partly mitigate off-take risk associated with the project.

However, the ratings remained constrained on account of continuous operating and net losses along with its weak debt coverage indicators, moderate capital structure and poor liquidity during FY22. The ratings also remained constrained on account of delay in commencement of hotel, off-take/demand risk associated with the developed premises as well as cyclicity associated with hospitality sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Commencement of operations from hotel within cost and time parameters and achieving envisaged turnover and profitability
- Improvement in debt coverage indicators on sustained basis with generating adequate GCA

Negative factors

- Further delay in implementation of hotel project and any further significant cost and time overrun
- Reporting lower than envisaged TOI and profitability leading to deterioration in liquidity
- Withdrawal of unsecured loan or any debt-funded CAPEX leading to deterioration in capital structure

Analytical approach: Standalone

Key weaknesses

Delay in implementation of hotel project albeit no cost overrun

The company has undertaken phase-wise capex under which as part of first phase development, DPCPL has developed an ECC as per the requirements set by RIICO which had been commercialized from 2015 while in the second phase it is developing a luxury hotel having 227 rooms. The hotel project was envisaged to get completed by March 2022. However, due to delay in civil construction work because of Covid 19, the company rescheduled its implementation from March 2023. However, estimated project cost remains unchanged at around Rs.202 crore reflecting no cost overrun.

Moderate capital structure and weak debt coverage indicators

The capital structure of DPCPL deteriorated and remained moderate marked by an overall gearing of 1.20 times as on March 31, 2022 as against 0.74 times as on March 31, 2021 due to increase in total debt with availing COVID loan of Rs.20 crore coupled with decline in tangible net worth due to net loss during FY22. Unsecured loans of Rs.55.57 crore has been treated as quasi equity as on March 31, 2022 as per terms of sanction letter.

Further, the debt coverage indicators of the company stood weak owing to operating as well as cash loss incurred by the company in FY22.

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

Off-take / demand risk associated with the developed premises; however, the same is expected to partly get mitigated on account of marketing cum management agreement with Accor group of hotels

ECC is dependent on demand for small/big events and the company's ability to market its property and get orders in the light of competition from various hotels and other venues within Jaipur. However, DPCPL's operational risk is expected to get partly mitigated by the marketing-cum-management agreement with France based luxury hotel chain "Accor" under the brand "Novotel" for a term of 15 years. Accor S.A. is the leading hospitality player worldwide with a global distribution network of around 4,800 hotels across 100 countries. As a member of the Accor network, the property will enjoy benefits like advertising, promotional programs for the hotel on a global basis and access to Accor's reservation system and loyal customer base.

Key strengths**Revival in scale of operations however continuous net and cash losses**

During FY22, TOI of the company improved to Rs.8.10 crore as against Rs.0.67 crore in FY21 on account of revival of the industry post COVID-19 during FY22. Further during 9MFY23, company has achieved Rs.18.43 crore of revenue as the number of bookings for various events has increased substantially. Despite improvement in TOI, DPCPL incurred net loss as well as cash loss of Rs.10.22 crore and Rs.4.36 crore respectively during FY22 due to higher fixed cost, depreciation and finance charges. However, the business and financial risk profile of the company has improved during the current fiscal year as marked by operating profit of Rs.8.04 crore during 9MFY23.

Experienced and strong promoters with continuous financial support being provided to the company

DPCPL is jointly managed by Dainik Bhaskar group of Madhya Pradesh, Dangayach group and Derewala group of Jaipur, Rajasthan. The promoter groups have established track record of operations in diversified line of businesses. The board of directors of DPCPL includes Mr Hari Mohan Dangayach, Mr Pramod Kumar Agarwal and Mr Ram Babu Agarwal. The overall operations of the company are currently looked after by Mr Hari Mohan Dangayach and Mr Pramod Kumar Agarwal. Over the past years, the promoter group has continuously provided financial support to the company in the form of infusion of funds through preference share capital and unsecured loans in order to support its business operations, debt servicing as well as for capex requirements.

Largest convention cum exhibition facility in the state providing enough space for organizing large sized events

Under Phase I, DPCPL has developed 2 indoor exhibition halls of 10,000 square meters (sqm) each, one outdoor exhibition space of 10,000 sqm and one multi-purpose convention hall with retractable seating arrangements of 1000 person seating capacity. The convention hall has an acoustical moving wall that can compartmentalize the hall into 2 balls rooms of 6000 sqm each wherein smaller functions can be organized. Thus, the company provides variety of facilities to meet the requirement of its customers. The exhibition halls developed by the company are the largest exhibition halls in the state of Rajasthan. Further, apart from 227 room hotel above the convention centre, there are 12 meeting rooms, 2 banquet halls and 2 VIP lounges providing enough space to organized corporate events, fest, marriages, and other small and big parties.

Industry Outlook

Big-ticket conferences and seminars, and corporate offsite trips that encompass the MICE (meetings, incentives, conferences and exhibitions) business are picking up pace as companies across industries warm up to in-person engagements amid declining Covid-19 cases and easing of restrictions. The global MICE industry will reach at \$1,337 billion. By region, the Asia-Pacific region is expected to have the highest growth rate of about 8.6% between the 2021-2028 period, driven by emerging economies such as Singapore, China, and India.

Liquidity: Poor

The company's liquidity position remained poor on account of cash losses incurred by the company during FY22 as well as FY21. The company has loan and interest payments obligations and with negative cash accruals, the payment is supported by infusion of funds by the promoter group. The company has also availed Working capital Term loan under Guaranteed Emergency credit line (GECL) scheme of Rs. 20 crores in FY22. WCTL has added necessary financial assistance to the company for their expenses as well as interest payments. Also, approval of company's application for OTR has been a relief. However, its cash flow from operating activities turned positive at Rs.2.87 crore in FY22 from negative Rs.2.05 crore due to operating profit in FY22.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology: Hotel](#)

[Policy on Withdrawal of Ratings](#)

About the company

Diligent Pinkcity Center Private Limited (DPCPL) is a special purpose vehicle (SPV) company initially incorporated by Dainik Bhaskar group of Madhya Pradesh. Later, Dangayach group and Derewala group of Jaipur, Rajasthan also joined in DPCPL for development of exhibition and convention centre (ECC) at Sitapura, Jaipur. DPCPL has been awarded the development of the ECC under Public Private Partnership format by the Rajasthan State Industrial Development & Investment Corporation Limited (RIICO). The project is being developed in phases with company undertaking the implementation of second phase. As part of first phase development, DPCPL had developed an ECC as per the requirements set by RIICO while in the second phase it is developing a luxury hotel having 227 rooms. The first phase was partly completed in October 2014 with commencement of operations in convention centre being fully operationalized from January 2015. Further, the company had envisaged full operations of hotel from August, 2016. However, the same got repeatedly delayed and the company now envisages commencing operations from March, 2023.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov.)
Total operating income	0.67	8.10	18.43
PBILDT	-2.12	1.68	8.04
PAT	-12.27	-10.22	NA
Overall gearing (times)	0.74	1.20	
Interest coverage (times)	-0.38	0.27	1.43

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: ICRA has suspended its rating assigned to the bank facilities of DPCPL as per publication dated July 2016 on account of non-cooperation by DPCPL with ICRA's efforts to undertake a review of the ratings outstanding.

Any other information: Not Applicable

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

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31/08/2027	60.74	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	12.80	CARE A4

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	60.74	CARE BB-; Stable	-	1)CARE B+; Stable (20-Dec-21) 2)CARE B+ (CW with Negative Implications) (01-Apr-21)	-	1)CARE B+; Stable (09-Mar-20) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (04-Apr-19)
2	Non-fund-based - ST-Bank Guarantee	ST	12.80	CARE A4	-	1)CARE A4 (20-Dec-21) 2)CARE A4 (CW with Negative Implications) (01-Apr-21)	-	1)CARE A4 (09-Mar-20) 2)CARE A4; ISSUER NOT COOPERATING* (04-Apr-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

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

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