

## TGB Banquets and Hotels Limited

April 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.40 (Reduced from 11.00)	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of TGB Banquets and Hotels Limited (TGB) continue to remain constrained on account of significant losses and weak debt coverage indicators during FY22 (Audited, refers to period between April 01 to March 31). Further, the rating also remain constrained due to high amount of loans and advances extended by TGB and its presence in competitive and inherently cyclical hospitality industry.

However, the rating takes cognizance of improving scale of operations and achieving operating profitability during 9MFY23 (Unaudited, refers to period between April 01 to December 31). The rating, further, 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: Factors likely to lead to rating actions

#### Positive factors

- 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

- 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

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that the rated entity is likely to sustain its operating performance due to favourable demand scenario over the medium term.

### Key weaknesses

#### Weak debt coverage indicators

Debt coverage indicators deteriorated and remained weak on account of operating and cash loss during FY22. However, it is to be noted that Interest coverage remained at 4.59x during 9MFY23 on account of operating profit during the said period.

#### Large size exposure to other companies

TGB has exposure to its sister concern in terms of unsecured loan to support their operations. TGB had invested in the form of unsecured loan/deposit towards its associate concern and other companies.

#### 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key strengths

### 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. During FY22, 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 accretion of losses to reserved, TGB had healthy net-worth base of Rs.76.20 crore as on March 31, 2022. The capital structure remained comfortable marked by below unity overall gearing at 0.27 times as on March 31, 2022 due to low level of total debt outstanding as on balance sheet date in proportion to net worth.

### Improving scale of operations albeit operating losses

During FY22, TOI of TGB improved and remained at Rs.26.78 crore as against Rs.14.79 crore during FY21 led by increase in banqueting and catering income. Further for 9MFY23, TGB has reported Rs.29.45 crore. There was an operating loss of Rs.8.03 crore in FY22 due to higher fixed cost however for 9MFY23, TGB reported operating profit of Rs.6.15 crore. Due to loss on sale of fixed assets, net loss remained at Rs.20.38 crore during FY22.

### Liquidity: Stretched

Liquidity position of TGB continued to remain stretched marked by elongated working capital cycle and almost full utilization of working capital limits for the trailing twelve months ended January 2023. Company has negative cash flow from operations of Rs.40.89 crore. Moreover, the company had cash and bank balance of Rs.0.91 crore as on March 31, 2022. 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.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Hotel](#)

[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Restaurants

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.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	14.79	26.78	29.45
PBILDT	-2.12	-8.03	6.15
PAT	-8.25	-20.38	NA
Overall gearing (times)	0.12	0.27	
Interest coverage (times)	-1.58	-4.33	4.59

A: Audited, UA: Unaudited, NA: Not Available, Note: "the above results are latest financial results available"

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

**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-Cash Credit		-	-	-	5.40	CARE B+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	4.00	CARE B+; Stable

**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-Cash Credit	LT	5.40	CARE B+; Stable	-	1)CARE B+; Stable (24-Mar-22) 2)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)
2	Non-fund-based - LT-Bank Guarantee	LT	4.00	CARE B+; Stable	-	1)CARE B+; Stable (24-Mar-22) 2)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)

\*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-Cash Credit	Simple
2	Non-fund-based - LT-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](http://www.careedge.in). Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3573 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Deepak Prajapati Senior Director <b>CARE Ratings Limited</b> Phone: +91-079-4026 5656 E-mail: <a href="mailto:deepak.prajapati@careedge.in">deepak.prajapati@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Name: Kalpesh Patel Director <b>CARE Ratings Limited</b> Phone: +91-079-4026 5611 E-mail: <a href="mailto:kalpesh.patel@careedge.in">kalpesh.patel@careedge.in</a></p> <p>Name: Sajni Shah Lead Analyst <b>CARE Ratings Limited</b> Phone: +91-079-4026 5636 E-mail: <a href="mailto:sajni.shah@careedge.in">sajni.shah@careedge.in</a></p> <p>Name: Karan Mehta Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:karan.mehta@careedge.in">karan.mehta@careedge.in</a></p>
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