

The Byke Hospitality Limited

July 31, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	37.69	CARE BB+; Stable	Revised from CARE BBB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to The Byke Hospitality Limited (TBHL) factors in significant decline in company's performance during Q1FY24 which is likely to impact the full year performance of FY24. Decline in company's performance may impact the generation of cash accruals resulting a stretch in liquidity during the year. In addition to these, the ratings are affected by working capital intensive nature of operations reflected in high gross current asset days of 174 days. TBHL's liquidity is stretched with 100% utilisation of the bank line facilities for 6-month period ending June-2023. The rating however continues to derive strength from experience of the promoters and management and good brand presence.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in scale of operations with topline over Rs.130 crore on sustained basis
- Improvement in average occupancy rate by more than 60% on a sustained basis

Negative factors

- Deterioration in the operational metrics marked by fall in occupancy rate and decline in ARR below Rs.2,800/- on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects stable leverage/coverage indicators in mid-term.

Detailed description of the key rating drivers:

Key weaknesses

Decline in scale of operations during Q1FY24; likely to impact performance of FY24

The operating performance of the company decreased to Rs.20.32 crore in Q1FY24 vis-à-vis Rs.36.52 crore in Q1FY23 on account of significant fall in the occupancy rate coupled with dip in ARR during the period. This decline was on account of lower booking from institutional customers (specifically insurance companies) due to changes in tax provisions. Historically, Q1 has been a significant contributor to the total revenue for a particular year. Lower revenue share from Q1FY24 is likely to impact the overall performance for FY24 which is further likely to affect repayment capacity of the company. Going forward, ability of the company to timely onboard new customers with healthy RevPar is key for TBHL's prospects.

Working capital intensive nature of operations

TBHL's working capital cycle continues to remain elongated at 136 days as on March 31, 2023 on account of high collection days which stood at 72 days for FY23 (PY: 97 days). The debtors are mostly travel agents mid-sized corporates and the typical collection period in this business is 2-3 months. This has resulted into 100% utilisation of the working capital facilities for the past 6-months period ending June-2023 leaving limited headroom to fund its short-term liquidity mismatches.

High susceptibility to economic cycles and operations in highly competitive industry

The hospitality industry is highly fragmented with many local and international players operating across different hotel segments leading to a high level of competition in the business. However, the company, on account of its brand name and reputation, has been successful in maintaining stable and comfortable occupancy rates. The performance of the hospitality sector is driven by macroeconomic factors like prospects of Indian tourism industry (which in turn is dependent on the overall

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

economy and disposable incomes), competitiveness of Indian tourism, business and leisure travel, foreign tourist arrivals (FTAs), popularizing trend of meetings, incentives, conferences, and exhibitions (MICE). The sector is susceptible to downturn in the economy as well as local government policies regulating trade.

Key strengths

Experienced promoters and management

The promoter of the company - Mr. Anil Patodia – has over two decades of experience in hospitality sector and is presently playing key role in expansion of the company's business.

Good brand presence and enhancing geographic presence

The Byke is focused on the mid-market/budget traveller with most of the properties located in popular leisure/business destinations in tier1/tier 2 or mini metros. The properties are also known for their vegetarian food. Some of the properties have been awarded in various categories like best food, value for money, consistently great customer reviews etc. The Company's food and beverage (F&B) /event-based revenue has been ~50% contributor to the total revenues from hotel business.

TBHL's portfolio primarily consists of properties on long term leases (10 - 20 years). Out of the 17 properties, only 2 are owned. The Company has all 17 properties operational. The leases have an escalation clause every 3 years. Earlier, TBHL had most properties in Maharashtra and Goa. However, the company has been expanding its presence mostly in Western and Northern parts of India.

Liquidity: Stretched

The liquidity profile of TBHL as on date is marked stretched on account of 100% utilization of its working capital borrowings for the past 12 months period ending June-2023. TBHL's GCA for FY24 is likely to affect with weak performance in Q1, which historically has been one of the major revenue contributor. Any material deterioration in GCA is likely to impact repayments in FY24.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Hotel](#)

[Service Sector Companies](#)

[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	Hotels & Resorts

The Byke Hospitality Ltd. (TBHL) was incorporated in 1990 as Kotawala Financial Consultancy Pvt. Ltd. by Mr. Satyanarayan Sharma. Having entered hospitality business in 2004 with acquisition of two properties in Goa; the company operates 17 properties of which 2 are owned, 14 properties are under long term lease contracts (1042 keys) and 1 property under management contract (39 keys) under "The Byke" brand. The company's current promoters took over stake from earlier promoters in FY11 which is when the company was rechristened as TBHL and has since been operating all its properties under the brand name of "The Byke".

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (Abridged)	Q1FY24 (UA)
Total operating income	93.29	115.45	20.32
PBILDT	23.57	40.88	7.37
PAT	-12.82	2.29	1.50
Overall gearing (times)	0.62	0.49	NA
Interest coverage (times)	2.30	4.09	3.56

A: Audited UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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

Complexity level of 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		-	-	-	20.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2028	17.69	CARE BB+; 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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (13-Dec-22)	1)CARE BBB; Stable (30-Nov-21)	1)CARE BBB; Stable (24-Nov-20)
2	Fund-based - LT-Term Loan	LT	17.69	CARE BB+; Stable	-	1)CARE BBB-; Stable (13-Dec-22)	1)CARE BBB; Stable (30-Nov-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of 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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Note on the 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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