

TGB Banquets and Hotels Limited

March 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.40	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) continues to remain constrained on account of its stretched liquidity, high amount of loans and advances extended by TGB and its presence in a competitive and cyclical hospitality industry.

The rating, however, derives strength from established track record of operations of TGB in hospitality industry, improving scale of operations with operating profitability reported in FY23 and 9MFY24 post reporting operating loss for couple of years, its comfortable leverage and moderate debt coverage indicators.

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 Care Rating Limited's expectations that TGB shall sustain its operating performance due to established presence and favourable demand outlook.

Detailed description of the key rating drivers:

Key weaknesses

Large size exposure to other companies

TGB has extended unsecured loan to group companies and related entities to support their operations. The outstanding of these loans & advances exceeds networth base of Rs.77.59 crore as on March 31, 2023. Recovery of these loans & advances shall be a key rating monitorable.

Presence in a competitive and cyclical 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 under pressure with increase in room inventory with more players entering the market. The market for banqueting and outdoor catering has also attracted many organized players which has led to increase in competition and pricing pressure in that segment as well.

Key strengths

Established track record of operations in hospitality industry

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. During FY23, 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.

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

Improving scale of operations along with profitability

During FY23, total operating income (TOI) of TGB improved and remained moderate at Rs.38.38 crore as against Rs.26.78 crore during FY22 led by increase in banqueting and catering income. Further for 9MFY24, TGB reported TOI of Rs.27.94 crore. Also, TGB reported operating profit for the first time in last 6 years and registered PBILDT margin of 12.93% in FY23. PBILDT margin further improved to 21.90% in 9MFY24.

Comfortable leverage with moderate debt coverage indicators

The capital structure remained comfortable marked by overall gearing of 0.20 times as on March 31, 2023, as against 0.27 times as on March 31, 2022. With profit reported in FY23, debt coverage indicators improved and remained moderate with PBILDT interest coverage and TDGCA of 2.65x and 2.40x respectively.

Liquidity: Stretched

Liquidity position of TGB continued to remain stretched marked by almost full utilization of working capital limits for the trailing twelve months ended December 2023. Also, there were few instances of overdrawing in cash credit limit from April 2023 to December 2023 which were rectified in 1-2 days. The company had sizable exposure towards the group companies and related parties and any further extension of support towards these companies shall adversely impact the liquidity. Moreover, the company had cash and bank balance of Rs.0.51 crore as on March 31, 2023.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

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) 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, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	26.78	38.38	27.94
PBILDT	-8.03	4.96	6.12
PAT	-20.38	1.36	NA
Overall gearing (times)	0.27	0.20	NA
Interest coverage (times)	-4.33	2.65	5.23

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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		-	-	-	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 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	5.40	CARE B+; Stable	1)CARE B+; Stable (03-Apr-23)	-	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)
2	Non-fund-based - LT-Bank Guarantee	LT	4.00	CARE B+; Stable	1)CARE B+; Stable (03-Apr-23)	-	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)

*Long term/Short term.

*Issuer did not cooperate; based on best available information.

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	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 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.

Contact Us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: +91-079-4026 5611 E-mail: kalpesh.patel@careedge.in</p> <p>Anuja Parikh Assistant Director CARE Ratings Limited Phone: +91-079-4026 5616 E-mail: anuja.parikh@careedge.in</p> <p>Harsh Shah Rating Analyst CARE Ratings Limited E-mail: Shah.Harsh@careedge.in</p>
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About us:

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