Lalit Great Eastern Kolkata Hotel Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	73.75 (Reduced from 92.58)	CARE BBB; Stable	Revised from CARE BB+; Stable
Short-term bank facilities	1.00 (Reduced from 5.00)	CARE A3+	Revised from CARE A4+
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings of bank facilities of Lalit Great Eastern Kolkata Hotel Limited (LGEKHL) factors the improving operational and financial risk profile of its parent entity – Bharat Hotels Limited (BHL) rated (CARE BBB+; Stable) operating geographically diversified and matured hotel properties with 2,261 rooms in FY23 (FY refers to April 01 to March 31), characterised by healthy growing total operating income (TOI), profitability, and debt coverage indicators. LGEKHL's financial risk profile is supported with strong operational linkages with BHL and sharing of common brand name 'The LaLiT'. Ratings also continue drawing comfort from the demonstrated track record of support flowing from BHL through unsecured loans and LGEKHL's debt backed by an unconditional and irrevocable corporate guarantee (CG) of BHL.

Ratings also derive strength from LGEKHL's improving operational and financial risk profile, marked by modest revenue and moderate capital structure in FY23 and 9MFY24 (refers to April 01 to December 31). However, these strengths are offset by vulnerability of revenues to inherent industry cyclicality and concentration risk.

CARE Ratings Limited (CARE Ratings) has withdrawn the long-term rating assigned to the bank facility (external commercial borrowing [ECB] loan) of LGEKHL immediately, as the company has fully repaid this loan, with no amount outstanding against this facility as on date. CARE Ratings has received the 'No Dues' confirmation from the respective lender in this regard.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Strengthening financial risk profile of the parent entity, BHL, with improving occupancy and average room rate (ARR).

Negative factors

- Declining occupancy level and revenue per available room (RevPAR), affecting its liquidity and debt coverage indicators.
- Weakening of financial risk profile of the parent, BHL.

Analytical approach: Standalone

Ratings factor strong operational and financial linkages with common management and sharing of brand name with the parent entity, BHL. BHL has also extended a CG for bank facilities of LGEKHL.

Outlook: Stable

The stable outlook reflects that the rated entity is likely to maintain its healthy operating performance in the medium term, supported by strong rebound in the industry's and LGEKHL's occupancy and ARR. Uptick in operating performance will aid in further improving LGEKHL's financial risk profile and its coverage indicators.

Detailed description of key rating drivers

Key strengths

Part of Bharat group and association with brand 'The Lalit'

LGEKHL is a subsidiary of BHL, in which BHL holds 90% of shares and the balance 10% is held by the Government of West Bengal. LGEKHL is 100% consolidated into BHL and contributes 10% to total BHL's keys and 6% revenue contribution at a consolidated level. Thus, LGEKHL remains strategically important to BHL, with BHL supporting LGEKHL through interest-free loans for its operations or capital expenditure (capex) requirements. Bank debt availed in LGEKHL is guaranteed by an unconditional,

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

irrevocable, and continuing CG given by BHL. The CG is extended for entire tenor of the term loan and is proposed to cover all payments, including interest and other charges.

Improving financial risk profile of parent entity, BHL

BHL's total operating income (TOI) has substantially grown by about 117% to ₹800.05 crore in FY23 over ₹368.57 crore in FY22 and further to ₹600 crore in 9MFY24, in line with rapid recovery in ARR and occupancy rates across the hotel industry, surpassing pre-COVID levels. BHL's occupancy on a consolidated level increased from 33% in FY22 to 59% in FY23 on the same room inventory of 2,261 rooms with approximately 28% improvement in ARR to ₹8,704 in FY23 (PY: ₹6,779). CARE Ratings draws comfort from the company partially prepaying approximately ₹197 crore of high-cost NCDs up to February 2024 and management plans of prepaying ₹20-25 crore in March 2024 against zero scheduled repayment using sale proceeds of non-core assets (Amritsar and Pune land for ₹59.75 crore) and the balance from cash accruals generated from business. Interest payment done up to February 2024 is about ₹144 crore towards NCDs and total interest of BHL and its subsidiaries on consolidated level is about ₹162 crore. Going forward, the company able to generate sufficient cash accruals for timely debt servicing and generating cash through monetising assets or refinancing debt will be critical from the credit perspective.

Improving revenue and profitability in FY23 and 9MFY24 following strong operational performance

On a standalone basis, LGEKHL's operational performance improved significantly in FY23 considering improved average occupancy levels and ARRs from continued recovery in travel and tourism activity post-COVID-impacted years. The TOI grew strong by 107% in FY23 from ₹23.44 crore in FY22 to ₹48.62 crore in FY23. In 9MFY24, the company booked TOI of ₹39.27 crore. Profit before interest, lease, depreciation and tax (PBILDT) margin stood at 37.59% in FY23 (PY: 28%) and asset-level earnings before interest, taxes, depreciation, and amortisation (EBIDTA) for 9MFY24 stood at 34.29%. Growing operational performance is fuelled by improving ARR at ₹6,220 in FY23 with occupancy level of 51%, from ₹4,738 in FY22 with occupancy level of 25%. ARR further improved to ₹6,607 for 9MFY24 with occupancy level at 57%. This led to increasing RevPAR to ₹6,092 in FY23 from ₹2,931 in FY22. Going forward, increasing in-person engagements by corporates, returning big-ticket conferences and seminars, and corporate offsite trips that encompass MICE activities are expected to benefit and further improve the company's overall performance.

Key weaknesses

Revenue vulnerability due to inherent industry cyclicality, economic cycles, and exogenous events

The property's operating performance is vulnerable to seasonal industry, general economic cycles, and exogenous factors such as geopolitical crisis, terrorist attacks, and disease outbreaks, among others. Revenue risks are partially mitigated by the group's geographically diversified portfolio in prominent business districts, allowing it to withstand demand vulnerability related to a particular micro-market.

Regional trends in tourism and competition risk

Although the risk is mitigated to an extent owing to geographical diversification and favourable locations of the group's projects, going forward, the pace of recovery in economic cycle and stabilisation of hotel properties in competitive markets will be critical for the company's financial risk profile. In segmental terms, the company's major exposure is towards upscale (luxury) hotels. The company's 'The Lalit' brand faces intense competition from brands such as Grand Hyatt, Taj, The Leela, Sahara Star, Hilton, among others.

Liquidity: Adequate

LGEKHL's standalone liquidity position is adequate after factoring parent support. The company's liquidity is supported by modest cash and bank balance amounting to ₹6.90 crore and free fixed deposit balance of ₹1.00 crore as on January 31, 2024, and as negative working capital cycle. The liquidity position also derives strength from support received through interest-free loans and advances from BHL and CG given by BHL for debt taken by LGEKHL from Yes Bank. The outstanding balance of interest-free loans given by BHL for year-ended March 31, 2023, stood at ₹55.37 crore (PY: ₹47.59 crore). Scheduled repayment obligations are close to ₹12.62 crore and ₹12.88 crore in FY24 and FY25, respectively, expected to be partly met by its own cash accruals or support from BHL for shortfalls, if any.

The liquidity position of the parent entity, BHL, is aided through cash and cash equivalents of ₹81.48 crore as on January 31, 2024, held in the form of cash-in-hand of ₹6.41 crore, cash at bank of ₹66.95 crore, and free FD receipts (FDRs) of ₹8.11 crore. BHL also has a debt service reserve account (DSRA) balance of ₹29.15 crore and lien marked FD of ₹2.47 crore as on January 31, 2024.

Applicable criteria

[Policy on Default Recognition]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Hotels & Resorts]
[Financial Ratios – Non financial Sector]
[Withdrawal Policy]
[Service Sector Companies]
[Short Term Instruments]

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer services	Leisure services	Hotels and resorts

LGEKHL is a subsidiary of BHL, in which BHL holds 90% and 10% is held by the Government of West Bengal. LGEKHL owns and operates a 215-keys five-star property in Kolkata under brand 'The Lalit'. The company commenced commercial operations in 2014.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	23.44	48.62	39.27
PBILDT	6.56	18.28	13.47
PAT	-16.10	-18.90	Not available
Overall gearing (times)	1.10	1.15	
Interest coverage (times)	0.41	1.11	

A: Audited; UA: Unaudited. Note: These are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	1.00	CARE BBB; Stable
Fund-based - LT-External commercial borrowings		-	-	Not Available	0.00	Withdrawn
Fund-based - LT-Term loan		-	-	28-02-2030	66.32	CARE BBB; Stable
Fund-based - LT-Term loan		-	-	28-02-2030	6.43	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	1.00	CARE A3+

Annexure-2: Rating history for 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-Term loan	LT	66.32	CARE BBB; Stable	-	1)CARE BB+; Stable (25-Jan-23) 2)CARE BB+ (CE) (RWN) (27-Dec-22)	1)CARE BB+ (CE) (CW with Negative Implications) (28-Dec-21) 2)CARE BB+ (CE) (CW with Negative Implications) (07-Apr-21)	1)CARE BBB- (CE) (CW with Negative Implications) (26-May-20)
2	Fund-based - LT-Cash credit	LT	1.00	CARE BBB; Stable	-	1)CARE BB+; Stable (25-Jan-23) 2)CARE BB+ (CE) (RWN) (27-Dec-22)	1)CARE BB+ (CE) (CW with Negative Implications) (28-Dec-21) 2)CARE BB+ (CE) (CW with	1)CARE BBB- (CE) (CW with Negative Implications) (26-May-20)

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
							Negative Implications) (07-Apr-21)	
3	Fund-based - LT-External commercial borrowings	LT	-	-	-	1)CARE BB+; Stable (25-Jan-23) 2)CARE BB+ (CE) (RWN) (27-Dec-22)	1)CARE BB+ (CE) (CW with Negative Implications) (28-Dec-21) 2)CARE BB+ (CE) (CW with Negative Implications) (07-Apr-21)	1)CARE BBB- (CE) (CW with Negative Implications) (26-May-20)
4	Non-fund-based - ST-BG/LC	ST	1.00	CARE A3+	-	1)CARE A4+ (25-Jan-23) 2)CARE A4+ (CE) (RWN) (27-Dec-22)	1)CARE A4+ (CE) (CW with Negative Implications) (28-Dec-21) 2)CARE A4+ (CE) (CW with Negative Implications) (07-Apr-21)	1)CARE A3 (CE) (CW with Negative Implications) (26-May-20)
5	Unsupported rating-Unsupported rating (LT/ST)	LT/ST	-	-	-	1)Withdrawn (25-Jan-23) 2)CARE BB / CARE A4 (RWN) (27-Dec-22)	1)CARE BB / CARE A4 (CW with Negative Implications) (28-Dec-21) 2)CARE BB / CARE A4 (07-Apr-21)	1)CARE BB / CARE A4 (26-May-20)
6	Fund-based - LT-Term loan	LT	6.43	CARE BBB; Stable	-	1)CARE BB+; Stable (25-Jan-23) 2)CARE BB (RWN) (27-Dec-22)	1)CARE BB (CW with Negative Implications) (28-Dec-21)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-External commercial borrowings	Simple
3	Fund-based - LT-Term loan	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of 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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