

Ganapati India International Private Limited

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	21.56 (Reduced from 30.44)	CARE BB; Stable	Upgraded from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the ratings assigned to the bank facilities of Ganapati India International Private Limited (GI IPL) factors in growing scale of operations backed by gradual increase in occupancy rate in FY24 (refers to the period from April 01 to March 31), significant decline in losses and consistent improved cash flow from operations in FY24. The ratings also favourably factor in promoters regular fund infusion in form of interest free unsecured loans resulting in improved liquidity and prepayment of bank term debt.

The rating, however, continues to remain constrained by its small though growing scale of operations, leveraged capital structure and weak debt coverage indicators. Further, the rating continues to remain constrained by risk associated with its cyclical and seasonal nature of hospitality industry and its presence in a highly fragmented and competitive industry. The rating, however, continues to draw comfort from experienced directors, diversified revenue streams coupled with tie-up with the reputed hospitality chain "Fortune Hotels", an affiliate of "ITC Hotels Group" and moderate PBILDT margin

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sufficient occupancy and average room rent (ARR) leading to achieving scale of operations (revenue) of more than ₹40 crore and above over the medium term on sustained basis.
- Improvement in the capital structure as marked by overall gearing ratio of below 1.25x.

Negative factors

- Decline in profitability margins as marked by PBILDT (Profit before interest, lease, depreciation and tax) margin below 20.00% on sustained basis.
- Any delay in fund infusion by promoters to support operations which may stretch liquidity.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects that entity will continue to benefit from the experienced directors in the industry along with its tie-up with the reputed hospitality chain.

Detailed description of key rating drivers:

Key weaknesses

Small though growing scale of operations: GI IPL's scale of operations remains modest with a total operating income (TOI) of Rs.24.62 crore and gross cash accruals (GCA) of Rs. 4.86 crore in FY24 as against Rs. 22.21 crore and Rs. 3.21 crore respectively, in FY23. While the scale limits the company's financial flexibility and economies of scale, it shows consistent growth, reducing losses from Rs. 2.83 crore in FY23 to Rs. 0.74 crore in FY24. For the period FY21-FY24, GI IPL's total operating income grew from Rs.12.67 crore in FY21 to Rs.24.62 crore in FY24 reflecting a compounded annual growth rate (CAGR) of ~25% supported by increased occupancy levels and leased area. Further, the company has achieved total operating income of ~Rs.6.32 crore during Q1FY25 (refers to the period from April 1 to June 30) and is expected to book total operating income of around Rs.28.00-30.00 crore in FY25.

Leveraged capital structure and weak debt coverage indicators: The company's capital structure has been leveraged over the past four fiscal years due to high debt levels and net worth erosion from accumulated losses. Overall gearing ratio stood at 2.74x as on March 31, 2024 (PY: 2.80x). Further, the interest coverage ratio and total debt to GCA continues to remain weak, though improved and stood at 2.59x and 13.08x respectively, during FY24 as against 1.53x and 20.89x respectively, during FY23. The improvement is due to increased PBILDT and GCA, driven by an increased scale of operations, lower interest expenses owing to debt prepayment and a reduction in the interest rate (ROI) from 11.20% to 9.65% since April 2023.

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

Cyclical and seasonal nature of hospitality industry: The hotel industry is subject to significant seasonality, with lower demand during non-festive and non-holiday periods. Additionally, it is cyclical, as both customers and corporations tend to cut back on hotel expenditures during economic downturns. As such, the company's ability to meet its projected occupancy rates and Average Room Rent (ARR) amidst these seasonal and cyclical fluctuations will be crucial from the credit perspective.

Presence in a highly fragmented and competitive industry: The Indian hospitality industry is highly fragmented, with many organized and unorganized players spread across various regions. The cyclical nature of the industry, coupled with increasing competition from established and new hotels due to low entry barriers, may affect GIPL's performance. Although demand for hotel rooms is expected to grow due to increasing commercial and tourism activity, the presence of several luxury hotels in the area can exert pressure on occupancy and ARR of the hotel in the medium-term. However, the company's diversified revenue streams help mitigate these risks to some extent

Key strengths

Experienced directors: GIPL is led by directors Mr. Surajit Ghose, Mrs. Ranju Jha, and Mr. Amitabh Jha, who collectively oversee overall operations. Mr. Surajit Ghose and Mrs. Ranju Jha are both graduates and holds experience of more than a decade in hospitality industry through their association with this entity. They are well supported by Mr. Amitabh Jha, who manages the entity's day -to-day operations. Their combined expertise ensures effective leadership and management of the business.

Diversified revenue streams coupled with tie-up with the reputed hospitality chain "Fortune Hotels", an affiliate of "ITC Hotels Group": The company operates across three key revenue-generating segments: a five-star hotel under the "Fortune Park Pushpanjali" brand in Durgapur, West Bengal, leasing services through its commercial complex, and a guest house and banquet facility at Durgapur Steel Plant premises of "Steel Authority of India Limited". With its diversified business profile, the company reduces reliance on any single revenue stream, thereby stabilizing its financial position and reduces the risk of financial vulnerability arises to any particular segment in near future. GIPL has tied -up with Fortune Park Hotels (an ITC affiliate) for branding and managing its hotel for an initial period of 15 years, mitigating marketing and management risks to a great extent.

Moderate PBILDT margin: The profitability margins of the company as marked by PBILDT margin stood moderate for the past four financial years i.e. FY21-FY24 owing to service sector undertaking with mainly having fixed cost to be absorbed. During FY24, PBILDT margin of the company improved and stood at 31.16% (PY: 29.72%) on account of increase in scale.

Liquidity:

Stretched
The liquidity position of the company remained stretched characterized by tightly matched accruals along with the net losses incurred in FY24 vis -à-vis repayment obligations. The company has reported gross cash accruals to the extent of Rs.4.86 crore during FY24 and is expected to generate envisage GCA of ~Rs.6.50 crore for FY25 against Rs. 1.89 Cr of repayment obligations towards GECL loan as company has already prepaid the term loan obligation due for FY25. Further, company has only 100% FD backed OD limits utilized at Rs. 0.32 Cr as on March 31, 2024. However, the company has free cash & bank balances which stood at Rs.3.20 crore as on March 31, 2024. Further, to support the operations and liquidity, promoters have regularly infused funds in the form of interest free unsecured loan with outstanding at Rs. 37.67 Cr as on March 31, 2024 (PY: Rs. 29.64 Cr) and also utilized the same towards making prepayments of the term loan in last 2 fiscals.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Durgapur (West Bengal) based, Ganapati India International Private Limited (GIPL) was incorporated in March 2011 as a private limited company. The company is currently being managed by Mr. Surajit Ghose, Mrs. Ranju Jha and Mr. Amitabh Jha. The company is engaged into three varied business divisions namely; a five-star hotel under the brand name "Fortune Park Pushpanjali" located at Durgapur (West Bengal), providing leasing services through its commercial complex and operating a 16-room guest house and banquet at Durgapur Steel Plant premises of "Steel Authority of India Limited". The company is generating ~80% of its total revenue from hotel, restaurant & guest room services while the remaining ~20% is generated from lease rental services. The hotel and commercial complex became operational from September 2018. The hotel has 89 guest rooms, consisting

of 68 deluxe rooms, 16 executive rooms, 4 executive suites and 1 presidential suite. The hotel premises also feature a banquet hall with area of 4500 sq. ft., 1 speciality restaurant, well-equipped board rooms, conference hall with a pre-function area, parking space, 1 bar/lounge including lawn, 1 swimming pool, 1 fitness centre and a spa. The company has also a commercial complex of 73483 sq. ft. of leasable area and provides lease rental services to various reputed companies, retail outlets and restaurants.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	22.21	24.62
PBILDT	6.60	7.67
PAT	-2.83	-0.74
Overall gearing (times)	2.99	2.92
Interest coverage (times)	1.53	2.59

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	June, 2027	21.56	CARE BB; Stable

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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	21.56	CARE BB; Stable	-	1)CARE BB-; Stable (31-Jul-23)	1)CARE BB-; Stable (05-May-22)	-

LT: Long 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-Term Loan	Simple

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Annexure-5: Lender details

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Sachin Mathur Associate Director CARE Ratings Limited Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in
	Amisha Jain Analyst CARE Ratings Limited E-mail: Amisha.jain@careedge.in

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