

Genex Hotels Private Limited

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	70.52 (Reduced from 77.14)	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	3.75 (Reduced from 5.00)	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities Genex Hotels Private Limited (GHPL) continue to derive strength from its resourceful promoter group and experienced management team, favourable location and tie up with reputed hotel operator under the brand "Taj Lakefront". Ratings also factor in the moderate scale of operations of GHPL with healthy profitability and adequate liquidity.

Ratings, however, continue to remain constrained on account of moderate capital structure and debt coverage indicators, and vulnerability to macro-economic factors and seasonal uncertainty.

Rating assigned to the bank facility of one of the lenders has been withdrawn based on the receipt of the no dues certificate.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in occupancy ratio (OR) and average room revenue (ARR) resulting growth in total operating income (TOI) coupled with improvement in profit before interest, lease rentals, depreciation and tax (PBILDT) margin beyond 33% on a sustained basis.
- Improvement in the total debt to PBILDT below 3x on a sustained basis.

Negative factors

- Moderation in OR and ARR resulting decline in TOI below ₹50 crore and PBILDT margins below 25% on a sustained basis.
- Total debt to PBILDT beyond 5x on a sustained basis.
- Significant deterioration in liquidity cushion due to withdrawal of surplus funds for investments in group/ associate companies.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings expects sustenance in GHPL's credit profile on the back of strong operating performance, liquidity cushion in from of debt service reserve account (DSRA) and free cash and cash equivalents and favourable growth prospects of the hospitality industry.

Detailed description of key rating drivers:

Key strengths

Favourable location of the hotel with largest banquet in the city

Taj Lakefront is located at a prime location in Bhopal overlooking the backwaters of the Bhadbhada Dam on one side and hill view on other side. The hotel has room inventory of 152 rooms (including nine suite rooms and a presidential suite room), two fine dining restaurants, a bar and a lounge for beverages and bakes. For events, the hotel has six venues for varied purposes like conferences, business meetings, intimate functions and grand celebrations. The hotel has the largest banquet hall in the city spread across area of 880 square metres with capacity of ~1500 guests.

Operational synergies on account of tie-up with reputed hotel operator under brand name 'Taj Lakefront'

GHPL entered franchisee agreement for 20 years which can be extended by two terms of five years each with The Indian Hotels Company Limited (IHCL, CARE AA+; Stable/ CARE A1+) under brand name of 'Taj Lakefront'. IHCL is one of the most reputed hotel operators in Asia with presence in India, USA, UK, Africa, Sri Lanka, UAE, and Maldives among others in luxury segment. Per the agreement, IHCL will supervise, direct and control the operations of the hotel from commencement of operations until the end of the term.

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

Resourceful promoter group and experienced and professional management

GHPL is promoted by key promoters of Dilip Buildcon Limited (DBL) including Dilip Suryavanshi, Devendra Jain and their family. Promoters are resourceful having sizeable experience in infrastructure through the flagship company of group i.e. DBL. Dilip Suryavanshi is also assisted by his son Karan Suryavanshi who looks after strategic decisions. Robin Dutta, Director of GHPL, has over two decades of experience in running a resort at Bhopal. Furthermore, day-to-day operations are managed by Kanika Hasrat, General Manager of IHCL having rich experience of over three decades in this industry.

Moderate scale of operations with healthy profitability

GHPL commenced commercial operations from October 01, 2021. In FY24, GHPL achieved TOI of ₹62.24 crore (FY23: ₹58.14 crore) backed by marginal increase in OR to 57% (FY23: 50%) and ARR of ₹8956 (FY23: ₹8857). Revenue per available room (RevPAR) increased to ₹5149 in FY24 from ₹4515 in FY23.

In 5MFY24, GHPL has achieved turnover of ~₹24 crore at an OR of 57%, ARR and RevPAR of ₹7867 and ₹4452, respectively, which is expected to improve in 7MFY25 considering seasonality associated with the operations.

Profitability of the company continued to remain healthy marked by PBILDT margin of 33.11% (FY23: 32.28%) and profit after tax (PAT) margin of 9.44% (FY23: 3.92%) in FY24. GCA grew and remained adequate at ₹15.82 crore in FY24 (FY23: ₹10.23 crore).

Key weaknesses

Moderate capital structure and debt coverage indicators

The capital structure of GHPL remained moderate marked by overall gearing of 3.15x (PY:4.14x) and total outside liability to total net worth (TOL/TNW) of 3.55x (PY: 4.44x) as on March 31, 2024. Improvement in this was on account of accretion of profits to reserves and schedule repayment of the term debt.

Compulsorily convertible preference shares (CCPS) of ₹53.36 was re-classified as optionally convertible redeemable cumulative preference shares (OCRCPS) in FY23 and as redeemable preference shares (RPS) in FY24. RPS to the extent of ₹30 crore (based on the sanctioned terms of bank) are considered as quasi equity while balance amount is considered as debt.

Since RPS are issued to the promoter, considering entire amount as part of the equity (excluding loans and advances extended), adjusted overall gearing remained moderate at 2.32x as on March 31, 2024.

Debt coverage indicators improved, however remained moderate marked by PBILDT interest coverage ratio of 2.79x (FY23: 2.16x) and total debt to PBILDT of 4.74x (FY23: 5.51x) in FY24.

Macro-economic factors and seasonal uncertainty

The company is exposed to changes in macro-economic factors, industrial growth, and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors which leads to inherent cyclicity in the hospitality industry. These risks can impact the occupancy rate of the company and thereby the company's profitability. Further, industry is highly competitive with presence of many organised and unorganised players in the market and online aggregators. In Bhopal, there are over 350 hotels including budget as well as luxurious hotels with capacity of over 10,000 rooms. Majority of these are budget hotels with only few luxurious hotels. Apart from Taj lakefront, Bhopal has only two other 5-star properties with no major upcoming 5-star property in pipeline for at least two years, limiting competition to certain extent.

Liquidity: Adequate

GHPL's liquidity remains adequate with lower debt repayments against GCA, short operating cycle, healthy cash flow from operations and free cash and cash equivalents. Company also maintains DSRA equivalent to one quarter of interest and principal repayment obligation.

Operating cycle of GHPL remained lean owing to short collection period (~20-28 days) against credit period available (~30-35 days) from suppliers.

GHPL generated cashflow from operations of ₹13.71 crore in FY24 (FY23: ₹20.85 crore). It had free cash and cash balance of ₹12.33 crore in FY24 (FY23: ₹21.90 crore). Going forward, in FY25-FY27, with expected improvement in TOI and PBILDT margins, its gross cash accruals are expected to be sufficient (in range of ₹17-20 crore) against term loan repayment obligations (₹.7-8 crore).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Leisure services	Hotels and resorts

GHPL was incorporated on April 27, 2012, with an intent to set up a hotel at Bhopal. GHPL is promoted by promoters of DBL who jointly hold 63% shares with balance being held by Hotel Airport Kohinoor Private Limited and Sayaji Hotels Limited. Operations are managed by promoters of DBL group.

GHPL entered a franchise agreement with IHCL, one of world's strongest hotel brand for 20 years under the brand name of 'Taj Lakefront' (five-star property).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	5MFY25 (UA)
Total operating income	58.14	62.24	24.13
PBILDT	18.77	20.61	7.37
PAT	2.28	5.87	NA
Overall gearing (times)	4.14	3.15	NA
Interest coverage (times)	2.16	2.79	NA

A: Audited UA: Unaudited; NA: Not available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	30/09/2032	70.52	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	3.75	CARE BBB; Stable / 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 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	70.52	CARE BBB; Stable	-	1)CARE BBB; Stable (22-Dec-23)	1)CARE BBB-; Stable (28-Oct-22)	1)CARE BBB-; Stable (11-Nov-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	3.75	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (22-Dec-23)	1)CARE BBB-; Stable / CARE A3 (28-Oct-22)	1)CARE BBB-; Stable / CARE A3 (11-Nov-21)

LT: Long 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-Term Loan	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

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.

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