Deep Distilleries And Breweries Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	6.47	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	55.53	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Deep Distilleries and Breweries Private Limited (DDBPL) are constrained by presence in fragmented nature of industry with seasonality associated with business, its average financial risk profile, and debt funded project execution risk. The ratings, however, derive strength from diversified revenue streams coupled with tie-up with the reputed hospitality chain 'Ramada', 'Wyndham'. The ratings also draw comfort from growing scale of operations and healthy profitability along with experienced promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations, with total operating income (TOI) above Rs. 100 crores coupled PBILDT (Profit Before Interest, Lease, Depreciation, and Tax) margin around 40.00% on sustained basis.
- Improvement in capital structure as reflected by Total debt/Gross Cash Accruals (TD/GCA) of below 2.00 times on sustained basis.

Negative factors

- Decline in TOI below Rs. 40 crores along with PBILDT margins below 35.00% on a sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio of above 2.00x on sustained basis.
- Cost or time overrun in execution of the project leading to deteriorate the liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company is likely to maintain its operational and financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Average financial risk profile: The entity's capital structure stood moderate, as marked by an overall gearing of 1.23x as on March 31, 2024 (2.76x as on March 31, 2023) with high reliance on term debt. The total outside liabilities to total net worth (TOL/TNW) stood moderate at 1.6x as on March 31, 2024 (improved from 3.46x as on March 31, 2023). The debt coverage indicators stood satisfactory, as marked by comfortable PBILDT interest coverage of 4.34x in FY24 (3.19x in FY23) and moderate total debt to GCA (TD/GCA) of 2.28x in FY24(4.11x in FY23). Improvement during the year was on account of improvement in profitability. Going forward, the capital structure is expected to remain modest as the company is planning to avail term debt for the fourth hotel project.

Project execution risk: The company is planning to start a new hotel "Ramada Encore" with 100 rooms which is set to be operational by September 2025. The total cost of the project is estimated to be between Rs. 60 crores to Rs. 80 crores. Civil work for the project has already been completed. Debt has been taken specifically for interior work, with Rs. 10 crores utilized till date out of the sanctioned Rs. 25 crore loan. Rest of the funding is being managed through internal accruals. The timely completion and stabilisation of the hotel project under the revised estimated time & cost would remain key monitorable going forward.

Fragmented nature of industry with seasonality associated with business: The company operates in a highly fragmented hospitality industry. The hospitality sector is highly saturated with numerous players operating in the industry. However, DDBPL has an already established tie-up with Ramada Wyndham group, DDBPL may be able to fetch better projected revenues and

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

profitability, on commencement of the additional projects. Further, the tourist season is mainly in the monsoons and winter seasons in which most of the tourist flow especially foreign tourists is expected. Thus, the hotel and hospitality business depend on seasonality.

Key strengths

Diversified revenue streams coupled with tie-up with the reputed hospitality chain Ramada, Wyndham: The company has three verticals for generating revenue wherein it primarily operates a 4-star and a 5-star hotel in association with Ramada, provides banquet and restaurant services. Being diversified business profile the company does not have dependence on any single revenue source, which in turn stabilize their financial position, and thereby reduces the risk of financial vulnerability arises to any segment / sector in near future. DDBPL has a tie-up with "Ramada by Wyndham" with establishment of a hotel property at Lucknow for branding, operation and management of the hotel under the brand names 'Ramada', 'Ramada Plaza' and 'Ramada Encore'. The established brand of 'Ramada' and its established experience in management of hotels reduces the management and marketing risk to a great extent.

Growing scale of operations with healthy profitability margins: The TOI of the company grew at a compounded annual growth rate (CAGR) of 12.28% over the past five years FY20-24. In FY24, TOI increased by 20% to Rs. 59.83 crore compared to FY23, driven by expansion of Ramada Plaza in terms of number of rooms and increase in ARR (Average Room Rent). The entity generates revenues from 3 main verticals – Hotels, Banquets and restaurants with almost 41% of the revenue coming from hotel business, ~33% from banquets and the rest ~25% from restaurants. Further, the company reported a TOI of Rs. 46.75 crore for 9MFY25 (refers to April 01 to December 31). The PBILDT stood healthy at 38.01% during FY24, with a year-on-year improvement of 530 bps. Further, the PAT margin also stood healthy at 19.40% during FY24. Going forward, the operational performance is expected to improve with the fourth hotel expected to be operational from September 2025.

Liquidity: Stretched

Liquidity remains stretched, characterized by tight cushion between cash accruals as against repayment obligations. The company have repayment obligations of Rs. 10.73 crore against expected GCA of Rs. 22.67 crore during FY25. The company is also incurring capex on fourth hotel which will be partially funded through internal accruals. However, the cash flow from operations was positive at Rs. 21 crores in the last fiscal year, and the unencumbered cash and bank balance was approximately Rs. 4.32 crore as of March 31, 2024. As of March 31, 2024, the current ratio stood at 0.25x, and the quick ratio was 0.24x.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hotels & Resorts
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

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

Based in Uttar Pradesh, DDBPL, was incorporated on August 11, 2005. The company operates under the directorship of Nishant Jaiswal, Neelika Jaiswal, Ankita Jaiswal, and Rajendra Kumar Jaiswal, and is part of the Deep Group. Engaged in the hotel and resort industry, the company has a brand partnership with Ramada, managing hotels and resorts under the names Ramada, Ramada Plaza, and Ramada Encore in Lucknow. Since commencing operations in 2015-16 with 30 fully functional rooms, the company has expanded to 300 rooms and several banquet halls, maintaining an average occupancy rate of 70%.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	49.72	59.83	46.75
PBILDT	16.26	22.74	NA
PAT	5.25	11.61	NA
Overall gearing (times)	2.76	1.23	NA
Interest coverage (times)	3.19	4.34	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	-	-	-	05-07-2027	6.47	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	55.53	CARE BB+; Stable / CARE A4+

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	6.47	CARE BB+; Stable	-	-	-	-
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	55.53	CARE BB+; Stable / CARE A4+	-	-	-	-

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	Fund-based - LT/ ST-Working Capital Limits	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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Kritika Goyal Analyst **CARE Ratings Limited** E-mail: kritika.goyal@careedge.in

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