

TGB Banquets and Hotels Limited

March 03, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|-----------------------------|---------------------|---------------|
| Long Term Bank Facilities | 5.28 (Reduced from 9.40) | CARE B+; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The long-term rating assigned to the bank facilities of TGB Banquets and Hotels Limited (TGB) continues to remain constrained on account of its stretched liquidity, operating loss reported in FY24 (refers to the period April 1 to March 31), high amount of loans and advances extended 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, moderate scale of operations, 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 key rating drivers

Key weaknesses

Large size exposure to other companies

TGB has extended unsecured loan to group companies, related entities and third parties to support their operations. The outstanding of these loans & advances stood at Rs.71.19 crore as against networth of Rs.74.14 crore as on March 31, 2024. 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. 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 challenges hoteliers will face in upcoming years is sustaining growth as online private accommodation aggregators flood the marketplace with new inventory. 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 FY24, 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 ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Moderate scale of operations albeit operating loss reported in FY24

TOI of company largely remained stable at Rs. 36.33 crores in FY24 (Rs.38.38 crores in FY23). During FY24, company registered operating loss of Rs.0.42 crore due to payment of custom duty of Rs.4.71 crore under Amnesty Scheme in last quarter of FY24. The custom duty paid pertains to non-fulfilment of advance authorization benefit claimed for Surat hotel, which is currently not operational. In 9MFY25, TGB reported a TOI of Rs. 26.53 crores with PBILDT margin of 22.24%.

Comfortable leverage with moderate debt coverage indicators

Overall gearing of company remained comfortable at 0.10x as on FY24 end (0.20x as on FY23 end). However, out of net worth of Rs.74 crore, TGB has extended unsecured loans to the group companies, related entities and third parties worth Rs.71.19 crores recovery of which shall remain key rating monitorable. During FY24, though debt coverage indicators weakened due to operating loss, they recovered in 9MFY25 with PBILDT interest coverage of 5.84x.

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 January 2025. Also, there were few instances of overdrawing in cash credit limit from August 2024 to January 2025 which were rectified in 1-2 days. The company had sizable exposure of Rs. 71.19 crores towards the group companies, related entities and third parties and any further extension of support towards these companies may impact the liquidity. Company had positive cash flow from operations of Rs.7.26 crore in FY24. Moreover, the company had cash and bank balance of Rs.0.29 crore as on March 31, 2024. TGB had debtors of more than 6 months of Rs. 5.89 crore as on March 31, 2024, from banqueting and catering business.

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

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

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, 2023 (A) | March 31, 2024 (A) | 9M FY25 (UA) |
|----------------------------|--------------------|--------------------|--------------|
| Total operating income | 38.38 | 36.33 | 26.53 |
| PBILDT | 4.96 | -0.42 | 5.90 |
| PAT | 1.36 | -3.56 | 1.03 |
| Overall gearing (times) | 0.20 | 0.10 | - |
| Interest coverage (times) | 2.65 | -0.23 | 5.84 |

A: Audited UA: Unaudited; 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-Cash Credit | | - | - | - | 5.15 | CARE B+; Stable |
| Non-fund-based - LT-Bank Guarantee | | - | - | - | 0.13 | CARE B+; 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-Cash Credit | LT | 5.15 | CARE B+; Stable | - | 1)CARE B+; Stable (07-Mar-24) 2)CARE B+; Stable (03-Apr-23) | - | 1)CARE B+; Stable (24-Mar-22) 2)CARE D; ISSUER NOT COOPERATING* (01-Apr-21) |
| 2 | Non-fund-based - LT-Bank Guarantee | LT | 0.13 | CARE B+; Stable | - | 1)CARE B+; Stable (07-Mar-24) 2)CARE B+; Stable (03-Apr-23) | - | 1)CARE B+; Stable (24-Mar-22) 2)CARE D; ISSUER NOT COOPERATING* (01-Apr-21) |

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

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 | 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 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

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| Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in | Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in |
| Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in | Anuja Parikh Associate Director CARE Ratings Limited Phone: +91-079-4026 5616 E-mail: anuja.parikh@careedge.in |
| | Ojasvi Mohta Analyst CARE Ratings Limited E-mail: ojasvi.mohta@careedge.in |

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