

Lalit Great Eastern Kolkata Hotel Limited

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	63.62 (Reduced from 73.75)	CARE BBB+; Stable	Upgraded from CARE BBB; Stable
Short-term bank facilities	3.00 (Enhanced from 1.00)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

To arrive at the ratings for the bank facilities of Lalit Great Eastern Kolkata Hotel Limited (LGEKHL) CARE Ratings Limited (CARE Ratings) analyses standalone financials of LGEKHL along with factoring the strong operational and financial linkages with common management and sharing brand name with the parent entity; Bharat Hotels Ltd (BHL). CARE Ratings has upgraded the long-term rating assigned to bank facilities of LGEKHL from 'CARE BBB; Stable to CARE BBB+; Stable' while reaffirming the short-term rating at 'CARE A3+'.

Upgrade in long-term rating factors in improvement in Parent BHL's credit profile (upgraded to CARE A-; Stable from 'CARE BBB+; Stable) on account of improved financial risk profile and continued healthy operating performance and LGEKHL has strong operational and financial linkages with this being in similar business and sharing a common brand name, 'The LaLiT'. The ratings benefit from BHL's demonstrated support through unsecured loans and the backing of LGEKHL's debt by BHL's unconditional and irrevocable corporate guarantee (CG). Rating also takes comfort from refinancing done in two of BHL's subsidiaries in fiscal 2024 and 2025 respectively at a lower ROI will lead to reduction in interest outgo resulting in improved coverage indicators. Additionally, the rating upgrade also factors in the improvement in LGEKHL's standalone operational and financial risk profile in FY24 and H1FY25 (April 1 to September 30). Occupancy increased from 51% in FY23 to 59% in FY24, and the average room rate (ARR) also rose by ~9%, reaching ₹6,808 for FY24.

However, these strengths are tempered by the vulnerability of revenues to inherent industry cyclicality, competition and concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Strengthening financial risk profile of parent entity BHL with net debt to PBILDT below 2.50x

Negative factors

- Declining occupancy and revenue per available room (RevPAR), affecting liquidity and debt coverage indicators.
- Weakening financial risk profile of the parent entity BHL with sustained net debt to PBILDT above 2.75 times beyond FY25 end

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

Stable outlook reflects CARE Ratings' expectation that the company is likely to maintain its healthy operating performance supported by improvement in occupancy and ARR. The uptick in operating performance shall aid further improvement in LGEKHL's financial risk profile and its coverage indicators.

Detailed description of key rating drivers:

Key strengths

Part of Bharat group with Strategic importance to BHL and association with brand 'The Lalit'

LGEKHL is a subsidiary of BHL, with BHL holding 90% of its shares and the remaining 10% held by the Government of West Bengal. LGEKHL is fully consolidated into BHL, contributing 10% to BHL's total keys and 6% to its consolidated revenue. LGEKHL is strategically important entity to BHL as demonstrated by common members on the board of BHL and LGEKHL further it also receives support through interest-free loans for its operations or capital expenditure needs. The bank debt taken by LGEKHL is backed by an unconditional, irrevocable, and continuing corporate guarantee (CG) from BHL, covering the entire term of the loan, including all payments of interest and other charges however, CE rating has not been assigned as the guarantee does not have Structured Payment mechanism (SPM)

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

Improvement in financial risk profile of parent entity BHL

BHL has done prepayments of ~₹340 crores cumulatively (~₹220 crore in FY24 and ~₹120 crore in 10FY25) of high cost NCDs and further plans to prepay ₹30-35 crores during February-March 2025 against zero scheduled repayment using the cash accruals generated from core operations. This has led to improved leverage and debt coverage indicators. Leverage indicators represented by Net debt /PBILDT improved from 3.89x as on March 31, 2023 to 3.15x as on March 31, 2024 owing to better operational performance. The same is expected to further improve to ~2.75x as on FY25 end due to continuous prepayment of NCD's and stable profitability. BHL is also planning to undertake expansion in Ahmedabad but despite this the leverage indicators are expected to remain comfortable.

BHL has demonstrated growth of ~8% in total operating income to ₹862.51 crores in FY24 over ₹800.05 crores in FY23. The growth is largely derived from increased ARR from ₹8,719 in FY23 to ₹9,857 in FY24 with sustained occupancy level of 59% in FY24. In 9MFY25 also, TOI of the company grew by ~9% YOY to ₹653 crore on ARR of ₹9,787.

Out of total revenue, ~55% is derived from room rentals, ~30% from F&B and remaining comes from a combination of banquets, liquor, rent etc. Generally, the room rental comprises 70-80% of the hotel revenue, however for Lalit, its restaurants are famous for its food & ambience and thus the quantum of revenue generated is also significantly higher at around ₹250.16 crores in FY24 (PY: ₹237.91 crores).

PBILDT margins of the company remained stable at ~43.02% (PY: 45.20). PAT margins of the company stood at 9.83% in FY24 on account of higher interest expense due to High cost NCD's. However, company is prepaying its NCD and has prepaid ~₹340 crore of NCD till January'25 against Nil scheduled obligations. Company also plans to refinance this NCD's at a lower interest rate as demonstrated in its subsidiaries by 2026 end which should support the PAT and cash accruals of the company going forward.

Improved operational performance in FY24 and H1FY25 in LGEKHL

In FY24, the company's total income rose by approximately 13%, from ₹48.43 crore in FY23 to ₹54.67 crore in FY24. This growth was mainly driven by higher occupancy of 59% improved from 51% in FY23, and a rise in the average room rate (ARR). However, the PBILDT margin slightly decreased to 37.36% in FY24 from 34.57% in FY23, primarily due to higher employee costs, and a significant rise in the consumption of stores and spares.

ARR improved from ₹6,220 in FY23 to ₹6,808 in FY24, jump of around 9%. However, ARR declined in H1FY25 to ₹6,085 with occupancy level at 51%. Despite such decline the company's H1FY25 revenue was at similar levels with the company reporting revenue of ₹22.37 crore in H1FY25 as against ₹22.29 crore in H1FY24.

During FY25 the company has entered into refinancing arrangement with HDFC bank to take over the outstanding bank facilities from Yes Bank. The term loan from Yes Bank, outstanding amount of which was ₹70.14 crore (March 31, 2024) was at an Interest rate in the range of 11%.00-11.50%, however, interest rate post refinancing reduced to 8.7%, thus saving huge interest cost going forward.

Key weaknesses

Vulnerability to inherent industry cyclical, economic cycles and exogenous events

Operating performance of the properties remain vulnerable to seasonal industry, general economic cycles and exogenous factors (geo-political crisis, terrorist attacks, disease outbreaks, etc.). Nonetheless, the impact of aforesaid risks on revenue, occupancy level and EBIDTA is partially mitigated by LGEKHL's association with reputed brand 'The LaLiT' which allows it to withstand any major demand vulnerability related to a particular micro-market.

High competition from the large players and unorganized sector

Hospitality industry is fragmented and competitive in nature owing to large number of hotels into affordable/economy, mid-scale etc. However, significant capex requirements and association with reputed brand 'The Lalit' are the key factors acting as the entry barriers for smaller players barring the budget hotel segment, which is highly unorganized with low entry barriers. The group also faces significant competition from the budding & developing brands such as Ginger, IBIS, Holiday Inn Express, etc. in addition to the standalone players in the individual markets. The emergence of room aggregators also puts pressure on the branded economy segment hotel operators as it widens the available room inventory to guests by bringing in several independents on the platform.

Liquidity: Adequate

LGEKHL's standalone liquidity position is adequate, considering the support from its parent company. As of September 30, 2024, the company's liquidity is bolstered by a modest cash and bank balance of ₹2.98 crore. The liquidity is further strengthened by interest-free loans and advances from BHL, as well as a corporate guarantee from BHL for the debt taken by LGEKHL. During FY24, the company received an unsecured loan of ₹3.15 crore from BHL. As of March 31, 2024, the outstanding balance of interest-free loans from BHL stood at ₹62.04 crore, up from ₹55.37 crore the previous year. The debt repayments of ₹12.86 crore in FY26 and ₹11.23 crore in FY27 are expected to be covered by the company's internal accruals, with continued support from the parent company.

On a consolidated level for BHL, Liquidity is marked by expected cash accruals of ~₹185-225 crores in FY25 & FY26 against scheduled repayment obligations of close to ₹30-35 crores in FY25 and in FY26 (including lease liability). Company has also refinanced term debt of ₹67.57 crore in Lalit Great Eastern Kolkata Hotel during June 2024 from HDFC Bank at a lower ROI of 8.70% (earlier 11.50%).

Company has been also doing partial prepayment of NCDs and has already repaid ₹340 crores (cumulatively) till January 2025 whereas scheduled repayment shall start from FY26. Liquidity is further aided through free cash and cash equivalents to the tune of ₹38.41 crores as on December 31, 2024 held in form of cash at bank ₹32.65 crore and free FDR of ₹5.66 cr. Further, BHL on consol basis has sanctioned fund based working capital limits of ₹9 crores with minor utilization during past twelve months providing cushion for any future exigencies.

BHL also has to maintain DSRA of 3 Months of interest and principal due for all the 3 series of NCD's. BHL on consol level has DSRA of ₹23.47 crore as on December 31, 2024. However as per the term sheet with Kotak Investment Advisors Limited (KIAL), with the tight financial and other covenants and the option to recall the funds in case of delay, the liquidity position will remain the key monitorable.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Hotel Industry](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & 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, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	48.43	54.67	22.37
PBILDT	18.10	18.90	5.46
PAT	-18.90	-5.77	NA
Overall gearing (times)	1.15	1.15	NA
Interest coverage (times)	1.10	1.03	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 (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		-	-	28-02-2030	56.33	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	28-02-2030	4.29	CARE BBB+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	3.00	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	3.00	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 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	56.33	CARE BBB+; Stable	1)CARE BBB; Stable (05-Apr-24)	-	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)
2	Fund-based - LT-Working Capital Limits	LT	3.00	CARE BBB+; Stable	1)CARE BBB; Stable (05-Apr-24)	-	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)
3	Fund-based - LT-External Commercial Borrowings	LT	-	-	1)Withdrawn (05-Apr-24)	-	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)

								Negative Implications) (07-Apr-21)
4	Non-fund-based - ST-BG/LC	ST	3.00	CARE A3+	1)CARE A3+ (05-Apr-24)	-	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)
5	Un Supported Rating-Un Supported 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)
6	Fund-based - LT-Term Loan	LT	4.29	CARE BBB+; Stable	1)CARE BBB; Stable (05-Apr-24)	-	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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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