

Leela Trade Link Private Limited

April 03, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	88.18 (Enhanced from 39.34)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Leela Trade Link Private Limited (LTPL) continues to remain constrained on account of its moderately leveraged capital structure, moderation in profitability and weak debt coverage indicators along with stretched liquidity. The rating, further, remain constrained on account of LTPL's presence in highly competitive and cyclical hospitality industry.

The rating, however, favourably takes into consideration LTPL's improving scale of operations and expected improvement in profitability. The rating, further, continues to derive comfort from established track record of Leela Group with its diversified portfolio of businesses coupled with strategic location of both hotel properties and operating cum marketing arrangement with Sarovar Portico Group and Indian Hotels Company Limited (IHCL) respectively.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) led by hotel business to above Rs.75 crore with sustaining operating margins above 25%
- Improvement in profit before interest, lease, depreciation and tax (PBILD) interest coverage to more than 3x and total debt/ gross cash accruals (GCA) below 6x on sustained basis

Negative factors

- Decline in TOI below Rs.30 crore or operating margin below 20% on a sustained basis
- Deterioration in PBILD interest coverage below 1.25x total debt/ GCA above 10x on sustained basis

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that LTPL shall continue to benefit from its experienced promoters and strategic location of its hotel properties.

Detailed description of key rating drivers:

Key weaknesses

Moderately leveraged capital structure and moderate debt coverage indicators

The capital structure of LTPL remained moderately leveraged marked by overall gearing of 1.42x as on March 31, 2024 [P.Y. 1.01x]. The deterioration in overall gearing was on account of additional term loan of Rs.30 crore availed for working capital requirements along with repayment of USL and reclassification of part USL from quasi equity to debt as per the new sanction terms. In FY24, LTPL has repaid USL of Rs.18.84 crore. In spite of projected accretion of profits to Net-worth, overall gearing is expected to remain on the similar level in FY25 on account of additional term loan of Rs.10 crore availed for working capital requirements in April 2024.

The debt coverage indicators continued to remain weak marked by PBILD interest coverage of 1.08x and Total debt/GCA of 77.65x.

Moderation in profitability

The PBILD margin of the LTPL declined by 442 basis points and stood at 23.68% in FY24 as against 28.10% in FY23. The decline in margin was due to higher operational expenses of one-time repair & maintenance cost of ~Rs.2.80 crore incurred during the first full year of operations of the Ahmedabad 'Vivanta' hotel. The entity incurred net loss of Rs.3.62 crore in FY24. This was due to increase in interest and depreciation cost by Rs.5.23 crore and Rs.1.89 crore respectively. The interest costs increased due to additional long-term loan of ~Rs.30 crore (for a tenor of 108 months) along with interest paid on unsecured loans from promoters.

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

Presence in a highly 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. Furthermore, the hotel industry is inherently cyclical in nature with exposure to changes in various factors including tourist arrivals, social and economic changes, and changing consumer preferences.

Key strengths

Established track record of Leela Group and vast experience of promoters in managing various business

LTPL is part of Bhavnagar (Gujarat) based Leela Group (LG) which is promoted by Late Mr. Fakirchand Sharma, father of Mr. Komalkant Sharma. LG has established business presence in Bhavnagar through its multiple business venture in across segments like travel agency, logistics and transport, ship recycling, Jewels and diamond, real estate development, aviation and print media.

Strategic location of hotels

LTPL's Efcce Sarovar Portico hotel is strategically located in Bhavnagar which has close proximity to one of the world's largest ship breaking yard in Alang. To run the operations of hotel, LTPL has entered into agreement with Sarovar Hotels Private Limited, a company of SPG (Sarovar Portico Group), to operate the hotel under the brand name "Sarovar Portico". LTPL's latest hotel project at Ahmedabad is situated near Sola on Sarkhej-Gandhinagar (SG) Highway, which is surrounded by major multinational companies, corporate hospitals. Also, it gives access to SG Highway corridor, GIFT city and located near High court, Mahatma mandir convention centre and Airport. For this hotel, LTPL has entered into agreement with Indian Hotels Company Limited to operate the hotel under the brand name "Vivanta".

Improving albeit moderate scale of operations and expected improvement in profitability

Total operating income of LTPL improved by ~47% to Rs. 55.26 crore in FY24 as against Rs.37.66 crore owing to full year of operations of the 'Vivanta' hotel in Ahmedabad along with better occupancy rates. Further, in 9MFY25, the entity has achieved TOI of ~Rs.45.96 crore. With recently acquired liquor license at Ahmedabad Vivanta Hotel, LTPL expects additional revenue of ~Rs. 15-18 crores per annum from FY26 onwards. Further, with healthy occupancy, increase in Average Room Rent (ARR) and higher margins from liquor sale, profitability of LTPL is projected to improve from FY25 onwards.

Liquidity: Stretched

Liquidity of LTPL remained stretched marked by gross cash accruals tightly matching its term debt repayment obligations. LTPL is expected to generate GCA in the range of Rs.13.07 -Rs.16.51 crore as against debt repayment obligations of Rs.9.75 -Rs.16.06 crore in FY25-FY27. The operating cycle of the entity remained moderate at 43 days in FY24[P.Y. 33 days]. The operating cycle increased due to higher inventory period and credit of 30-45 days allowed for corporate bookings.

The entity has free cash and bank balance of Rs.8.59 crore as on March 31, 2024. Further, the entity has sold the vacant land in September 2024 at a profit of Rs.4.68 crore, which will provide cushion to the liquidity of the company.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

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

Bhavnagar (Gujarat) based Leela Tradelink Private Limited (LTPL) was incorporated in May 1995 as Inducto Fintrade Investment Private Limited and subsequently in April 2008, the name was changed to its present name. LTPL is promoted by Mr. Komalkant Sharma and his family and is part of Bhavnagar-based Leela group (LG) which has presence in diversified businesses.

LTPL has been engaged in ship scrap trading and land development activities and subsequently it ventured into hospitality business through development of four-star hotel, Efcce Sarovar Portico, comprising 99 rooms at Bhavnagar. The hotel, which is being managed by the Sarovar Portico Group (SPG), commenced operations from December 2016. Further, LTPL entered into hotel

management agreement with The Indian Hotels Company Limited in April 2021 for its second hotel under Vivanta brand at Ahmedabad and has commenced operation from August 2022 having 176 rooms.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	37.66	55.26	45.96
PBILDT	10.58	13.09	NA
PAT	5.64	-3.62	NA
Overall gearing (times)	1.01	1.42	NA
Interest coverage (times)	1.54	1.08	NA

A: Audited Prov.: Provisional 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		-	-	07/01/2033	88.18	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	88.18	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Mar-24)	1)CARE BB+; Stable (27-Mar-23)	1)CARE BB+; Stable (21-Mar-22) 2)CARE BB+; Stable (04-Mar-22)

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

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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About us:

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