TGB Banquets and Hotels Limited

February 19, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	11.00 (Rupees Eleven Crore Only)	**CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)**	**Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category**

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

TGB Banquets and Hotels Limited (TB) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. Further, CARE has been seeking information from TGB to monitor the rating vide e-mail communications dated November 03, 2020, January 05, 2021, January 11, 2021, and January 18, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information and fees for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, TGB has not submitted the monthly Default, If any, statement (NDS) for the month of January 2021. Hence, CARE's rating on TGB's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facilities of TGB has been revised on account of its weakened financial risk profile during 9MFY21 (UA; refers to the period April 1 to December 31) arising from de-growth in its total operating income (TOI) and significant fall in its operating profitability resulting into net loss of Rs.7.55 crore incurred by the company during 9MFY21 due to the outbreak of Covid-19 adversely impacting the operations of the company. The revision in rating also factors in TGB's stressed liquidity arising from negative profitability and cash flow during 9MFY21. The rating continues to be constrained on account of high working capital intensity marked by elongated operating cycle coupled with high amount of loans and advances extended by TGB, large outstanding disputed statutory liabilities and its presence in a competitive and inherently cyclical hospitality industry.

The rating, however, continues to derive strength from the established track record of operations of TGB in hospitality business, strong presence in food & Beverage (F&B) and banqueting business and its healthy net worth base.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weakened financial risk profile during 9MFY21 due to impact of Covid-19

During 9MFY21, TOI of TGB declined significantly by 60% to Rs.10.30 crore as against Rs.25.31 crore during 9MFY20 on account of Covid-19 induced lockdown impacting the operations of the company for majority part of Q1FY21. Despite opening of restaurants from June 08, 2020, the footfalls have remained low as people are afraid of contracting the virus. Due to decline in TOI, the profitability of the company too declined with low absorption of fixed costs as the fixed costs remain intact even with negligible operations of the company leading to net loss of Rs.7.55 crore and cash loss of Rs.5.26 crore during 9MFY21. Moreover, debt coverage indicators continued to remain weak on account of losses incurred by the company at PBILDT level and cash loss during 9MFY21.

High statutory disputed liabilities

TGB has disputed statutory dues of Rs.31.66 crore (approximately 30% of net-worth) as on March 31, 2020 (Rs.41.83 crore as on March 31, 2019) which includes statutory dues related to PF, ESIC, Income tax, Sales tax, GST, VAT, service tax, etc. Among these total disputed statutory dues, major Rs.10.90 crore pertains to VAT and Rs.5.92 crore for service tax as on March 31, 2020.

Large size exposure to subsidiary and associate concerns

TGB has exposure to its subsidiary/associate concern in terms of unsecured loan to support their operations. TGB had invested in the form of unsecured loan/deposit of Rs.18.31 crore as on March 31, 2020 towards its subsidiary Lov Kush Properties Private Limited (LKP). Further, TGB also has exposure of Rs.11.12 crore towards one of the associate companies TGB Bakers & Confectionaries Limited (TBCL). It is to be noted that TGB had total exposure of around Rs.29 crore as on March 31, 2020 towards subsidiary/associate concern and around Rs.26 crore towards other long pending

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

current assets aggregating to nearly Rs.56 crore of exposure (approximately 52% of net worth) as on March 31, 2020. However, TGB has divested its investment towards its wholly-owned subsidiary - LKP, and consequently, LKP has ceased to be a wholly-owned subsidiary of TGB with effect from the conclusion of the Board Meeting held on July 24, 2020.

High level of competition and cyclical nature of 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, 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 challenge's hoteliers will face in upcoming years is sustaining growth as online private accommodation aggregators flood the marketplace with new inventory. Further, Average Room Revenue (ARR) is also expected to remain subdued due to increase in room inventory with more players entering the market. The market for banqueting and outdoor catering has attracted many organized players which have led to the increase in competition and pricing pressure.

Impact of COVID-19
The outbreak of COVID-19 and the subsequent imposition of lockdown severely impacted the occupancy across hotels and the overall occupancy rate (OR) fell from 70.5% in January of CY20 to as low as 11.7% in April, a sharp decline of 83.4%. In addition to this, other parameters that indicate operational performance of hotels such as Average Daily Rate (ADR) and Revenue per available room (RevPAR) also declined owing to the spread of virus. Further, The Meeting, Incentives, Conferences and Events (MICE), wedding tourism, - all kinds of celebrations, medical tourism, medical room reservations and wellness sectors had been severely affected. Even after staggered easing of lockdown, demand from leisure and business user segments remained muted as COVID cases were increasing and COVID-19 induced restrictions including quarantine, gathering and travel rules differed across states. For the occupancy across hotels to reach pre-COVID levels, it depends how quickly the virus is contained within India and globally and accordingly when the travel/gathering restrictions will be eased. Meanwhile, although the overall average occupancy rate for FY21 will remain low, it is expected to improve on a quarterly basis in Q4FY21. Further, H1 FY22 will face muted consumer demand on account of lean business season.

Liquidity*: Stretched*
Liquidity of TGB continued to remain stretched marked by low cash accruals and high gross current assets including loans and advances which results into high utilization of fund based working capital limits with instances of over-drawing which were regularized within 5-7 days. Moreover, the company had availed moratorium for the period March-August 2020 for interest on its working capital limits, an option provided by the RBI as a Covid-19 relief measure.

Key Rating 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; in 1990 with a restaurant and subsequently, expanding to outdoor catering, hotels and banqueting. He also serves on the board of various recognized professional body such as he was the ex-president of All Gujarat Caterers Association & the current president of Hotels & Restaurants Association of Gujarat.

Strong presence of TGB in F&B segment
During FY20, 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. Moreover, in FY20, TGB is managing operations only at Ahmedabad property which is growing steadily in terms of revenue and profitability as evident by the marginal net profit of Rs.0.86 crore. However, the outbreak of COVID-19 significantly impacted the operations of the company in Q4FY20 and Q1FY21 due to lockdown announced by the government to contain COVID-19.

Healthy net worth-base
TGB had healthy net-worth base of Rs.104.87 crore as on March 31, 2020. Moreover, the total debt of company also stood low at around Rs.12.98 crore as on March 31, 2020 resulting into comfortable overall gearing ratio of 0.12 times as on March 31, 2020. However, on an adjusted basis (excluding long pending large size loans and advances from net worth), the overall gearing ratio stood moderate at 0.32 times as on March 31, 2020.

Analytical Approach: Standalone
Applicable Criteria:
Policy in respect of Non-cooperation by issuer
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector

Rating Methodology - Hotel Industry
Liquidity Analysis of Non-Financial Sector Entities

About the company

Ahmedabad based TGB Banquets & Hotels Ltd (TGB; renamed on April 19, 2013) 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 owns a hotel property at Ahmedabad. TGB also provides outside catering service and manages property such as Karnawati club, Agrasen Foundation, and Patang (the revolving restaurant at Ahmedabad) in Ahmedabad on management contract basis.

(Rs. Crore)

Brief Standalone Financials of TGB	2019 (A)	FY20 (A)
Total Operating Income	81.12	33.98
PBILDT	(33.87)	(14.27)
PAT	(54.25)	0.86
Overall Gearing (x)	0.11	0.12
PBILDT / Interest (x)	-ve	-ve

A: Audited

During 9MFY21 (UA), TGB incurred net loss of Rs.7.55 crore on a total operating income (TOI) of Rs.10.30 core as against TOI of Rs.25.31 crore and PAT of Rs.1.27 crore in 9MFY20 (UA).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Complexity level of various instruments rated for this company: Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees	-	-	-	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount O/s (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (11-Dec-19)	1)CARE BB; Stable (13-Dec-18)	1)CARE BB; Stable (03-Nov-17) 2)CARE B+; Stable (07-Apr-17)
2.	Non-fund-based - LT-Bank Guarantees	LT	4.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (11-Dec-19)	1)CARE BB; Stable (13-Dec-18)	1)CARE BB; Stable (03-Nov-17) 2)CARE B+; Stable (07-Apr-17)
3.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (03-Nov-17) 2)CARE B+; Stable (07-Apr-17)

**Issuer did not cooperate; Based on best available information*

Annexure-3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact Us

Media Contact
Mr. Mradul Mishra
Contact No.: +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Mr. Krunal Modi
Contact No.: +91-79-40265614/+91-8511190084
Email ID – krunal.modi@careratings.com

Relationship Contact
Mr. Deepak Prajapati
Contact No.: +91-79-4026 5656
Email ID – deepak.prajapati@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**