

Bharat Hotels Limited

February 27, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|------------------|---------------------|--|
| Long Term Bank Facilities | - | - | Withdrawn |
| Short Term Bank Facilities | - | - | Withdrawn |
| Short Term Bank Facilities (NFB-BG/LC) | - | - | Reaffirmed at CARE A4+ (A Four Plus); Removed from rating watch with negative implications and withdrawn |

Details of instruments/facilities in Annexure-1.

Detailed Rationale and key rating drivers

CARE Ratings Ltd. has withdrawn the outstanding ratings of 'CARE BB+/A4+ (RWN)' [Double B Plus/A Four Plus; Rating Watch with Negative Implications] assigned to the bank facilities of Bharat Hotels Limited (BHL). with immediate effect. The above action has been taken at the request of Bharat Hotels Limited and 'No Dues Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Ltd.

CARE Ratings Ltd. has reaffirmed and removed the Rating Watch with Negative Implications and subsequently withdrawn the outstanding ratings assigned to the bank facilities of Yes Bank Ltd. with immediate effect. The above action has been taken at the request of BHL and 'No Objection Certificate' received from the 'Yes Bank' that has extended the facilities rated by CARE Ratings Ltd. The ratings assigned to bank facilities of BHL has been removed from credit watch with negative implications on account of the completion of the One-time restructuring (OTR) which was approved by the lender and BHL has repaid the entire bank debt.

Analytical approach: Consolidated

Detailed Description of the key rating drivers

Key weaknesses

Vulnerability of revenues to inherent industry cyclicality, 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 risk to revenues is partially mitigated by BHL's geographically diversified portfolio in prominent business districts, which allows it to withstand any demand vulnerability related to a particular micro-market.

Regional trends in tourism and competition risk

Although the risk is mitigated to some extent owing to the geographical diversification and favourable locations of the group's projects, going forward the pace of the recovery in the economic cycle and stabilization of the hotel properties in competitive markets will be critical for the company's financial risk profile. In segmental terms the company's major exposure is towards upscale (luxury) hotels. The company's 'The Lalit' brand faces intense competition from brands like Grand Hyatt, Taj, The Leela, Sahara Star, Hilton etc.

Key strengths

Improvement in the operational performance and financial risk profile in FY22 & 8MFY23

During FY22 (refers to period from April 01 to March 31), there has been significant improvement in the financial and operational performance across properties of BHL. BHL witnessed rise of around 106% in its total income which stood at Rs.309.63 cr for FY22 due to low base effect owing to covid-19. The company's PBILDT margin stood at 36.85% during FY22 as compared to 6.2% in FY21.

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

The overall gearing ratio stood at 2.57x as on March 31, 2022 as against 2.22x as on March 31, 2021 owing to increase in debt coupled with reduction in net worth owing to net losses.

During 8MFY23 provisional (refers to period between April 01 to Nov 30), there has been improvement in its financial and operational metrics with revenue of Rs. 493.91 cr and PBILDT margin of 45.73%. This was accompanied by improvement in occupancy levels to 54% in 8MFY23 (FY22: 33%) and average room revenue (ARR) to Rs.7,948. With gradual rebound in the travel demand, the metrics are expected to improve going forward.

Established relationship with corporate and consortia clients

The company also operates two business & commercial towers in Delhi, namely World Trade Centre and World Trade Tower with a total office and commercial space of over 286,000 sq ft spread over eight floors in each tower. Apart from this, the company also operates a commercial tower within the premises of The LaLit Mumbai called The LaLit Residency with office and commercial space of 44,000 sq ft across five floors. The company over the years has developed an established relationship with various leading corporate. These tie-ups have been providing BHL consistent customer sourcing and assured revenue.

Indian hospitality industry outlook

After an abysmal FY21, the Indian hospitality sector made a steady recovery in FY22 as successful vaccination drives and reduction in COVID-19 cases have helped improve travel sentiment. Though the Omicron wave caused a temporary blip, FY22 has witnessed a sharp rebound in the revenues. The revival can be largely attributed to pent-up demand for leisure and business travel, supported by increased bookings on account of weddings and significant uptick in MICE. The sector also saw some green shoots from international travel, after a lull of nearly two years. The sector is on track to achieve or even surpass the pre-COVID-19 level occupancies in FY23. As per the estimated data available for the hospitality industry, the fiscal year 2022 closed at ARR in the range of ₹4,400 - ₹4,590 and occupancy of 44%-46%. The performance of the industry improved significantly despite the temporary roadblock caused due to emergence of the third COVID-19 wave (Omicron). For FY23, CARE Ratings Limited (CARE Ratings) estimates the majority of its portfolio of hotel companies to report improved performance, largely restored to pre COVID-19 levels. The strong recovery in demand is driving steady increases in ARR, with hotels, particularly in the leisure sector, surpassing their pre-pandemic ARRs along with corporate travel and MICE gaining momentum. Domestic demand reported a strong recovery while international travel is still lagging. For FY23, CARE Ratings expects panIndia average hotel occupancy to be at 67-69% which shall surpass the pre-COVID-19 levels and ARR at ₹ 5,800-6,000, thus leading to margin expansion for the players.

Liquidity: Adequate

The liquidity position of the company stands adequate. The operational performance has been improving. The company (BHL standalone) had free cash and bank balances of ₹115 crore (Fixed Deposit: ₹95.82 crore and Bank Balance: ₹19.18 crore) while KHPL has bank balance of ₹1.37 crore and fixed deposit of ₹4.50 crore as on September 24, 2022, in the form of fixed deposits (FDs) and bank balances. In its subsidiaries – Kujjal Hotels Pvt Ltd (KHPL) and Lalit Great Eastern Kolkata (LGEKHPL) – there are cash and bank balances of ₹5 crore and repayments of ₹22 crore in FY23. BHL has extended a corporate guarantee (CG) for loans availed in these subsidiaries and the repayments of the same are considered in the consolidated profile of BHL.

Furthermore, the company had received a termination letter from the New Delhi Municipal Council (NDMC) dated February 13, 2020, about the termination of a land license of a commercial establishment in New Delhi. The company has filed a writ petition to the High Court of Delhi dated March 04, 2020, and the matter is still sub-judice. NDMC has raised a demand of ₹198.77 crore, which may materially impact the financial position of BHL in case of materialisation, and hence, this also remains monitorable.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|-------------------|------------------|------------------|
| Consumer Discretionary | Consumer Services | Leisure Services | Hotels & Resorts |

About the company

Bharat Hotels Ltd (BHL) incorporated in 1981 was founded by Late Mr. Lalit Suri and his family members. Presently the operations of the company are managed by Mrs. Jyotsna Suri. As on March 31, 2022, BHL on a consolidated basis operates 12 luxury hotels, palaces and resorts under The LaLiT brand and two mid-market segment hotels under The LaLiT Traveller brand across India with total inventory of 2261 rooms.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | 8MFY23 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 150.71 | 309.63 | 493.91 |
| PBILDT | 9.34 | 114.09 | 225.88 |
| PAT | -88.96 | -73.19 | NA |
| Overall gearing (times) | 2.22 | 2.57 | NA |
| Interest coverage (times) | 0.06 | 0.62 | 1.86 |

A: Audited; NA: Not Available; UA: Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various 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 along with Rating Outlook |
|-------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based-LT-Term Loan | | - | - | 31-03-2023 | 0.00 | Withdrawn |
| Fund-based-Long Term | | - | - | - | 0.00 | Withdrawn |

| | | | | | | |
|---------------------------|--|---|---|---|------|-----------|
| Fund -based-ST- PCFC | | - | - | - | 0.00 | Withdrawn |
| Non-fund-based - ST-BG/LC | | - | - | - | 0.00 | Withdrawn |

Annexure-2: Rating history for the 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 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Term Loan-Long Term | LT | - | - | 1)CARE BB+ (RWN) (27-Dec-22) 2)CARE BB+ (CW with Negative Implications) (29-Sep-22) 3)CARE BB+ (CW with Negative Implications) (01-Apr-22) | 1)CARE BB+ (CW with Negative Implications) (28-Dec-21) 2)CARE BB+ (CW with Negative Implications) (07-Apr-21) | 1)CARE BBB- (CW with Negative Implications) (26-May-20) | 1)CARE BBB (CW with Developing Implications) (30-Jul-19) 2)CARE BBB (CW with Developing Implications) (09-Jul-19) |
| 2 | Fund-based-Long Term | LT | - | - | 1)CARE BB+ (RWN) (27-Dec-22) 2)CARE BB+ (CW with Negative Implications) (29-Sep-22) 3)CARE BB+ (CW with Negative Implications) (01-Apr-22) | 1)CARE BB+ (CW with Negative Implications) (28-Dec-21) 2)CARE BB+ (CW with Negative Implications) (07-Apr-21) | 1)CARE BBB- (CW with Negative Implications) (26-May-20) | 1)CARE BBB (CW with Developing Implications) (30-Jul-19) 2)CARE BBB (CW with Developing Implications) (09-Jul-19) |
| 3 | Fund-based - LT- External Commercial Borrowings | LT | - | - | - | 1)Withdrawn (28-Dec-21) 2)CARE BB+ (CW with Negative Implications) (07-Apr-21) | 1)CARE BBB- (CW with Negative Implications) (26-May-20) | 1)CARE BBB (CW with Developing Implications) (30-Jul-19) 2)CARE BBB (CW with Developing Implications) |

| | | | | | | | | |
|---|--|----|---|---|--|--|---|--|
| | | | | | | | | (09-Jul-19) |
| 4 | Fund-based - ST-Packing Credit in Foreign Currency | ST | - | - | 1)CARE A4+ (RWN) (27-Dec-22) 2)CARE A4+ (CW with Negative Implications) (29-Sep-22) 3)CARE A4+ (CW with Negative Implications) (01-Apr-22) | 1)CARE A4+ (CW with Negative Implications) (28-Dec-21) 2)CARE A4+ (CW with Negative Implications) (07-Apr-21) | 1)CARE A3 (CW with Negative Implications) (26-May-20) | 1)CARE A3+ (CW with Developing Implications) (30-Jul-19) 2)CARE A3+ (CW with Developing Implications) (09-Jul-19) |
| 5 | Non-fund-based - ST-BG/LC | ST | - | - | 1)CARE A4+ (RWN) (27-Dec-22) 2)CARE A4+ (CW with Negative Implications) (29-Sep-22) 3)CARE A4+ (CW with Negative Implications) (01-Apr-22) | 1)CARE A4+ (CW with Negative Implications) (28-Dec-21) 2)CARE A4+ (CW with Negative Implications) (07-Apr-21) | 1)CARE A3 (CW with Negative Implications) (26-May-20) | 1)CARE A3+ (CW with Developing Implications) (30-Jul-19) 2)CARE A3+ (CW with Developing Implications) (09-Jul-19) |
| 6 | Fund-based - LT-Working Capital Demand loan | LT | - | - | 1)CARE BB+ (RWN) (27-Dec-22) 2)CARE BB+ (CW with Negative Implications) (29-Sep-22) 3)CARE BB+ (CW with Negative Implications) (01-Apr-22) | 1)CARE BB+ (CW with Negative Implications) (28-Dec-21) 2)CARE BB+ (CW with Negative Implications) (07-Apr-21) | 1)CARE BBB- (CW with Negative Implications) (26-May-20) | 1)CARE BBB (CW with Developing Implications) (30-Jul-19) 2)CARE BBB (CW with Developing Implications) (09-Jul-19) |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---------------------------|------------------|
| 1 | Fund-based- LT-Term Loan | Simple |
| 2 | Fund-based- Long Term | Simple |
| 3 | Fund -based- ST- PCFC | Simple |
| 4 | 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 the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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