

Eros Grand Resorts and Hotels Private Limited

March 31, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.03	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	16.30	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	20.33 (Rs. Twenty Crore and Thirty-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Eros Grand Resorts And Hotels Private Limited (EGRH) to monitor the rating(s) vide e-mail communications March 02, 2022, January 31, 2022 and January 04, 2022, etc among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings of Eros Grand Resorts And Hotels Private Limited (EGRH) bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING*** and **CARE A4; 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 has been revised on account of non-availability of requisite information due to non-cooperation by Eros Grand Resorts and Hotels Private Limited (EGRH) with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the rating continues to remain constrained by its modest scale of operations, revenue concentration due to single hotel property and cyclical and competitive nature of hospitality industry. The ratings further continue to remain constrained by expected subdued performance in FY21 on account of adverse impact of COVID-19 pandemic on its business operations which has resulted in moderation in its credit profile. The ratings, however, continue to draw comfort from experienced management coupled with resourceful directors, association with the reputed Intercontinental Hotels Group coupled with location advantage and capital structure.

Detailed description of the key rating drivers

*At the time of last rating on April 01, 2021, the following were the rating strengths and weaknesses:
(Updated for the information available from Registrar of Companies)*

Key Rating Weaknesses

Modest scale of operations: EGRH's scale of operations declined as marked by total operating income and gross cash accruals of Rs.11.76 crore and Rs. -3.26 crore, respectively, for FY21 (refers to the period April 1 to March 31) as against Rs.51.70 crore and Rs9.67 crore respectively, for FY20. The modest scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Revenue concentration due to single hotel property: EGRH currently has only one operational hotel in New Delhi which restricts the operations to a single site leading to revenue concentration risk. The single-site operations expose the company's revenue and profitability margins to seasonality in business and happening of unfavourable event in relation to hotel property or city.

Cyclical and competitive nature of hospitality industry: The Indian hospitality industry is highly competitive 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 and upcoming hotels has kept the ARR and the occupancy rates under pressure as the customers & corporates don't tend to spend more on hotel stays in case of an economic slowdown. Furthermore, the industry is highly seasonal in nature with non-festive and non-holiday months facing a slack in demand. Thus, the ability of the company to achieve the projected occupancy levels along with projected ARR considering the ongoing scenario of Covid-19 pandemic, would be critical from the credit perspective.

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

Key Rating Strength

Experienced management coupled with resourceful directors: Mr. Sumant Kumar Sood is a graduate by qualification and has an overall experience of around two decades in real estate and hospitality businesses through his association with this entity and other group concerns namely "Eros Resorts and Hotels Private Limited", "Eros City Developers Private Limited" and "Nehru Place Hotels Private Limited". Mr. Satish Kumar is a Chartered Accountant by qualification and handles the finance department of the company. He has an overall experience in finance of around three decades through his association with this entity and other group concerns. Further, the promoters have also extended need-based support in the form of unsecured loans to meet the liquidity requirements of the company.

Association with the reputed Intercontinental Hotels Group: EGRH has tied-up with Intercontinental Hotels Group (IHG) for branding, operating and marketing of the hotel under their 'Holiday Inn' brand for 10 years. IHG, a global leading hospitality group with more than 5,000 properties in almost 100 countries, is one of the world's most recognized hotel brands with a global reputation for service, comfort and value. The agreement was signed in 2015 and is valid for an initial period of 10 years. EGRH would pay operating and marketing fees along with incentive to IHG.

Location advantage: The hotel enjoys the benefit of advantageous location being located near commercial hub of Noida and Pragati Maidan, New Delhi. It can be easily accessible from key business districts like Connaught Place, Mohan Cooperative Industrial Area, Jasola and Nehru Place. Also, it is located nearby to various major shopping malls & multiplexes like DLF Mall of India, Great India Place, etc, and has close proximity to tourist attractions like Akshardham Temple (2Km), etc.

Moderate Financial Profile: The company incurred losses as marked by PBILDT & PAT margin declined to $-(28)\%$ and $(58.99)\%$ as against profit of 25.02% & 11.19% in FY20 on the back of increase in overhead expenses coupled with decline in scale of operations. The capital structure of the company remained moderate as on the past three balance sheets ending March 31, '19-'21 on account of satisfactory net worth bases against the limited debt levels. Overall gearing ratio improved and stood at 0.58x as on March 31, 2021, as against 0.53x as on March 31, 2020.

Liquidity analysis: Stretched

The liquidity position of the company stood stretched marked by low current ratio of 0.35x and quick ratio of 0.27x, as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[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](#)

About the Company

Eros Grand Resorts and Hotels Private Limited (EGRH) is a closely held company incorporated in February 2006. The commercial operations started in November 2013 after taking over one of the hotel business (i.e. Holiday Inn) from its group associate Eros Resorts and Hotels Private Limited. Eros Resorts and Hotels Private Limited (ERH) owned two hotels named "Crowne Plaza" and "Holiday Inn". Thereafter in November 2013, the company demerged its business operations of both the hotels in 2 different entities. After demerger, the hotel "Crowne Plaza" was retained by ERH and hotel "Holiday Inn" was transferred to EGRH. The company is operating a five-star hotel under the brand name "Holiday Inn" since November 2013 located in Mayur Vihar, Delhi. The hotel is run as a franchisee of world-famous hotel brand "Holiday Inn" of Intercontinental Hotels Group (IHG). The company is currently being managed by Mr. Sumant Kumar Sood and Mr. Satish Kumar with the support of qualified and experienced hotel staff. EGRH has tied-up with Intercontinental Hotels Group (IHG) for branding, operating and marketing of the hotel under the 'Holiday Inn' brand for an initial period of 10 years. IHG is one of the world's leading hotel companies and the most recognized hotel brands with a global reputation for service, comfort and value with 5,099 hotel properties in almost 100 countries. "Holiday Inn" has received five-star classifications from Ministry of Tourism, Government of India. EGRH has 193 rooms consisting of 191 deluxe rooms & 2 suites designed for comfort and convenience with modern technology. There is 1 banquet hall with area of 5,000 square feet (sq. ft) having capacity to accommodate 550 people. The same are used for all kind of functions including wedding receptions, corporate functions, etc. There are 2 restaurants namely "Kylin (Oriental cuisine restaurant)" & "Cafe on 3 (24-hour dining restaurant)" including a bar. All of them are owned by EGRH. The hotel also has an in-house gym to work out and swimming pool to relax. The hotel is based at Mayur Vihar, Delhi. It is at a distance of 2 Km from Akshardham Temple with commercial places and shopping areas nearby i.e., DLF Mall of India, Great India Place. The company has entered into marketing arrangements with various online tours and travel portals like Travel Guru, Make My Trip, Trip Advisors, etc.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY21*
Total operating income	51.70	11.76	NA
PBILDT	12.93	(3.29)	NA
PAT	5.78	(6.94)	NA
Overall gearing (times)	0.53	0.58	NA
Interest coverage (times)	3.96	(3.08)	NA

A: Audited, NA: Not Available

*Refers to the period from April 1, 2021, to December 31, 2021.

Status of non-cooperation with previous CRA: Not available

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	August, 2026	4.03	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	6.30	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft		-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (03-Jan-19)
2	Fund-based - LT-Term Loan	LT	4.03	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Negative (01-Apr-21)	-	1)CARE BB+; Stable (05-Feb-20) 2)CARE BB+; Stable; ISSUER NOT COOPERATING * (01-Jul-19)	1)CARE BB+; Stable (03-Jan-19)
3	Non-fund-based - ST-Bank Guarantee	ST	6.30	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4+ (01-Apr-21)	-	1)CARE A4+ (05-Feb-20) 2)CARE A4+; ISSUER NOT COOPERATING * (01-Jul-19)	1)CARE A4+ (03-Jan-19)
4	Fund-based - ST-Bank Overdraft	ST	10.00	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4+ (01-Apr-21)	-	1)CARE A4+ (05-Feb-20) 2)CARE A4+; ISSUER NOT COOPERATING * (01-Jul-19)	1)CARE A4+ (03-Jan-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Available

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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