

March 31, 2015

CARE REVOKES SUSPENSION AND REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF TGB BANQUETS & HOTELS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
(i) Long-term Bank Facilities	106.11	CARE B+ [Single B Plus]	Suspension revoked and rating revised from CARE BB+ [Double B Plus]
Total Facilities	106.11		

Rating Rationale

The revision in the rating of TGB Banquets and Hotels Limited (TGB) takes into account the subdued operating performance during FY14 (refer to April 1 to March 31) and 9MFY15 marked by decline in scale of operations, decline in profitability due to higher interest outgo coupled with elongation in receivables exacerbating already stressed liquidity position of the company. The rating revision also factors inordinate delay in recovery of large amount of loans and advances extended by it which has further led to stress on its liquidity position.

The rating, further, continues to be constrained by moderation in income from F&B (Food & Beverage) and banqueting segment, geographical concentration of its operations along with presence in a competitive and an inherently cyclical hospitality industry which is passing through a challenging environment.

The ratings, however, continue to derive strength from TGB's established operations in F&B and banqueting business segments in Gujarat.

TGB's ability to increase its scale of operations along with improvement in its profitability with increase in its free cash flows and recovery of loans and advances extended by it would be the key rating sensitivities.

Background

Ahmedabad based 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 and operates two hotel properties: A three star hotel property at Ahmedabad and a five star hotel property at Surat. TGB provides outside catering service and operates restaurants & food courts at Ahmedabad and Surat. TGB also has restaurants at Vadodara and Surat under franchisee agreement.

Based on FY14 (refers to the period April 1 to March 31) audited results, TGB reported a total operating income (TOI) of Rs. 157.27 crore (FY13: Rs. 165.92 crore) with a PAT of Rs. 1.85 crore (FY13: 2.96 crore). Furthermore, as per 9MFY15 unaudited results, TGB reported a TOI of Rs. 96.67 crore with a PAT of Rs. 2.85 crore.

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

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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