

APRIL 11, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF TGB BANQUETS AND HOTELS LIMITED

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	92.64	CARE B+ (Single B Plus)	Reaffirmed
Total Facilities	92.64 (Rupees Ninety Two crore and Sixty Four lakh only)		

Rating Rationale

The rating assigned to TGB Banquets and Hotels Limited (TGB) continues to remain constrained on account of subdued operating performance marked by decline in scale of operations due to moderation in room revenue and income from the Food and Beverages (F&B) segment during FY15 (refers to the period April 1 to March 31).

The rating further continues to remain constrained due to declining profitability owing to higher interest and depreciation charges, elongated operating cycle coupled with high amount of loans and advances extended by TGB leading to stressed liquidity position of the company, geographical concentration of its operations along with presence in a competitive and inherently cyclical hospitality industry which is passing through a challenging environment.

The ratings, however, continue to derive strength from TGB's established track record of operations with strong presence 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 FY15 audited results, TGB reported a total operating income (TOI) of Rs.140.66 crore with net loss of Rs.11.21 crore as compared to TOI of Rs.157.27 crore and PAT of Rs.1.85 crore in FY14. Furthermore, as per 9MFY16 unaudited results, TGB reported a TOI of Rs.103.26 crore with a PAT of Rs.3.90 crore.

Analyst Contact

Name: Mr Kalpesh Patel

Tel: 079-4026 5611

Cell: + 91 99090 26322

Email: kaplesh.patel@careratings.com

¹ Complete 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.

CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com**Mr. Amod Khanorkar**

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com**CIN - L67190MH1993PLC071691**