TGB Banquets and Hotels Limited

April 07, 2017

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	79.13 (Reduced from Rs.92.64 crore)	**CARE B+; Stable (Single B Plus; Outlook: Stable)**	**Reaffirmed**
Total Facilities	**79.13 (Rupees Seventy Nine crore Thirteen lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 during FY16 (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 rating, however, continues 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.

Detailed description of the key rating drivers

Key Rating Weakness

Subdued operating performance and profitability

TOI of TGB remained subdued during FY16 on account of decline in income due to challenging economic scenario and increased competition in this segment on account of new entrants. At PAT level TGB reported loss of Rs.15.24 crore in FY16 as against net loss of Rs.11.21 crore mainly on account decline in the PBILDT coupled with higher depreciation charges and interest cost.

Stressed liquidity position

TGB's liquidity position has remained stressed in FY16 and during 9MFY17 mainly on account of subdued operating performance resulting in lower than envisaged cash accruals. Utilization of fund-based working capital limits has remained almost full for the trailing twelve months ended January, 2017.

Key Rating Strengths

Established track record of operations in hospitality industry

Mr Narendra Somani, *Chairman & Managing Director*, has more than 20 years of experience in hospitality industry; starting in 1990 with a restaurant and subsequently, expanding to outdoor catering, hotels and banqueting.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy of Default Recognition
CARE's methodology - Service Sector Companies
Rating Methodology Hotel Industry
Financial ratios - Non Financial Sector

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 and operates two hotel properties: A three star hotel

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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.
TGB's economy hotel brand, TGB Express, is operational at Ahmedabad and Nadiad under franchisee arrangement on revenue sharing basis. Furthermore, TGB operates room facilities at Karnavati club and operates restaurants of Karnavati Club and Patang (the revolving restaurant at Ahmedabad) on management contract basis. TGB also started operations in June 2016, at hotel property situated in Indore under franchisee arrangement under its brand name of *'TGB Palace Indore'*.

During FY16 (refers to the period April 1 to March 31), TGB incurred net loss Rs.15.24 crore on a total operating income (TOI) of Rs.136.97 crore as against a net loss of Rs.11.21 crore on a TOI of Rs.140.66 crore in FY15. Furthermore, during 9MFY17, company reported TOI of Rs.97.88 crore with PAT of 3.19 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

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About CARE Ratings:

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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-Term Loan	NA	NA	December, 2020	57.13	CARE B+; Stable
Fund-based - LT-Cash Credit	NA	NA	NA	18.00	CARE B+; Stable
Non-fund-based - LT-Bank Guarantees	NA	NA	NA	4.00	CARE B+; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	57.13	CARE B+; Stable	-	1)CARE B+ (11-Apr-16)	-	1)CARE B+ (31-Mar-15) 2)Suspended (23-Mar-15) 3)CARE BB+ (08-Apr-14)
2.	Fund-based - LT-Cash Credit	LT	18.00	CARE B+; Stable	-	1)CARE B+ (11-Apr-16)	-	1)CARE B+ (31-Mar-15) 2)Suspended (23-Mar-15) 3)CARE BB+ (08-Apr-14)
3.	Non-fund-based - LT-Bank Guarantees	LT	4.00	CARE B+; Stable	-	1)CARE B+ (11-Apr-16)	-	1)CARE B+ (31-Mar-15) 2)Suspended (23-Mar-15) 3)CARE BB+ (08-Apr-14)

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