



## Press Release

**Ganapati Parks Limited**

**May 05, 2020**

### Ratings

| Instrument / Facility                      | Amount<br>(Rs. Crore) | Ratings  | Rating Action   |
|--|-----------------------|--|---|
| Long Term Bank Facilities –<br>Term Loan   | 43.59                 | IVR BBB- / Negative Outlook<br>(IVR Triple B Minus with<br>Negative Outlook) | Reaffirmed with<br>change in<br>outlook from<br>'Stable' to<br>'Negative' |
| Long Term Bank Facilities –<br>Cash Credit | 7.50                  | IVR BBB- / Stable Outlook<br>(IVR Triple B Minus with<br>Negative Outlook)   | Reaffirmed with<br>change in<br>outlook from<br>'Stable' to<br>'Negative' |
| <b>Total</b>                               | <b>51.09</b>          |  |   |

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Ganapati Parks Limited (GPL) continues to derive comfort from its experienced promoters with strong parent support, locational advantage and heritage architecture. Infusion of funds by promoters and group companies in the form of unsecured loans along with achievement of financial closure adds to the rating strength. However, these rating strengths are partially offset by intense competition and subdued financial performance in FY19 (Audited) and FY20 (Estimated). The outlook is revised to negative due to expected moderation in the financial risk profile of the company in the near term due to negative impact of COVID crisis on the hotel/hospitality industry.

### Key Rating Sensitivities:

#### Upward factors

- Stabilization of operations leading to improvement in scale of operations and profitability thereby resulting in improvement in debt protection metrics and cash accruals on a sustained basis
- Improvement in the capital structure
- Continuance of Group support



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### **Downward factors**

- More than expected loss from operations
- More than expected deterioration in the capital structure
- Any further increase in debt and/or further deterioration in debt protection metrics

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters and management team**

Promoted by Mr. Harshavardhan Neotia, GPL is a part of the Kolkata based Ambuja Neotia Group. The group has a legacy of more than two decades and is an established player in real estate/hospitality/medical and education segment in Eastern India. The group has developed many real estate projects comprising flats and apartments across West Bengal. Further, in hospitality space, the promoters have already established their presence through various luxurious hotels and resorts across eastern India.

The operations of the company are looked after by qualified and experienced professionals under the guidance of Mr. Harshavardhan Neotia having an experience of more than two decades in the sector.

##### **Infusion of funds by promoters and group companies in the form of unsecured loans**

The promoters have supported the growing scale of operations by regularly infusing funds in the form of unsecured loans. The unsecured loans stood at Rs.14.75 crore as on March 31, 2019. Further, the promoters have infused unsecured loans to the tune of Rs.9.00 crore during FY20.

##### **Strong parent support**

GPL is expected to receive continuous support from its Group companies' vast experience in running hospitality segment. Further, the Ambuja Neotia group has a strong financial profile driven by its various established companies. With its strong financial profile, the group is expected to support GPL in near to medium term.



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### **Locational Advantage and Good business potential for the hotel**

The Site is only 30 to 45 minutes' drive from Kolkata International Airport. West Bengal is witnessing massive development in IT, Services and Manufacturing industries. Backed by the initiatives taken by the State and Central Governments, industries like BPO, IT, Call Centres are establishing base in the State. The same is creating demand for quality hotel accommodation for business travellers as well as for getaway for business conventions. Similarly, Kolkata is considered as gateway to North–Eastern States, with good tourism potential. Also, with the destination marriage trending, the property being in close proximity to Kolkata will benefit the company.

### **Heritage architecture, thereby attracting foreign tourists and NRI's**

The entire project of 'Swabhumi' has been designed in such a way that it embodies the elegance and charm of the Indian culture in its architecture and focusses on showcasing the heritage and culture from various regions in the country, especially Bengal. Since inception, Swabhumi has been one of the favourite venues for hosting special events and programmes for corporate as well as individuals. This unique architecture makes the hotel different from its competitors, thereby attracting more foreign tourists and NRI's.

### **Achievement of financial closure with repayment of principal after moratorium period of 2 years from the date of first disbursement**

GPL has tied up for the debt requirement of the project, i.e., term loan of Rs.43.59 crore. The principal amount is repayable in 28 unequal quarterly instalments commencing from June 2020 onwards. Further, the loan repayments are in ballooning structure, which reduce the pressure of repayment largely. Moreover, the average working capital borrowings of the company for the past twelve months ended February, 2020 remained low at ~51% which imparts satisfactory liquidity.

### **Key Rating Weaknesses**

#### **Intense competition**

The hotel is located in the city of Kolkata where other existing hotels such as, Hyatt, JW Marriott, ITC Sonar Bangla, etc. are located. This could impair the ability of the hotel to generate requisite transaction, thereby influencing its profitability and debt servicing ability.



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### **Subdued financial performance in FY19 (Audited) and FY20 (Estimated)**

The hotel with its renovated banquet halls commenced its operation from December 2018. Hence, FY19 is its first year of operation and during initial four months of operation, the company has achieved a total operating income of Rs.10.42 crore. However, the company incurred book loss of Rs.10.00 crore and cash loss of Rs.2.70 crore in FY19 due to higher than expected operational costs incurred during the year. With book and net loss from operations, the debt protection metrics also remained weak in FY19. The operating performance improved in FY20 (Estimated) with total operating income of Rs.17.81 crore. However, GPL reported book loss of Rs.7.76 crore and cash loss of Rs.3.50 crore in FY20 (Estimated).

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Stretched**

GPL's liquidity profile seems to be stretched in the medium term in view of high gestation period in hotel projects to turn profitable. Although the company earned positive EBITDA in FY20 (Estimated) the liquidity is expected to remain under pressure in the near term with dependence on promoter's infusion. However, with resourcefulness of the promoter group Infomerics, does not envisage much difficulty for the company in meeting its debt obligations in the near term.

### **About the Company**

Incorporated on April 22, 1994, Ganapati Parks Limited (GPL) is a joint venture between Ambuja Neotia Group and Kolkata Municipal Corporation (KMC). The company has developed 'Swabhumi – The Heritage Plaza' on the said land which provides a platform for activities like skits, books, music, folk songs, paintings, crafts, events, films, delicacies and artefacts around the year. It also provides banquet halls for cultural programmes, marriages, conferences, etc. which is the main source of revenue for the company. In FY17, the company went into expansion and undertook the construction of a hospitality venture comprising of a 33 bedroom hotel named 'Raajkutir – A Boutique Hotel', banquet hall, F&B



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and retail which has already started operations from December 2018 onwards. The operations are looked after by qualified and experienced professionals under the guidance of Mr. Harshavardhan Neotia.

### Financials (Standalone):

(Rs. crore)

| For the year ended* / As On | 31-03-2018 | 31-03-2019 |
|-----------------------------|------------|------------|
|                             | Audited    | Audited    |
| Total Operating Income      | 4.67       | 10.42      |
| EBITDA                      | 1.07       | -2.73      |
| PAT                         | -0.11      | -9.99      |
| Total Debt                  | 1.45       | 44.19      |
| Tangible Net worth          | 2.26       | -7.73      |
| Adjusted Net worth          | 23.51      | 7.02       |
| EBITDA Margin (%)           | 22.88      | -26.15     |
| PAT Margin (%)              | -2.20      | -93.94     |
| Overall Gearing Ratio (x)   | 0.06       | 6.30       |

\*As per Infomerics' Standard

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years with Infomerics:**

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) |                                |                            | Rating History for the past 3 years     |   |   |
|---------|-------------------------------|-------------------------------|--------------------------------|----------------------------|---|---|---|
|         |                               | Type                          | Amount outstanding (Rs. Crore) | Rating                     | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19   | Date(s) & Rating(s) assigned in 2017-18 |
| 1.      | Term Loan                     | Long Term                     | 43.59                          | IVR BBB-/ Negative Outlook | -                                       | IVR BBB-/ Stable Outlook (March 27, 2019) | -                                       |
| 2.      | Cash Credit                   | Long Term                     | 7.50                           | IVR BBB-/ Negative Outlook | -                                       | IVR BBB-/ Stable Outlook (March 27, 2019) | -                                       |

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

| Name of Facility                        | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook    |
|---|------------------|------------------|---------------|------------------------------|-----------------------------|
| Long Term Bank Facilities – Term Loan   | -                | -                | June, 2027    | 43.59                        | IVR BBB- / Negative Outlook |
| Long Term Bank Facilities – Cash Credit | -                | -                | -             | 7.50                         | IVR BBB- / Negative Outlook |