



## Press Release

**Adarsh Realty and Hotels Private Limited**

**August 29, 2022**

### Rating

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term – NCD	80.00	IVR C	IVR C	Reaffirmed	Simple
Long term – Proposed NCD	20.00	-	IVR C	Withdrawn	Simple
<b>Total</b>	<b>100.00</b>				

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating reaffirmed to the non-convertible debentures of Adarsh Realty and Hotels Pvt Ltd (ARHPL) considers the weak capital structure of the Company, subdued operating performance in FY22 and exposure to cyclicity in the hospitality industry. There was also an instance of delay in loan servicing, albeit due to technical issues. However, the rating derives strength from the experienced management and the Group's track record.

### Key Rating Sensitivities

#### Upward factor

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals

#### Downward factors

- Lower-than-expected scale of operations or/ and operating margins
- The absence of any improvement in the liquidity position
- Subdued industry scenario

### Detailed Description of Key Rating Drivers

#### Key Rating Strength



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### **Experienced management and Group's track record**

Adarsh Realty and Hotels Pvt Ltd is a part of Adarsh Group which has more than three decades of experience in the real estate and hospitality sector. The company continues to benefit from its management's expertise. Adarsh Realty operates 3 hospitality units in Bangalore. The Adarsh Group has completed around 10 msf of residential and commercial projects in Bengaluru and is currently developing about 10 msf. Some of the key projects completed by the Adarsh group include SJM Towers, Adarsh Eco Place, Adarsh Opus, Adarsh Crystal, Adarsh Manhattan, Adarsh Garden, Adarsh Residency and Adarsh Seelin Villas.

### **Key Rating Weaknesses**

#### **Weak capital structure**

Overall gearing and long-term debt equity ratio for the company based on Adjusted Net Worth stood at 2.53x as on March 31, 2022. These ratios deteriorated from 1.39 in FY21. Total indebtedness reflected by TOL/TNW on Adjusted Net Worth basis stood at 3.66x as on March 31, 2022. This ratio also deteriorated from 2.15 in FY21.

#### **Exposure to cyclicity in the hospitality industry**

The global hotel industry is inherently cyclical with growth dependent on the macroeconomic scenario and supply of rooms. The industry has been under severe stress since fiscal 2012, on account of the slowdown in demand coinciding with huge supply addition. Post fiscal 2016, after plummeting to a decadal low, occupancy and average room rate improved with moderation in supply growth and pick-up in demand. As the hotel business usually has high operating leverage, with large share of fixed cost, companies witness sharp decline in operating margin during slowdown. Moreover, the stabilisation phase of new hotels or any renovation increases the fixed cost and affects profitability.

#### **Capital intensive nature of industry**

The hotel segment is a capital intensive industry on the back of maintenance capex expenses. Further, high fixed operational cost in the hotel also creates a challenge to continue operations. Generally, the payback period (PBP) for a new hotel is in the range of 5-6 years. Further, the maintenance capex required for the hotel industry also remains high owing to regular replacement of equipment to remain updated with the latest technology.

**Analytical Approach:** Standalone



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### Applicable Criteria:

[Rating Methodology for Service Industry](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on assigning rating Outlook](#)

### **Liquidity: Adequate**

The liquidity remains poor marked by negative cash accruals for the period FY22-24. The current ratio has however improved from 0.52 in FY21 to 1.19 in FY22 and is expected to remain above 1x till FY25. The Company had Rs 5.96 crore of cash and bank balance on its Balance Sheet as on 31.03.2022.

### **About the Company**

Adarsh Realty and Hotels Private Limited (ARHPL) incorporated in the year 1996 is promoted by Mr. B M Jayeshankar. ARHPL is engaged in providing hospitality services by running 3 prime hotels in Bangalore. Adarsh Realty & Hotels Private Limited (ARHPL) is a sister concern of Adarsh Developers which is into developing properties at prime locations in Bangalore.

### Financials (Standalone):

	Rs. crore	
For the year ended/ As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	33.76	69.51
EBITDA	-20.33	-27.31
PAT	-91.15	-117.35
Total Debt	615.23	746.32
Adjusted Tangible Net worth	304.32	210.48
EBITDA Margin (%)	-60.24	-39.29
PAT Margin (%)	-108.02	-109.08
Overall Gearing Ratio (x)^	1.39	2.53

^Based on Adjusted Tangible Net Worth

Status of non-cooperation with previous CRA: Nil

Any other information: NA



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### Rating History for the last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated August 30, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Non-Convertible Debentures (NCD)	Long Term	80.00	IVR C	IVR C	-	-
2.	Proposed NCD	Long Term	20.00	-	IVR C	-	-

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	ISIN No.	Coupon Rate	Tenure	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures	31.08.2021	INE561N07021	18.00%	3 years 4 months	80.00	IVR C

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details: Not Applicable**

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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).