



Press Release

Adarsh Realty and Hotels Private Limited

August 30, 2021

Rating

Instruments	Amount (Rs. crore)	CurrentRatings	PreviousRatings	RatingAction
Non-Convertible Debenture (NCD) [To be issued]	80.00	IVR C	IVR C	Reaffirmed
Proposed Non-Convertible Debenture	20.00			
Total	100.00 (INR One Hundred Crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the proposed non-convertible debentures (NCD's) of Adarsh Realty and Hotels Pvt Ltd (ARHPL) factors in the stress on the company's financial position owing to depressed occupancy levels across properties on pandemic induced disruptions which has also impacted debt servicing ability. The rating also considers the leveraged capital structure as also expected sluggish recovery of the hospitality sector given the primarily discretionary nature of the consumer spending. Further, these properties remain concentrated in a single geographic location, Bangalore city. These factors however are offset by the company being part of the Bangalore based Adarsh group primarily involved in real estate segment as also the favorable location of the properties in the city.

Key Rating Sensitivities

Upward factors

- Notable improvement in scale and profitability metrics with adequate accrual generation

Downward factors

- Lower-than-expected revenues or/ and profitability



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of promoter group in real estate and hospitality industry

Adarsh Realty and Hotels Pvt Ltd is a part of the Bangalore based Adarsh Group which has over three decades of experience in the real estate and hospitality sector. While the group primarily operates in the real estate segment through various entities, it has also presence in the hospitality sector especially through its three units, namely Shangri-La, Adarsh Hamilton and Palm Meadows Club under Adarsh Realty and Hotels Pvt Ltd. These units remain favorably located in Bangalore region. Adarsh Group is promoted by Mr. B.M Jayeshankar.

Key Weaknesses

Steep decline in revenues in FY2021 mainly impacted by Covid 19 induced disruptions

Given the discretionary nature of consumer spending, the travel and tourism industry is particularly susceptible to exogenous shocks like wars, natural disasters, terror attacks and disease outbreaks. The pandemic induced disruptions curtailing movement had ultimately impacted occupancy levels (11.33% in FY2021, 62% in FY2020) of the Bangalore city located properties. The revenues, therefore stood at Rs. 33.76 crore in FY2021P as against Rs. 160.73 crore revenues in FY2020. The sharp downfall in revenues has adversely impacted its profitability, coverage metrics and its liquidity position also constraining the debt servicing ability.

Leveraged capital structure

The capital structure of the company remained leveraged as on March 31, 2021P marked by overall gearing ratio and long term debt equity ratio at 5.65x and 5.52x as on March 31, 2021P driven by high borrowing levels. The debt profile on the same date consisted of Rs. 468.81 crore unsecured loans only. TOL/TNW remained at 7.73 times as on March 31, 2021.

Weak Business Outlook for the hospitality industry

IVR expects the company's hotel operations to be affected in the short-to-medium term on account of the extended impact of COVID-19 on the global travel and hospitality industry. However, the corporate and leisure travel segments are likely to witness an improvement over the same period with the increasing vaccination program, improving economic outlook. Overall, the hospitality sector remains highly susceptible to economic cycles, intense competition as also local regulations governing the trade.



Press Release

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Hospitality Sector

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity remains poor marked by negative cash accruals given the substantial decline in the revenues in FY2021. The company has cash and bank balance of Rs. 3.31 crore as on March 31, 2021. The company has not availed working capital limits. Promoter/Investor support remains crucial to support the liquidity. The current and quick ratio stood at below unity as on March 31, 2021.

About the Company

Promoted by Mr. B M Jayeshankar, Adarsh Realty and Hotels Private Limited (ARHPL) incorporated in year 1996. ARHPL is engaged in providing hospitality services through three properties located in Bangalore, namely Shangri-La, Adarsh Hamilton and Palm Meadows Club. Adarsh Realty & Hotels Private Limited (ARHPL) is the part of Bangalore based Adarsh Group primarily present in the real estate space., a real estate concern.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	160.73	33.76
EBITDA	26.35	(25.76)
PAT	428.58	(93.04)
Total Debt	634.30	620.96
Tangible Net worth	202.91	109.87
EBITDA Margin (%)	16.39	(76.31)
PAT Margin (%)	63.22	(110.50)
Overall Gearing Ratio (x)^	3.13	5.65

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Non-Convertible Debenture (NCD) [To be issued]	Long Term	80.00	IVR C	-	-	-
2.	Proposed Non-Convertible Debenture (NCD)		20.00		-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Karan Girdhar
Tel: (011) 2465 5636

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.



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Instruments

Name of the Instruments	Date of Issuance	Coupon Rate	Tenure	Size of Facility(Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures (NCD) (To be issued)	-	Maximum 18.00%	Until December 31, 2024	80.00	IVR C
Proposed Non-Convertible Debenture (NCD)	-	-	-	20.00	

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

Annexure 3: Facility wise lender details (<https://www.infomerics.com/admin/prfiles/Adarsh-realty-lenders-30aug21.pdf>)

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Non-Convertible Debenture	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.