



Press Release

Adarsh Realty and Hotels Private Limited

July 01, 2021

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Proposed Non-Convertible Debentures	100.00	IVR C
	Total	100.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned 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

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



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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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Hospitality Sector

Financial Ratios & Interpretation (Non-Financial Sector)



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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):

For the year ended* As on	(Rs. crore)	
	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

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 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Non-Convertible Debentures	Long Term	100.00	IVR C	-	-	-



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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.

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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenure	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Non-Convertible Debentures	-	Maximum 9.00%	3 years	100.00	IVR C