

February 19, 2019

To,
Corporate Services Department,
**National Stock Exchange
of India Ltd.**
5th Floor, Exchange Plaza
Plot no. C/1, G Block,
Bandra - Kurla Complex
Bandra (E), Mumbai - 400 051

To,
Corporate Services Department,
The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001.

To,
Corporate Services Department,
**Metropolitan Stock Exchange
of India Limited**
4th Floor, Vibgyor Towers,
Bandra - Kurla Complex,
Bandra (E), Mumbai - 400 098

Ref: Scrip Code/Name: **BYKE** (NSE), **531373** (BSE), **THEBYKE** (MCX-SX)

Sub :- Intimation regarding Credit Rating Assigned by CARE for Bank Facilities pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015, please note that the Company has been assigned Credit Rating given below for Bank facilities by the "Credit Analysis and Research Ltd. (CARE)".

Facilities	Amount (Rs. in Crore)	Rating	Remarks
Long Term Bank Facilities	20.00	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Total	20.00 (Rupees Twenty crore only)		

A Copy of Letter received from CARE assigning the Credit rating to our Company is enclosed for your reference.

This is for your information and record.

Thanking You,

Yours Faithfully,

For **The Byke Hospitality Limited**


(Ankita Sharma)
Company Secretary & Compliance Officer



No. CARE/HO/RL/2018-19/4885

Mr. Anil Patodia
Managing Director

The Byke Hospitality Ltd.

Shree Shakambhari Corporate Park,
Plot No.156-158, Chakarvarti Complex,
Near Cambridge School, Near J.B. Nagar,
Andheri (E), Mumbai - 400099

February 18, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY18 (audited) and 9MFY19 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	20.00	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Total	20.00 (Rs. Twenty crore only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 20, 2019 we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.




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

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Bhavisha Mehta
Analyst

bhavisha.mehta@careratings.com



Arunava Paul
Sr. Manager

arunava.paul@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1
Details of Rated Facilities

1. Long-term facilities

Fund Based limits sanctioned by Yes Bank as at February 15, 2019 (Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits		
		CC*	Others	Total fund-based limits
1	Yes Bank	20.00	-	20.00
	TOTAL	20.00	-	20.00

*CC=Cash credit; LC=Letter of credit; BG=Bank guarantee

Total long-term facilities as at February 15, 2019: Rs. 20.00 crore



Annexure 2
Press Release
The Byke Hospitality Limited

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Long term Bank Facilities	20.00	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Total	20.00 (Rs. Twenty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The revision in the long-term ratings assigned to the bank facilities of The Byke Hospitality Ltd. (TBHL) takes into account moderation in financial flexibility of the company due to sharp reduction in its market capitalization in recent times. The rating revision also considers slowdown in the room chartering business of the company in Q3FY19 due to increase in competitive scenario.

CARE notes that TBHL, in order to tackle the changed market conditions, is expected to scale down its room chartering segment and eventually exit the same. The company will continue focus on the leased and owned hotels segment.

The rating continue to derive strength from experience of the promoters in the hospitality industry with qualified and experienced management team, comfortable capital structure and the improving geographic presence of the company.

The rating strengths continue to be tempered by inventory risk associated with room-chartering business, geo-political risks and seasonal & cyclical nature of the business which is the inherent risk in hospitality business.

TBHL's ability to exit the room chartering segment while maintaining its operating metrics and capital structure remains the key rating sensitivity.

Outlook: Negative

The business and financial risk profile of TBHL is expected to remain under stress over medium term on account of low revenue visibility in the room chartering business. The outlook will be revised to stable when the business of the company from other segments expands.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters & management

The promoter of the company - Mr. Anil Patodia – has over two decades of experience in hospitality sector and is presently playing key role in expansion of the company's business. Additionally, the



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

company's directors & senior management possess several decades of experience in the fields of hotel management, finance & administration.

Improving geographic presence in Hotel business

The company currently has nineteen properties on owned/ leased/ managed basis in fourteen locations with total room inventory of 1104 rooms. At the same time the company's properties are registered on various online portals like Make My Trip, Expedia etc. Stabilization of operations in the new properties and improving occupancy and average room rates in the midst of expansion would be rating monitorable.

Moderate financial and liquidity profile with low gearing

The company has consistently maintained a healthy capital structure with minimal debt on its balance sheet. Gearing stood at 0.11x as on March 31, 2018 (as against 0.06x as on March 31, 2017) with total debt of Rs.20.16 crore. The increased gearing ratio is on account of higher working capital requirement. The involvement of the company in room chartering segment necessitates capital to fund short term advances to hoteliers as well as credit extension to agents and hence the operating cycle of the company is comparatively high. The utilization of fund based working capital limits is also high at around 85-90% and provides limited liquidity back-up.

Key Rating Weaknesses

Business slowdown in room chartering business

In room chartering business, TBHL does bulk-booking of room inventory in advance from third parties based on its demand estimations during off-season and later sublets them to tourists. While the company had a sound track-record with occupancy rates of more than 90% in room chartering business earlier; during Q3FY19 on account of increased competition and aggressive pricing by app-based room aggregators the company has posted significant losses in the segment which affected its profitability. However going forward the company will scale down its room chartering business and eventually exit the same.

High susceptibility to economic cycles and operations in highly competitive industry

The hospitality industry is highly fragmented with many local and international players operating across different hotel segments leading to high level of competition in the business; this competition has been further driven by app-based room aggregators that are following aggressive pricing models to gain market share. However, the company, on account of its brand name and reputation has been successful in maintaining stable and comfortable occupancy rates. The performance of the hospitality sector is driven by macroeconomic factors like prospects of Indian tourism industry (which in turn is dependent on the overall economy and disposable incomes), competitiveness of Indian tourism, business and leisure travel, foreign tourist arrivals (FTAs), popularizing trend of meetings, incentives, conferences, and exhibitions. The sector is susceptible to downturn in the economy as well as local government policies regulating trade.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Hotel Companies

Financial ratios – Non-Financial Sector

Criteria for Short Term Instruments

About the Company

The Byke Hospitality Ltd. (TBHL) was incorporated in 1990 as Kotawala Financial Consultancy Pvt Ltd by Mr. Styanarayan Sharma (presently Director). Having entered into hospitality business in 2004 with acquisition of two properties in Goa; the company at present has nineteen properties at fourteen different locations with total room inventory of 1104 rooms.

The company's current promoters took over stake from earlier promoters in FY11 which is when the company was rechristened as TBHL and has since been operating all its properties under the brand name of "The Byke". Additionally, the company is also engaged in the room chartering business wherein it does bulk-booking of room inventory in advance from third parties during off-season and sublets them to tourists during season period via strong agent network.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	270.12	178.18*
PBILDT	62.38	69.61
PAT	31.70	35.82
Overall gearing (times)	0.06	0.11
PBILDT Interest coverage (times)	54.57	78.13

A: Audited

*The company has started reporting of room chartering revenues on net basis since April 01, 2017.

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.

Analyst Contact:

Name: Mr. Arunava Paul

Tel: 022- 6754 3667

Email: arunava.paul@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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-Cash Credit	-	-	-	20.00	CARE BBB+; Negative

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (13-Dec-17)	1)CARE A- (10-Oct-16)	1)CARE BBB (21-Sep-15)
2.	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB+; Negative	1)CARE A-; Stable (27-Sep-18)	1)CARE A-; Stable (13-Dec-17)	1)CARE A- (10-Oct-16)	1)CARE BBB (21-Sep-15)