

Jaya Sheela Hospitalities

November 03, 2022

Ratings

Facilities/ Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	30.00 (₹ Thirty Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

CARE has been seeking no default statement from Jaya Sheela Hospitalities (JH) to monitor the rating vide e-mail communications dated September 13, 2022, October 12, 2022 & October 18, 2022 numerous phone calls. However, despite our repeated requests, the firm has not provided the no-default statements/requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on JH facilities will now be denoted as 'CARE B+; Stable ISSUER NOT COOPERATING*'

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facilities of Jaya Sheela Hospitalities continues to be tempered by project implementation risk, intense competition and inherent cyclicity of the hospitality industry. The rating, however, continues to derive benefits from qualified and experienced promoters, locational advantage and achievement of financial closure.

Detailed description of the key rating drivers

At the time of last rating on November 24, 2021, the following were the rating strengths and weaknesses;

Key Rating Weaknesses:

Project implementation and business stabilization risk

JH is in the process of construction of multi-purpose commercial space consisting of convention hall, cinema theatre, restaurant, hotel rooms and commercial complex by demolishing and revamping M/s.Rathinavel Kalayana Mandapam, which offers varied hospitality and entertainment services to the people in and around Salem. The project includes buildup area of 1,30,000 Sq.ft across 5 floors, which includes cinema theatre (4 screens), hotel rooms (20 rooms), Convention Hall 800 /1000 Seating Capacity (Plus Dinning 400 Seating Capacity), restaurant and commercial space and car parking in 1.33 acres of land. The originally envisaged project cost of Rs. 41.42 Crore was proposed to be funded by term loan of Rs. 30.00 Crore and balance of Rs. 11.42 Crore by promoter's contribution. However, on account of the increase in construction materials/steel prices, and delay in execution, the project cost is expected to increase to Rs. 49.19 crore, with the cost overrun being met from additional promoter's contribution. The revised date of commencement of commercial operations is estimated to be September 2022 as against original completion date of March 2021, with the project extended mainly because of the outbreak of covid pandemic. The completion of the project without any further cost overrun and stabilization of business operations shall remain critical from credit perspective.

Intense competition and Inherent cyclicity of the hospitality industry

The hospitality industry is highly cyclical in nature and sensitive to the untoward events such as slowdown in the economy. While the macro-economic factors affect the business destinations (RevPARs, growth is sensitive to the macro-economic indicator such as the nominal GDP, inflation, lending rates, etc), the leisure destinations show a greater sensitivity to non-economic factors such as terror attacks, health related travel warning, etc. Cyclical nature of the hotel industry and increasing competition from already established hotels has impacted performances of the industry players in the past and more severely during the covid pandemic.

Key Rating strengths

Qualified and experienced promoters

M/s. Jaya Sheela Hospitalities is a partnership firm which was promoted in the year 2018 by Mr. J. Veluprasad as the managing partner along with his mother Mrs. Jaya Sheela as non-executive partner. The promoters are having a rich experience of about more than a decade in the line of restaurant and function hall business. The partners are also operating two restaurants currently in the city of Salem, Tamil Nadu. Further, they owned a function hall in the name of M/s Rathinavel Kalayana mandapam for over three decades, which is currently under process of conversion into multi-purpose commercial space in the name of 'M/s. Jaya Sheela Hospitalities' (JH).

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Locational advantage

The land for proposed construction of the project is already owned by the promoters, which is situated in the principal business area in city of Salem, targeting business travellers and the local personnel. It is surrounded by government offices, district court, schools, and colleges, and has proximity towards key industrial and commercial areas, railway station and bus terminals.

Achievement of financial closure

JH has attained the financial closure for the project. The estimated total project cost is Rs.49.19 crore which is to be financed through a term loan (sanctioned on April 16, 2019) of Rs. 30.00 crore, rest through promoter's own contribution. Of the total project cost, the firm has incurred Rs.15.00 Crore towards civil works through term loan of Rs.11.45 Crore and promoter's fund of Rs. 3.55 Crore as of November 06, 2021.

Liquidity analysis: Stretched

As the firm is yet to commence commercial operation, there are no cash inflows. Nevertheless, the firm has successfully achieved financial closure and the term loan is fully disbursed. Since there was moderation in the project execution due to pandemic, as against the envisaged timelines, the moratorium period has been extended and the repayment of TL will be commencing from Dec 2022. The promoters are expected to infuse need-based funds for first year of operation to meet its debt obligations.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Hotel](#)

[Service Sector Companies](#)

About the firm

M/s. Jaya Sheela Hospitalities (JH) is a partnership firm which was incorporated on November, 2018, promoted by Mr. Velu Prasad and his mother Mrs. J.Jayasheela as partners. JH proposed for construction of multi-purpose commercial space consisting of restaurant, hotel Rooms, convention hall, cinema theatre, and commercial complex by demolishing and revamping a wedding hall, M/s.Rathinavel Kalayana Mandapam, which offers varied hospitality and entertainment services to the people in and around city of salem. The firm currently constructing the above project with the buildup area of 1,30,000 Sq.ft across 5 floors, which includes cinema theatre (4 screens), hotel rooms (20 rooms), Convention Hall 800 /1000 Seating Capacity (Plus Dinning 400 Seating Capacity), restaurant and commercial space and car parking in 1.33 acres of land.

Brief financials: Not Applicable, since it's a project stage entity.

Status of non-cooperation with previous CRA: Nil

Any other information: NIL

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this firm: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	IS IN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2031	30.00	CARE B+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	30.00	CARE B+; Stable; ISSUER NOT	-	1)CARE B+; Stable	1)CARE B+; Stable (10-Nov-	-

				COOPERATING*		(24-Nov-21)	20)	
--	--	--	--	--------------	--	-------------	-----	--

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities : NA

Annexure-4: Complexity level of various instruments rated for this firm

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this firm

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media Contact**

Name: Mradul Mishra

Contact no.: +91-22-6754 3573

Email ID: mradul.mishra@careedge.in**Analyst Contact**

Name: Swathi Subramanian

Contact no.: +91-94442 34834

Email ID: swathi.subramanian@careedge.in**Relationship Contact**

Name: Pradeep Kumar V

Contact no.: +91-98407 54521

Email ID: pradeep.kumar@careedge.in**About CARE Ratings Limited:**

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**