

J.S.K. Hotels Private Limited

April 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Negative (Double B Plus; Outlook: Negative) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Negative' [Double B Plus; Outlook: Negative] assigned to the bank facilities of J.S.K Hotels Private Limited (JHPL) with immediate effect. The above action has been taken at the request of JHPL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Ltd.

The ratings, prior to withdrawal, continues to remain constrained on account of moderate scale of its operations in the cyclical and competitive nature of the hotel industry, dependence on a single hotel property, moderation in its capital structure which stood weak upon factoring in group exposure along with its moderate debt coverage indicators.

The rating however, derives strength from sound financial background and experience of the promoters in the hospitality business, strategic location of the hotel property and its association with reputed brand along with moderate profitability margins.

Outlook: Negative

The 'Negative' outlook on the long-term rating is due to expectation of lower level of RevPAR than the pre-Covid periods in the medium term and its consequent adverse impact on the profitability and debt coverage indicators of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Moderate scale of operations albeit adverse impact of Covid 19 pandemic on its business operations during FY21

During FY21, TOI of the company declined by 64.59% to Rs.10.63 crore as compared Rs. 30.02 crore. The decline in scale of operations is on account of disruption operational performance due to the outbreak of Covid-19.

Moderate capital structure and debt coverage indicators

The capital structure of PPHPL remains moderate marked by overall gearing of 1.41 times as on March 31, 2021 (PY: 1.32 times as on March 31, 2020). Debt coverage indicators deteriorated with interest coverage and total debt to GCA of 1.25 times and 16.70 years (PY: 2.81 times and 10.77 years) respectively as on March 31, 2021 on account of moderation in scale of operations.

Concentration risk on account of being present in single location with single property

The company's current performance is solely dependent on performance of its single property and overall performance of Agra hospitality market. Any change in prospects of Agra market can have an impact directly on the performance of the company.

Exposure to cyclical nature of the hospitality industry

The company like any other hospitality player is exposed to cyclical nature of the industry, i.e. changes in the macro-economic factors, industrial growth, and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors which leads to inherent cyclical nature in the industry. These risks can impact the occupancy rate of the company and thereby the company's profitability.

Key Rating Strengths

Experienced management with sound financial background

The overall affairs of JHPL are managed by Mr Hari Mohan Dangayach (Chairman) along with his wife Mrs Kamlesh Dangayach. Both have vast experience in the business of jewellery, real estate and hospitality through their group concerns and have supported operations of the company through fund infusion in the past.

Association with Wyndham Worldwide (WW) for 'Ramada' brand and location advantage

The company has franchise agreement with Wyndham Worldwide for 'Ramada' brand which provides brand recognition to hotel of JHPL with access to global reservation systems which further adds to occupancies. Further, Jaipur is traditionally a leisure destination with the hospitality industry thriving on tourist arrivals especially Foreign Tourist Arrivals (FTA). In recent times, it has also become a key MICE (Meetings, Incentives, Conferences and Exhibitions) destination catering to large incentive tours,

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

corporate residential meetings and weddings. Further, the hotel is located strategically at prime location of Jaipur with half an hours' drive from the famous tourist destinations like Hawa Mahal, Jal Mahal, City Palace and Amer Fort.

Moderate profitability margins

During FY21, PBILDT margin improved by 1648 bps in FY21 to 41.74% from 25.26% in FY20 on account of better absorption of overheads due to reduction in employee and marketing expense. Consequently, the PAT margin improved by 383 bps to 10.27% (PY: 6.44%) in FY21.

Outlook on revival for hospitality sector

The hospitality industry shall gradually pick up and factors such as progression of the vaccination drive coupled with pent up travel demand for past few quarters are likely to augur well in the medium term. Tourist arrivals, foreign and domestic, particularly leisure travel, are still unlikely to witness recovery to pre-covid levels before the end of the current financial year and even by the end of the first half of the next year. Furthermore, the industry focus was shifted to controlling and reducing costs significantly which will include redeployment of manpower, downward salary revisions, re-negotiation terms with utility service providers etc.

Analytical approach: Standalone. The company is part of Dangayach group of Jaipur and receives financial support from the group

Applicable Criteria

[CARE's policy on withdrawal of ratings](#)
[Policy on default recognition](#)
[Factoring Linkages Parent Sub JV Group](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Rating methodology for Hotel](#)

About the Company

JHPL was incorporated in September 1982 by Choudhary family. Subsequently, in 1989, JHPL was taken over by Jaipur based Dangayach Group (DG) through their holding company, Dangayach Hotels Private Limited (DHPL) which holds 61.31% stake in JHPL as on March 31, 2020. Apart from hospitality, DG has interests in the business of jewellery and real estate in Rajasthan. JHPL operates one 4 star hotel in Jaipur and has franchise agreement with the Wyndham Worldwide (WW) group for its midscale brand 'Ramada' which imparts brand recognition. The hotel has 160 rooms, 1 bar, 1 spa, 3 restaurants and 5 banquet halls.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-12-2021 (Prov)
Total operating income	30.02	10.63	NA
PBILDT	7.58	4.44	NA
PAT	1.93	1.09	NA
Overall gearing (times)	1.32	1.41	NA
Interest coverage (times)	2.81	1.25	NA

A: Audited, Prov: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: ICRA Suspended its ratings vide press release dated August 16, 2013 on account of ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: Not Applicable

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 company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn
Fund-based - LT-Bank Overdraft		-	-	-	0.00	Withdrawn

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Negative (05-Apr-21)	1)CARE BB+; Stable (06-Apr-20)	-
2	Non-fund-based - LT-Bank Guarantee	LT	-	-	-	-	1)Withdrawn (06-Apr-20)	-
3	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)CARE BB+; Negative (05-Apr-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

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