

Jolle Hospitality Group

December 13, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total Bank Facilities	45.00 (₹ Forty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Jolle Hospitality Group (JHG) are tempered by project implementation risk, business susceptible to economic cycles and operations in highly competitive industry. The ratings, however, derive comfort from qualified and resourceful promoters, locational advantage, tie-up with ITC-Hotels.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Successful completion of the project without any significant cost or time overrun

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significant delay in achieving COD
- Inability to achieve occupancy and revenue as envisaged, going forward.

Detailed description of the key rating drivers

Key Rating Weakness

Project implementation risk

The company has undertaken project for construction of a 5-star Hotel in Belagavi, Karnataka. The hotel will have 91 rooms including three Banquet Halls and a club house with activities like- Spa, Game Zone, Gym, Pool, Golf area, amphitheatre, and Specialty Restaurant. The proposed 5-star hotel is being constructed over a land area of 2,32,384 Sq. Ft. consisting of two buildings – 1) Main Block and (2) Club house building. The total project cost of hotel is Rs.60.00 crore which is being funded through term loan of Rs.40.00 crore (66%) and remaining Rs.20.00 crore (34%) through a mix of equity and unsecured loans from promoters. As on November 30, 2022, the company incurred total cost of Rs.39.9 crore (66% of the total project cost). Project is exposed to implementation risk and consequently risk towards stabilization of the operations to achieve the envisaged revenue and profits.

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. 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.

Key Rating Strengths

Qualified and resourceful promoters

Jolle Hospitality Group has four partners with Mr. Annasaheb S. Jolle- Chairman aged 57 years who will be the overall in charge. He is also a Member of Parliament has four decades of experience in the field of running educational institutions and co-

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

operative societies. He is currently associated with Beereshwara Co-op Credit Society which has 153 branches in Karnataka and Maharashtra. He is the founder and sitting Director of around 17 educational institutions currently. He has won various awards like-“ Sahakar Ratna ” Award from Govt of Karnataka, “Winner of Vishweshwarayya Award – for rural and economic development”. His wife- Mrs. Shashikala Annasaheb Jolle – Vice Chairman, is the Minister of State- Karnataka, also has around 3 decades of experience in social works and working with Co-operative societies. They will be supported by Mr. Basavprasad A. Jolle- Managing Director who is the son of Annasaheb S. Jolle and other partner- Shivaputra Mahadev Dabb- Director who will be handling the finance and operations of the hotel.

Tie-up with ITC-Hotels

The location of the proposed hotel is in close proximity to a huge SEZ development centre which has many industries and companies in it. It is also close to Karnataka-Goa/Maharashtra Highway which has a lot of traffic from the tourists travelling to Goa or Maharashtra. The proposed hotel is expected to generate revenue on account of the businessmen travelling to the nearby industries in the SEZ area. Also, the entity has partnered with ITC Hotels

Liquidity: Adequate

The liquidity position of the entity is expected to remain adequate as envisaged cash accruals will be sufficient to meet its repayment obligations. The entity has a moratorium of 36 months including construction period of 24 months and the repayment of term loan is likely to commence from FY24-25. Furthermore, as per bank's covenant, DSRA of 6 months of principal and interest is to be maintained throughout tenor of the loan. Moreover, promoters are resourceful and may infuse funds for operational need or to facilitate debt servicing if needed.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Hotel](#)

[Project stage companies](#)

About the firm

Jolle Hospitality Group is a partnership firm originally incorporated on 10th November, 2014 in the name & style as “M/s. Eden Constructions, and reconstituted subsequently on 14th May, 2020 the name was changed to “Jolle Hospitality Group”. The entity has in the process of setting up a five star hotel in Belagavi, Karnataka. The entity has four partners, and all the partners are associated with many business enterprises and other social activities in their individual capacities.

Brief Financials: Not applicable, project stage entity

Status of non-cooperation with previous CRA: Not Applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Mar-2023	45.00*	CARE B+; Stable

*Including proposed limits

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	45.00	CARE B+; Stable				

*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 company**

Sr. No.	Name of Instrument	Complexity Level
1	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 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.

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