

## Jindal Hotels Limited

September 12,2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable (Double B Plus; Outlook: Stable); Outlook revised from Positive and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ and Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited has reaffirmed (outlook revised from Positive to stable) and withdrawn the outstanding ratings of 'CARE BB+; Stable/ CARE A4+' assigned to the bank facilities of Jindal Hotels limited (JHL) with immediate effect. The above action has been taken at the request of JHL and 'No Objection certificate' received from the bank that has extended the facilities rated by CARE Ratings Limited.

The ratings prior to its withdrawal continue to remain constrained on account of JHL's leveraged capital structure with modest debt coverage indicators, geographical concentration risk along with its exposure to the risks associated with the cyclical and competitive hospitality industry.

The ratings, however, continue to derive strength from JHL's established track record of operations under the brand name of "Grand Mercure" of Europe-based Accor Group and its tie up with reputed corporate clients. The ratings also take cognizance of improvement in JHL's financial performance during FY23 (FY refers to the period April 01 to March 31) with recovery in average room revenue (ARR) and occupancy rate (OR).

**Analytical approach:** Standalone

**Outlook:** Stable

The revision in the outlook from 'positive' to 'stable' is on account of expected moderation in coverage indicators owing to proposed capex plan which is to be funded through internal accruals and scheduled increase in debt repayment obligations.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Leverage capital structure

JHL's overall gearing, albeit improved with pre-payment of GECL loan, remained high at 3.21x as on March 31,2023 (3.8x as on March 31,2022) primarily on account of low net worth base of Rs. 18.50 crore.

Debt coverage indicators too remained moderate marked by total debt to gross cash accruals (TDGCA) of 9.52 years (FY22:38.11 years) and interest coverage ratio of 2.12 times (FY22:1.25 times).

##### Geographical concentration risk due to single property operations of JHL

JHL is exposed to geographic concentration risk as it operates a single hotel property in Vadodara. There exists stiff competition among premium hotels in Vadodara which are in nearby vicinity and focus majorly on catering to corporate clients. Consequently, it is inherently exposed to changes in economic and industrial growth in the region.

##### Inherent risks associated with cyclical and competitive hospitality sector

JHL 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 strengths

##### Improvement in scale of operations and profitability

The total operating income (TOI) of JHL grew significantly by 40% y-o-y to Rs.41.66 crore in FY23 (FY22:29.86 crore) backed by y-o-y improvement in OR, ARR and RevPAR by 12%, 36% and 49% respectively, apart from increase in contribution of the F&B (Food and beverage) segment. JHL's PBILDT margin improved by 577 bps y-o-y to 26.29% in FY23 on account of benefits derived from the economies of scale.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Experienced promoters with established track record of operations

Mr. Piyush Shah, Chairman & Managing Director of JHL, is a third-generation entrepreneur and has more than three decades of experience in the hospitality industry. JHL owns a 146 room three-star hotel property 'Surya Palace' at Vadodara, which is operational since 1984. It is operated under the brand name of 'Grand Mercure' under management alliance with Accor group of Hotels (Accor). Furthermore, JHL has an established tie-up with a sizeable number of corporate clients located in and around Vadodara and has hosted several national as well as international events and seminars. JHL is also focused on being a favoured location for wedding and corporate events for its banqueting and conference room facilities.

### Strategic Location advantage and increasing footfall because of SOU tourism

The hotel property is well-located at Sayajigunj near the central business district of Alkapuri in Vadodara and is well connected with major industrial zones and has easy connectivity to the Railway Station, Airport and various city attractions. Going forward, the footfall is expected to increase due to Statue of unity tourism and convention of one of the banquet halls to Gujarati Thali restaurant.

### Applicable criteria

[Policy on Withdrawal of Ratings](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Incorporated in 1984, Vadodara, Gujarat based Jindal Hotels Limited (JHL) is promoted by Mr. Piyush Shah has entered into a management agreement with Accor and is operational under the branding of "Grand Mercure Vadodara Surya Palace". JHL's property is located at one of the premium locations of Vadodara, i.e. Sayajigunj, close to the central business district. The property has 146 rooms ranging from Deluxe category to Executive suits. The hotel also has other facilities including 6 banquet halls, spa, gymnasium, swimming pool, conference rooms and a multi cuisine restaurant.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	June 30, 2023 (UA)
Total operating income	29.86	41.66	9.27
PBILDT	6.13	10.95	2.31
PAT	-2.40	2.07	-0.21
Overall gearing (times)	3.80	3.21	NA
Interest coverage (times)	1.25	2.12	1.67

A: Audited UA: Unaudited; NA; Not available Note: 'the above results are latest financial results available'

**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:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Bank Overdraft		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	May 2030	0.00	Withdrawn

**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 2023-2024	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
1	Term Loan-Long Term	LT	-	-		1)CARE BB+; Positive (17-Jun-22)	1)CARE BB+; Negative (13-Sep-21)	1)CARE BB+; Negative (20-Aug-20) 2)CARE BBB- (CW with Negative Implications) (05-May-20)
2	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)CARE A4+ (17-Jun-22)	1)CARE A4+ (13-Sep-21)	1)CARE A4+ (20-Aug-20) 2)CARE A3 (CW with Negative Implications) (05-May-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Bank Overdraft	Simple
2	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

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

**Note on the 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

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