

Imperial Hotels And Resorts

September 05, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	12.00	CARE B; Stable; ISSUER NOT COOPERATING*	Revised from CARE B+; Stable and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. (CARE) has been seeking monthly 'No Default Statement (NDS)' from Imperial Hotels and Resorts (IHR) to monitor the rating(s) vide e-mail communications/letters dated July 22, 2024 and September 02, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the NDS for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on SMIPL's bank 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 ratings have been revised on account of inability to monitor the performance of the company due to lack of requisite information which is critical for assessing the credit profile of the company. The ratings continue to be constrained by its partnership nature of constitution, intense competition and inherent cyclicity of the hospitality industry with dependence on tourist arrivals, longer gestation period and seasonality associated with the hospitality sector.

The ratings, however, derive strength from its experienced partners even though they are venturing into an unrelated area and tie-up with Cygnett Hotels and Resorts Pvt. Ltd (CHRPL).

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

The ratings have been revised on account of inability to monitor the performance of the company due to lack of requisite information which is critical for assessing the credit profile of the company.

Key weaknesses

Partnership nature of constitution

IHR, being a partnership firm, is exposed to the inherent risk of the partner's capital being withdrawn at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Intense competition and inherent cyclicity of the hospitality industry with dependence on tourist arrivals

The hospitality industry is highly sensitive to the untoward events such as slowdown in the economy. The hospitality industry is cyclical in nature. i.e., during positive cycles the industry witnesses periods of sustained growth and sees healthy average room rates (ARRs) and occupancy rates (ORs). When recession sets in, the ORs begin to decline followed by the ARRs. In the recovery phase, ORs start to move up and eventually the ARRs also start to increase. While the macro-economic factors affect the business destinations (Rev PARs, 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 industry players. The entity's hotel property is located at Tezpur, an industrial and commercial region, thereby benefitting in terms of higher domestic as well as foreign tourist arrivals.

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

*Issuer did not cooperate; Based on best available information

Seasonality associated with the hotel industry

The demand for hotel and hospitality sector has a direct relation to the overall health of economy. The Indian hotel industry normally experiences high demand during March to June month, mainly on account of summer vacations and from October to November mainly on account of festive vacations all over India. However, this trend is seeing a change over the recent few years. Hotels have introduced various offerings to improve performance (occupancy) during the lean months. These include targeting the conferencing segment and offering lucrative packages during the lean period.

Key strengths

Experienced partners, though venturing into unrelated area

Mr. Khaitan, a graduate, is a businessman having business experience of more than 22 years in the field of construction under the name and style of M/s M. P. Khaitan. He is also a director in other entities which are engaged in the construction and sale of commercial and residential buildings. Further, he is a partner in entities engaged in manufacturing pet preforms, packaged drinking water and paint pails. Mr. Agarwal, having business experience of more than 20 years, is engaged in the trading business of hardware goods, building construction materials. Mr. Tibrewala, a graduate professional, is having business experience of more than 40 years in the business of rice milling, mustard oil milling, trading of local agricultural products, plywood and hardware items. The partners are venturing into the hospitality industry for the first time even though they are experienced in other unrelated businesses.

Completion of construction of the hotel and commencement of commercial operation

IHR has completed the construction of 3-star Hotel in June 2023 (revised from January 2023) at a revised estimated cost of ₹20.57 crore (revised from ₹19.07 crore). The bank disbursed the entire term loan of ₹12.00 crore after the promoters brought in their contribution of ₹7.07 crore. The promoters also had to infuse additional ₹1.50 crore in form of unsecured loan due to the cost overrun.

Tie-up with Cygnett Hotels

The promoter had entered into an agreement in October 2020 with CHRPL which is engaged in the business of providing operating, marketing and technical consultancy services to hotels under the brand name CYGNETT and has the necessary expertise in this field. The promoters have finalized CHRPL to operate the hotel in accordance with the brand's standards.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

IHR is a partnership firm, established in December 2019, by Mr. Govind Khaitan, Mr. Jitendra Agarwal and Mr. Santosh Tibrewal. IHR has developed a 3-star hotel in Tezpur, Assam, built over an area of 47,700 Sq. ft. across 5 floors, which includes 44 rooms, 1 restaurant, 1 mini conference hall, 1 banquet halls, spa, gym, etc. with a back office and service area in a commercial building in Tezpur.

Brief financials: Not applicable since it was a project stage entity till FY23 and has commenced operations in June 2023. Post this, no new financials are available.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	May 2032	12.00	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	12.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (07-Aug-23)	1)CARE B; Stable (12-May-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

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

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

Contact us

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About us:

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