

Seven Leisure Private Limited

October 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	110.55 (Enhanced from 62.83)	CARE BBB-; Stable	Upgraded from CARE BB+; Positive
Long-term bank facilities	-	-	Withdrawn*

Details of instruments/facilities in Annexure-1.

*The rating assigned to the proposed bank facilities is withdrawn as the said facility has now been sanctioned and reclassified as per sanction letter.

Rationale and key rating drivers

Revision in rating assigned to bank facilities of Seven Leisure Private Limited (SLPL) is considering improvement in financial risk profile marked by profitability margins with marginal increase in scale of operations and adequate liquidity position in FY24 (Audited; refers to April 01 to March 31). Rating continue to derive strength from its experienced promoters and strategically located property and branding of hotel as 'Wyndham Ahmedabad'. Rating considers entity's comfortable capital structure and moderate debt coverage indicators.

However, rating continues to remain constrained considering high level of competition and cyclical hospitality industry and project risk for under-construction hotel.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations marked by total operating income (TOI) of above ₹90 crore while maintaining operating margins above 40%.
- Reduction in debt levels to below ₹30 crore and improvement in net worth base with accretions of profits to reserves.

Negative factors

- Decline in scale of operations marked by TOI below ₹60 crore
- Profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin below 30% on a sustained basis leading to adverse impact on its debt coverage indicators
- Cost or time overrun in the project already factored in leading to deterioration in financial risk profile.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects SLPL to sustain its operational and financial performance in the near-to-medium term backed by positive outlook of hospitality industry.

Detailed description of key rating drivers:

Key strengths

Improvement in profitability despite moderate scale of operations

TOI improved by 9.53% y-o-y, however remained moderate at ₹67.75 crore in FY24 from ₹61.85 crore in FY23. Marginal improvement was considering higher membership income during the year. Hotel contributed ~46% to TOI, convention income contributed ~35%, whereas club contributed ~19%. SLPL reported ~ ₹24.22 crore of revenue till October 15, 2024. Occupancy rate remained at 57% in FY24 (FY23: ~64%) and average room rate at ~₹5194 in FY24 (FY23: ₹4391). Operating margins improved sequentially and remained at 42.38% in FY24 as against 38.78% in FY23 owing to operating leverage. Due to higher top line and stable depreciation and finance charges, profit after tax (PAT) margins remained higher at 12.96% in FY24 against 8.86% in FY23.

Comfortable capital structure and moderate debt coverage indicators

Capital structure continue to remain comfortable marked by overall gearing at 0.43x as on March 31, 2024, as against 0.56x as on March 31, 2023. SLPL's debt level has been high primarily considering debt funded capex of convention centre in FY20 and availment of COVID loan in FY21, however, SLPL prepaid significant term loan in FY24. Debt coverage indicators remained

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

moderate marked by PBILDT interest coverage of 3.68x in FY24 as against 2.93x in FY23 and total debt to gross cash accrual (TD/GCA) of 3.22 years as on March 31, 2024, as against 4.61 years as on March 31, 2023.

Experienced and resourceful promoters

SLPL was incorporated as a private limited company in May 2009 by Prajapati family. Kalpesh Prajapati and Rajal Prajapati, promoter directors, have extensive experience of over a decade in the hospitality business. Shrinand Vyas, director, manages overall management of Club O7 and has extensive experience of over two decades in the hospitality business. Jay Prajapati, is involved in the day-to-day operations since conceptual stage of the project and has played vital role in the marketing of club. Also, Advisory board of SLPL have prominent persons to advise and guide the club on strategic issues. Prajapati family also promoted West Wing Infrastructures Private Limited which has a presence in the real estate sector.

Strategically located property and branding of hotel as 'Wyndham Ahmedabad'

In December 2020, SLPL entered into a franchisee agreement with Wyndham Hotel Asia Pacific Company Limited of Hongkong for 10 years for managing the hotel under brand 'Wyndham Ahmedabad'. Wyndham Hotels & Resorts is one of the largest hotel franchisers in the world with 20 brands across 9000 hotels in 80+ countries. As per terms of agreement, SLPL is supposed to pay royalty of 5% of gross room revenue, sales and marketing fee of 2% of gross room revenue within 15 days after every month. Branding of hotel property as 'Wyndham Ahmedabad' has resulted in improved occupancy and room rates of its 160 rooms.

Key weaknesses

Cyclical and seasonality associated with competitive hospitality industry

SLPL's overall business can be broadly classified in three categories viz. hotel (hospitality), club (leisure) and convention centre (events and MICE). Hospitality industry is cyclical considering exposure to factors including macro -economic indicators, government policies and international and domestic trade activities. Moreover, hospitality industry's demand is seasonal with peak demand from December to March while rest of the year witness relatively low demand. Further, overall hospitality industry is highly competitive with presence of large number of organised and unorganised players in the market and online aggregators. However, these risks have been partially mitigated by the company with branding of its hotel to 'Wyndham' and its established brand 'Club O7'.

Implementation and project Stabilisation risk

SLPL is planning to build hotel of 198 rooms at the same location of club. Estimated total cost of the project is ~₹107 crore and SLPL already incurred ~₹36 crore for the project. Financial closure has been achieved. Construction is expected to be completed by December 2025.

Liquidity: Adequate

Liquidity remains adequate marked by sufficient GCA against repayment obligation, and adequate cashflow from operations. GCA remained at ₹20.57 crore in FY24 against debt repayment of ₹16.75 crore in FY25 (including prepayment). Working capital limit utilisation remains ~80%. Cash flow from operations remains adequate at ₹27.05 crore in FY24. Current ratio and quick ratio remain low at 0.84x and 0.59x as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Amusement Parks/ Other Recreation

Promoted by Prajapati family and incorporated as a private limited company in 2009, SLPL owns and operates a club, hotel and convention centre at prime area Shela in Ahmedabad, Gujarat. Facilities are spread across an area of 1.3 lakh square meter. SLPL operates club in the brand name of 'Club O7' which is one of the largest clubs in Ahmedabad with facility of sports complex with indoor and outdoor games, fitness centre, amphitheatre, lounge, library, theatre, and spas among others. SLPL entered into a franchisee agreement with 'Wyndham Hotels & Resorts' of USA for 10 years for managing the hotel under brand 'Wyndham Ahmedabad' which comprises of 160-room hotel property along with restaurants and banquet facilities. Further, SLPL is under-going capex to build 198 room hotel.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	61.85	67.75
PBILDT	23.99	28.71
PAT	5.48	8.78
Overall gearing (times)	0.56	0.43
Interest coverage (times)	2.93	3.68

A: Audited; Note: these are latest available financial results

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	10.00	CARE BBB-; Stable
Fund-based - LT-Funded Interest term Loan		-	-	31/05/2024	0.00	Withdrawn
Fund-based - LT-Proposed fund based limits		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	30/09/2034	94.66	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan		-	-	07/12/2025	5.89	CARE BBB-; Stable

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-Bank Overdraft	LT	10.00	CARE BBB-; Stable	-	1)CARE BB+; Positive (26-Jul-23)	1)CARE BB; Stable (03-May-22)	-
2	Fund-based - LT-Funded Interest term Loan	LT	-	-	-	1)CARE BB+; Positive (26-Jul-23)	1)CARE BB; Stable (03-May-22)	-
3	Fund-based - LT-Working capital Term Loan	LT	5.89	CARE BBB-; Stable	-	1)CARE BB+; Positive (26-Jul-23)	1)CARE BB; Stable (03-May-22)	-
4	Fund-based - LT-Proposed fund based limits	LT	-	-	-	1)CARE BB+; Positive (26-Jul-23)	1)CARE BB; Stable (03-May-22)	-
5	Fund-based - LT-Term Loan	LT	94.66	CARE BBB-; Stable	-	1)CARE BB+; Positive (26-Jul-23)	1)CARE BB; Stable (03-May-22)	-

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-Bank Overdraft	Simple
2	Fund-based - LT-Funded Interest term Loan	Simple
3	Fund-based - LT-Proposed fund based limits	Simple
4	Fund-based - LT-Term Loan	Simple
5	Fund-based - LT-Working capital Term Loan	Simple

Annexure-5: Lender detailsTo view 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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