

Sakthi Elegant Towers India Private Limited

November 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	121.00	CARE B+; Stable	Assigned
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of Sakthi Elegant Towers India Private Limited (SETIPL) as 'ISSUER NOT COOPERATING'. SETIPL has now cooperated by providing the necessary information for undertaking the review.

The ratings assigned to the bank facilities of SETIPL is constrained by the high project implementation risk of the ongoing hotel project, business stabilisation risk post commencement of hotel operation and presence in the highly competitive and cyclical hospitality industry. The ratings, however, derive strength from favourable project location, cash flow support from real estate division and experience of the promoters albeit being the first venture into hospitality industry.

CARE Ratings has withdrawn the long-term rating assigned to the working capital term loan facility of the company as it has repaid the aforementioned term loan in full and there is no amount outstanding under the loan as on date as per the no due confirmation from the lender.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Commencement of commercial operations as per envisaged timelines and achieving the sales and profits as projected.

Negative factors

- Significant time and costs overrun in the project .
- Delay in financial closure and brand tie up.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that in the medium term, SETIPL will maintain its credit profile basis the progress in construction.

Detailed description of key rating drivers:

Key weaknesses

Project Implementation Risk and partial financial closure

SETIPL is developing a 169-key 5-star hotel and convention center in two phases, with a total estimated cost of Rs 160 crores, funded at a 75:25 debt-equity ratio. Phase I, comprising the convention center, is budgeted at Rs 65 crores, while Phase II is the hotel building at estimated cost of Rs 95 crores. The company has secured a term loan of Rs 48 crores for Phase I, however financial closure for phase II is still pending. As of September 30, 2024, company has spent Rs 58 crores in the project with debt funding of Rs 38 crores and balance covered by promoter equity. The project is expected to be operational by January 2026, with phase I term loan repayment set to begin from July 2025 . Company is reportedly in discussion for a brand partnership for the hotel operation. Given the mid-stage development and partial financial closure, SETIPL remains exposed to implementation and stabilization risk.

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

Presence in a highly competitive and cyclical industry

The hospitality industry is highly fragmented with many local and international players operating across different hotel segments leading to a high level of competition in the business. The performance of the sector is driven by macroeconomic factors and susceptible to downturn in the economy.

Key strengths

Favourable Project location albeit intense competition

Project is strategically located on the main highway (GST road) adjacent to Vandalur zoo. Airport is located in the radius of 16 km and Industrial parks are situated in the radius of 15-20 kms from the project location. However, the hotel is expected to face stiff competition from other established star hotels in the city.

Experienced promoters albeit first venture into hospitality industry

The promoters have over two decades of experience in the real estate sector, with a portfolio of over 2 million square feet of residential developments. Currently, SETIPL has one active real estate project, and its real estate division is debt-free. Cash flow from ongoing real estate projects is anticipated to contribute approximately Rs 13 crore toward hotel construction, alongside promoter infusions. Company plans to focus only on the hotel business going forward, with no new real estate projects expected to be launched in the near future. Although the promoters bring substantial experience in real estate, they lack prior experience in the hospitality sector.

Liquidity: Stretched

The company has yet to commence commercial operations of its hotel business. Timely capital infusion from promoters is critical for the completion of the project on schedule. While the project is expected to be operational from January 2026, repayment of the Phase I term loan will commence earlier in July 2025. Therefore, consistent support from promoters will be essential to meet initial debt servicing commitments. As of March 2024, cash and cash equivalents amounted to Rs 0.76 crores.

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](#)

[Service Sector Companies](#)

[Rating methodology for Real estate sector](#)

[Project stage companies](#)

About the company and industry

Industry classification

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

Sakthi Elegant Towers India Private Limited (SETIPL) is a Private Limited Company incorporated on 26th August 2005. The promoters of the Company are already involved in real estate sector and have developed more than 2 million Sq. ft. of residential space in and around Chennai and Coimbatore. With their experience and interest in real estate business they have stepped in implementation of 169 keys 5-star category hotel.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	6.97	2.36	9.85
PBILDT	1.92	0.49	1.20
PAT	1.69	0.29	0.88
Overall gearing (times)	0.02	0.59	1.23
Interest coverage (times)	220.03	7.70	5.67

A: Audited UA: Unaudited; 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-Term Loan		-	-	May 2035	121.00	CARE B+; Stable
Fund-based - LT-Working capital Term Loan		-	-	April 2023	0.00	Withdrawn

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-Working capital Term Loan	LT	-	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING * (23-Jan-24)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (08-Dec-22)	1)CARE BB-; Stable (01-Oct-21)
2	Fund-based - LT-Term Loan	LT	121.00	CARE B+; Stable				

*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
2	Fund-based - LT-Working capital 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.

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About us:

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