

Ratnamouli Trade Comm Private Limited

December 26, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	22.30	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; 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. has been seeking information from Ratnamouli Trade Comm Private Limited (RTCPL) to monitor the rating vide e-mail communications dated December 05, 2024, December 17, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, RTCPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on RTCPL's bank facilities will now be denoted as **CARE BB-; 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 rating has been revised on account of lack of clarity on future growth strategy and inability to monitor the performance of the company, which is critical for assessing the credit risk profile of the company. The rating continues to remain constrained by its moderate capital structure and debt protection metrics, longer gestation period associated with hospitality sector, and inherent cyclical and seasonal nature associated with the hotel industry. The weaknesses are partially offset by its improved financial performance in FY24, experienced promoters albeit venturing into new business segment, and locational advantage.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on November 07, 2023, the following were the rating strengths and weaknesses (updated for the information available from the company).

Key weaknesses

Moderate capital structure and debt protection metrics

Capital structure has remained moderate even though there has been slight improvement in overall gearing from 2.56x as on March 31, 2023 to 2.21x as on March 31, 2024 on account of repayment of debt along with accretion of profit to reserve. The debt protection metrics have improved significantly marked by improvement in TD/GCA from 73.80x as on March 31, 2023, to 7.73x as on March 31, 2024, on account of improvement in GCA during FY24. Interest coverage ratio have also improved from 1.27x in FY23 to 2.41x in FY24.

Longer gestation period associated with hospitality sector

Hotel projects have long gestation period as construction of a premium hotel takes up to three to four years while stabilization of operations may take another two to three years. The rising land prices in India and high financing costs required to fund the capex of the hotels have resulted in relatively longer gestation periods for achieving break even and as per industry experience it takes about 12 years to achieve break-even for luxury hotels in India. Luxury hotels call for huge investments and have longer gestation periods as compared to mid-scale budget hotels, given the investments involved in the project. Given that the gestation period for setting up hotels in India is significantly more when compared to global peers, in the initial few years, the costs are high and returns are low.

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

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Inherent cyclical and seasonal nature associated with the hotel industry

The hotel industry is cyclical and inherently seasonal in nature as the demand for the hotel rooms varies with the business cycle. The most significant aspect of tourism seasonality is that it involves the concentration of tourist inflows during particular months. The Indian hotel industry normally experiences high demand during October-May, following which the monsoon entails low demand. During the lean period, hotels offer lucrative packages to improve occupancy. The hotel industry is highly fragmented with a large number of organized and unorganized players as well as many local and international players operate across different hotel segments.

Key strengths

Improved financial performance in FY24

RTCPL reported a Total Operating Income (TOI) of Rs. 19.23 crores for FY24, reflecting a year-over-year growth of 214%. This significant increase was driven by the first full year of operations, compared to only five months of operations in FY23 (hotel commenced operation in November 2022), along with increase in occupancy rate and average room rent. Besides increase in TOI, the operating margin of the company also improved to 45.11% in FY24 as against 34.80% in FY23. Further, the company reported positive PAT of Rs.1.14 crore as against Rs. 0.88 crore loss reported in FY23.

Experienced promoters albeit venturing into new business segment

The promoters namely Madan Sarma and Rumi Sarma have more than two decades of experience in waste paper business under the firm name Tara & Ratnamouli. The promoters have ventured into a new segment by establishing a hotel in Guwahati, Assam. The day-to-day operations of the company is managed by Mr. Madan Sarma supported by a group of experienced professionals and staffs.

Locational advantage

The hotel has been set up in Maidamgaon, Beltola, Guwahati. It is located at 3.6 kms from Dispur and 2 kms from Khanapara junction, which meets the GS Road with NH-37. While lying in close proximity to Guwahati city, the site falls under the administrative jurisdiction of Assam. The proposed hotel would serve the increasing number of tourists travelling to nearby places around Guwahati as the city is a gateway to the seven sisters of the North-East Region. There has been a considerable development in the infrastructural sector across the city which has enabled it to host a number of sporting events to the likes of recently concluded 12th South Asian Games 2016 and Hero Indian Super League in 2019 and 2020.

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

RTCPL, incorporated in February 2017, is promoted by Madan Sarma and Rumi Sarma. RTCPL has set up a Deluxe Hotel, in line with the international standards at Maidam Gaon, Beltola, Guwahati, Assam with 70 luxurious rooms, allied services like coffee shop, banquet hall (having capacity of around 500 people), 2 multicuisine restaurant, conference hall, spa, 2 bar (bar license yet to be obtained), swimming pool, wi-fi connectivity and other amenities. The hotel commenced operations on October 15, 2022, with total project cost of around ₹63 crore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	6.12	19.23
PBILDT	2.13	8.68
PAT	-1.38	1.14
Overall gearing (times)	2.56	2.21
Interest coverage (times)	1.27	2.41

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 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		-	-	March 2032	22.30	CARE BB-; 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	22.30	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (07-Nov-23)	1)CARE BB-; Stable (01-Sep-22)	-

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

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated 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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