

Serveall Land Developers Private Limited

February 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	318.73 (Enhanced from 172.64)	CARE BBB+; Stable	Reaffirmed
Long Term Bank Facilities	18.00	CARE BBB+; Stable	Reclassified ST facilities to LT and Stable outlook assigned
Short Term Bank Facilities	3.27 (Reduced from 3.50)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of Serveall Land Developers Private Limited (SLDPL), CARE has taken a combined view of Serveall Land Developers Private Limited, Newtech Buildhome Private Limited (NBPL; rated CARE BBB+; Stable/ CARE A3+) and Tri Star Propmart Private Limited (TPPL; rated CARE BBB-; Stable), together referred as Serveall group (SG) due to their managerial, operational and financial linkages.

The ratings assigned to the bank facilities of SLDPL continue to derive strength from its resourceful promoters, SG's growth in scale of operations supported by healthy average room revenue (ARR) and occupancy rate (OR), healthy profitability, favourable locations of its hotels and tie up with reputed brands for management contract.

The ratings, however, are constrained on account of SG's moderate financial risk profile, susceptibility to macro-economic factors, and seasonal uncertainty associated with hospitality industry. This apart, ratings also take cognizance of implementation and scaling up risk associated with ongoing large size debt-funded capex in TPPL for setting up of a new hotel at Bangalore, Karnataka, along with scaling up risk associated with SLDPL's newly constructed hotel at Udaipur, Rajasthan.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in occupancy ratio (OR) as well as average room revenue (ARR) resulting in growth in SG's total operating income (TOI) above Rs. 350 crore while maintaining profitability above 35%.
- Improvement in capital structure with adjusted overall gearing of less than unity along with improvement in debt coverage indicators.

Negative factors

- Moderation in OR and ARR leading to dip in TOI by more than 15%, thereby impacting its cash accruals.
- Any further deterioration of capital structure marked by adjusted overall gearing above 2.00x on a sustained basis.
- Delay in completion of the ongoing project leading to significant cost overruns.

Analytical approach: Combined

CARE has taken a combined view of SLDPL, NBPL and TPPL as all three entities are managed by the same promoter group, have presence in the same line of business i.e. hospitality industry and have exhibited financial linkages. SLDPL has extended corporate guarantee for bank facilities of NBPL and TPPL. Also, SLDPL holds significant stake in both NBPL (50.89%) and TPPL (49%).

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's expectation that Serveall group will continue to benefit from experience of its promoters and favourable outlook for the hospitality industry with healthy growth in average room revenues expected over the medium term.

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

Detailed description of key rating drivers:**Key strengths****Experienced management with a track record of supporting operations through infusion of funds**

The overall affairs of Serveall group are managed by Mr Hari Mohan Dangayach who is chairman of Dangayach Group. The group has a remarkable presence in the hotel industry with tie-ups with renowned brands like Marriott, ITC, Hilton etc. for managing its various properties. Mr Hari Mohan Dangayach has vast experience in jewellery, real estate and hospitality industry. The group forayed into hospitality business in 2002 and is now the main focus of the promoter. Presently, the group owns 8 operational hotels and is coming up with few more hotels in near to medium term. The promoters have demonstrated their support in the operations of the group through fund infusion, as and when required.

Growth in scale of operations along with healthy profitability

During FY24, on combined basis, total operating income (TOI) of the group reported healthy growth of 15% y-o-y to Rs. 229.88 crore in FY24 as against 199.37 crore in FY23. The growth has been fuelled by increase in ARR levels in both its operational hotels while maintaining healthy occupancy rate. SLDPL reported improvement in ARR and OR to Rs. 7622/room and 75% in FY24 respectively as compared to Rs. 7107/room and 73% in FY23. On the other hand, NBPL reported improvement in ARR with moderation in OR to Rs. 9698/room and 72% in FY24 respectively as compared to Rs. 6881/room and 83% in FY23. In H1FY25, the group registered TOI of Rs. 102.63 crore as against Rs.97.49 crore in H1FY24. During the current year, for SLDPL, ARR and OR improved in 9MFY25 to Rs. 7446/ room and 70% respectively as against 9MFY24 levels, whereas for NBPL, ARR and OR improved in 8MFY25 to Rs. 10627/ room and 75% respectively as against 8MFY24 levels. The overall growth over the past two years has been driven by strong domestic tourism, a gradual recovery in foreign tourist arrivals (FTAs), and a continuous rise in business travel driven by Meetings, Incentives, Conferences, and Exhibitions (MICE) events.

With better absorption of overheads due to growth in scale of operations, PBILDT margin of the group improved to 35.63% in FY24 as against 29.75% in FY23. On the back of higher ARR and healthy OR in the current year, further improvement in revenue and profitability is expected in FY25.

Marketing and Management agreement with Marriott and Hilton

SLDPL's operational risk is mitigated to a large extent by the marketing-cum-management agreement with USA-based luxury hotel chain "Marriott" under the brand "Jaipur Marriott" for a term of 30 years (till 2032) with automatic renewals of two '10 year' terms. NBPL has also entered into an operating service agreement with luxury hotel chain "Starwood" which is now part of "Marriott" for its brand "Le Meridien" for a term of 30 years (till 2049) with an option of renewals of two '10 year' terms. The hotel is marketed under the name of "Le Meridien Hyderabad". As a member of the Marriott International network, both hotels enjoy benefits like advertising, promotional programs for the hotel on a global basis and access to Marriott's reservation system and loyal customer base. Furthermore, for the newly constructed hotel at Udaipur, Rajasthan and under construction hotel at Bangalore, Karnataka, the group has contracts with Marriott and Hilton respectively.

Strategic location of both the operational hotel properties

The hotel under SLDPL is located strategically near Jaipur airport and is in proximity to Sitapura Industrial Area, one of the key industrial areas of Jaipur. Further, Jaipur is a traditional leisure destination with the hospitality industry thriving on tourist arrivals especially foreign tourist arrivals (FTA). Its hotel under NBPL, which became operational from November 2019, is strategically located in Gachibowli area of Hyderabad in proximity to HITEC City, which comprises of various business institutions including IT companies.

Key weaknesses**Moderate financial risk profile**

Capital structure of the group remained moderate marked by overall gearing of 1.58x at FY24 end as against 1.07x at FY23 end. Furthermore, the adjusted overall gearing (adjusted for investments/loans & advances given to subsidiaries & associate companies, corporate guarantees extended and free cash & liquid investments) stood at 1.73x at FY24 end as against 0.88x at FY23 end. The moderation in the overall gearing was primarily due to addition of TPPL's term debt and additional corporate guarantee extended to group companies by SLDPL.

Debt coverage indicators of the group continued to remain moderate marked by PBILDT interest coverage of 4.33x in FY24 as against 4.08x in FY23. Also, total debt/GCA remained moderate at 4.85x in FY24 as against 4.49x in FY23.

The financial risk profile is expected to continue to remain moderate over the medium term on the back of disbursement of term loan for both the projects in FY25 and FY26.

On-going large sized debt-funded capex

Under TPPL, the group is setting up a new 267-room hotel at Bangalore, Karnataka with management contract signed with Hilton. The hotel is getting constructed over a land parcel of 31,513 square meter with projected cost of Rs. 223.76 crore, funded through term loan of Rs. 150 crore, share capital of Rs. 30 crore and balance Rs. 43.76 crore through unsecured loans. Thus, debt to equity ratio of the project stands at 2.03:1. As on September 30, 2024, as per CA certificate, TPPL has incurred total cost of Rs 80.23 crore i.e. ~36% of the total project cost. The project is expected to get operational from October 01, 2025.

Furthermore, in January 2025, SLDPL concluded setting up a new hotel at Udaipur wherein the management contract is with Marriott Group of hotels. The said hotel has 230 room keys and is expected to get operational in February or March 2025, in line with the expectation. The 'Marriott Udaipur' is constructed over a land parcel of 37,758 square meter within the budgeted cost of Rs.266.00 crore. The project is concluded within the budgeted cost and time parameters.

Implementation of Bangalore hotel and scaling up of both the hotel properties remains a key rating monitorable.

Macro-economic factors and seasonal uncertainty

The group is exposed to the 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 cyclicity in the hospitality industry. These risks can impact the occupancy rate of the hotels and thereby impact the profitability. Further, industry is highly competitive in nature with presence of large number of organized and unorganized players in the market along with online aggregators.

Liquidity: Adequate

The group's liquidity is adequate as the group has cushion available in the form of unutilized portion of its fund-based working capital limits, as the average utilization of its limit stood low at ~12% and ~18% in SLDPL and NBPL respectively during the last 12 months ending November 30, 2024. Additionally, the group generated the cash flow from operation of Rs.63.50 crore (Rs.81.18 crore in FY23). Furthermore, the group has free cash and liquid investments of Rs.88.11 crore as on March 31, 2024. Going forward, the group's cash accruals is envisaged to be in the range of Rs.60-80 crore, as against its committed debt repayment of Rs.21-31 crore.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

About Serveall Land Developers Private Limited

Serveall Land Developers Private Limited (SLDPL) was incorporated in January 1993 by the 'Soin family' of Delhi and subsequently in September 2002, it was taken over by Dangayach group (DG) based out of Rajasthan through their holding company Dangayach Hotels Private Limited (DHPL). SLDPL owns a 366-room deluxe hotel property in the name of 'Hotel Jaipur Marriott' at Jaipur, Rajasthan. Apart from hospitality, DG also has interest in the business of jewellery and real estate in Rajasthan. SLDPL commenced commercial operations from April 2011 onwards under the brand name 'Jaipur Marriott'. The hotel has 366 rooms, 4 restaurants, 6 banquet halls and amenities like spa and health club.

Combined Financials:

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (UA)
Total operating income	199.37	229.88	102.63
PBILDT	59.32	81.91	NA
PAT	45.26	31.33	NA
Overall gearing (times)	1.07	1.58	NA
Interest coverage (times)	4.08	4.33	NA

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not available

Standalone Financials (SLDPL):

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	122.90	136.22	55.38
PBILDT	28.34	43.86	NA
PAT	27.95	19.76	NA
Overall gearing (times)	1.66	1.87	NA
Interest coverage (times)	5.37	3.89	NA

A: Audited UA: Unaudited; Note: these are latest available financial results; NA: Not 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 (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		-	-	-	18.00	CARE BBB+; Stable
Fund-based - LT-Bank Overdraft		-	-	-	95.54	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	31-12-2036	223.19	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	3.27	CARE A3+

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	223.19	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB; Stable (16-Dec-22) 2)CARE BBB; Negative (07-Apr-22)	1)CARE BBB; Negative (07-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	3.27	CARE A3+	-	1)CARE A3+ (05-Jan-24)	1)CARE A3+ (16-Dec-22) 2)CARE A3+ (07-Apr-22)	1)CARE A3+ (07-Apr-21)
3	Fund-based - LT-Bank Overdraft	LT	18.00	CARE BBB+; Stable	-	1)CARE A3+ (05-Jan-24)	1)CARE A3+ (16-Dec-22) 2)CARE A3+ (07-Apr-22)	1)CARE A3+ (07-Apr-21)
4	Fund-based - LT-Bank Overdraft	LT	95.54	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB; Stable (16-Dec-22) 2)CARE BBB; Negative (07-Apr-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	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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