Shekhar Resorts Limited

February 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	325.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to long-term bank facilities of Shekhar Resorts Limited (SRL) derives strength from the financial support provided by the company's parent entity, NCJ Infrastructure Private Limited (NIPL), which holds a 9.65% shareholding in PNC Infratech Limited. NIPL and promoters have extended financial assistance in the form of unsecured loans and ICDs, which shall remain subordinated to bank debt throughout the loan tenure, reflecting positively on the credit profile of SRL.

Ratings are also supported from the long-term management contract with the globally recognised brand 'Fairmont' of Accor Hotel Group which will fetch better footfall and higher rentals for the upcoming hotel property with 212 keys under SRL across 15.74 acres situated in close vicinity of Taj Mahal at Agra, Uttar Pradesh. Ratings also draw comfort from the current positive outlook of the hospitality sector and presence of the entity in Agra location which is a heritage tourism hub and an emerging hospitality market.

However, these rating strengths are partially offset by the project implementation and stabilisation risk involving total project cost of ₹468.50 crore funded through senior debt of ₹325 crore and remaining from promoter's contribution. Ratings also remained constrained by the highly competitive hospitality sector with no prior experience of promoters in hotel segment and limited scalability due to single-location and single-property model.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion and commissioning of project within envisaged timelines resulting in overall improved credit profile.

Negative factors

- Delay in infusion of promoter's contribution impacting negatively or delaying the project completion.
- Cost escalation or time overrun in the scheduled implementation of the project delaying cash flow generation.

Analytical approach: Standalone

However, ratings factor in the need-based funding support from the holding company, NCJ Infrastructure Private Limited.

Outlook: Stable

'Stable' outlook reflects SRL will continue to derive support from the strong financial flexibility of its promoter group and expected to generate better occupancy and rentals based on brand equity of Fairmont of Accor Group.

Detailed description of key rating drivers:

Key strengths

Resourceful promoter

Shekhar Resorts Limited (SRL) is entirely owned by NCJ Infrastructure Private Limited (NIPL), a company holding 9.65% shareholding of PNC Infratech Limited. The promoters remain steadfast in extending support for SRL, demonstrated through the management's undertaking to subordinate their unsecured loans and inter-corporate deposits (ICDs) in SRL and assurance to inject additional funds as needed to bridge financial gaps for the project.
As on September 30, 2024, the company has received a total infusion of ₹130.54 crore in the form of equity, unsecured term loans and ICDs. Going forward, ₹12-13 crore will be further infused by the promoters as and when required.

Association with the well-known luxury hotel brand 'Fairmont' with Accor group

The proposed "Fairmont Agra" will be developed on a 15.74-acre site in Tajganj, Fatehabad Road, Agra. The site is secured and currently houses a 100-key hotel. Under a management agreement with the Accor Group, the new resort will be constructed in a

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

block-based layout, expanding the total capacity to 212 rooms. Notably, the proposed 212 key resort will offer an exclusive vegetarian experience in a market like Agra, catering a niche yet growing demand.
This development strategically positions the property within Agra's luxury hospitality segment, alongside other esteemed establishments. Fairmont, a globally recognised luxury brand, strengthens SRL's marketability, mitigates off-take risk, and provides revenue visibility in Agra's competitive hospitality market. Accor will levy a management fee, inclusive of an incentive fee and sales and marketing fee, totalling ~6% of the total operating revenue.

Financial closure achieved with waterfall mechanism
The company has secured financial closure for the project, which entails a total cost of ₹468.50 crore. Of this, ₹325 crore is being financed through term debt from UCO Bank, with ~₹27 crore disbursed as on January 2025. The loan has a door-to-door tenure of 18 years, including a moratorium period of 3.5 years, with repayments scheduled to commence from Q4FY28.
All disbursements and project-related cash flows will be managed in accordance with the TRA agreement, following the predefined waterfall mechanism, and the borrower is prohibited from opening additional bank accounts. Debt Service Reserve Account (DSRA) equivalent to three months of debt obligations must also be maintained within one year of the Commercial Operations Date (COD).

Key weaknesses

Project execution and stabilisation risk
The company commenced project construction in April 2024, which involves revamping of the existing building and additional construction to accommodate 112 new rooms. The group is a new entrant in the hospitality sector, aiming to capitalise on the sector's strong growth potential. The COD is tentatively expected to be achieved by early FY27. However, this risk is partially mitigated by SRL's strong promoter group, with NIPL committed to covering funding shortfalls.
Delays or cost overruns could adversely impact cash flow generation, making project timelines and cost management key monitorable.

Single property and single location risk
As a single-location, single-property entity, SRL is exposed to concentration risk. However, its prime location in Agra—a globally renowned heritage tourism hub—partially mitigates this risk. Strategically situated in Tajganj, the property benefits from excellent accessibility, being 2.9 km from the Taj Mahal, 5.5 km from Agra Fort, 8.1 km from Agra Cantt Railway Station, and 10.7 km from Agra Airport. The company's revenue generation depends on this single property, limiting long-term revenue visibility and exposing it to location-specific risks.

Liquidity: Adequate
SRL's liquidity profile is adequate, supported by promoter fund infusions, with ₹130.54 crore infused in the form of equity, unsecured loans and ICDs as on September 30, 2024. The company has secured a ₹325 crore term loan from UCO Bank (~ ₹300 crore still undisbursed as of January 2025). The repayment obligations for this term loan are structured favourably, with principal repayments commencing only in Q4 FY28. The scheduled repayments include ₹2.5 crore in FY28, followed by ₹10-12 crore annually in FY29 and FY30, which provides the company with a sufficiently long gestation period to stabilise operations and generate cash flows. The total project cost includes interest in construction (IDC), reducing immediate cash flow pressures.
The company is expected to commence operations from FY27, and its liquidity remains contingent on the timely infusion of funds by promoters as and when required, the successful completion, stabilisation, and revenue streamlining of the project.
One quarter DSRA is to be built up, from the cash accruals after meeting the debt service obligations within one year of COD.

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hotels & Resorts
Financial Ratios – Non financial Sector
Service Sector Companies
Factoring Linkages with Parent
Project Stage Companies

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Leisure services	Hotels and resorts

SRL is a project-stage entity promoted by NCJ Infrastructure Private Limited (NIPL) which is holding 9.65% of the PNC Infratech Limited. The company plans to develop a 212-key resort in Agra, offering an exclusive vegetarian experience to cater a niche yet growing market segment. The resort is expected to achieve its Commercial Operations Date (COD) in FY27.
Originally incorporated on October 15, 1997, SRL was acquired by NIPL through a resolution process under the National Company Law Tribunal (NCLT) in 2020. As part of the acquisition, the required settlement amount was paid to banks, creditors, and employees, while statutory liabilities were discharged in accordance with the approved resolution plan.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1.25	0.00	0.00
PBILDT	-1.18	-0.59	-0.22
PAT	-5.32	1.34	-0.22
Overall gearing (times)	-4.03	-4.23	-4.30
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited NM: Not meaningful; 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
Term Loan-Long Term		-	-	31/03/2043	325.00	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	Term Loan-Long Term	LT	325.00	CARE BBB; Stable				

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	Term Loan-Long Term	Simple

Annexure-5: Lender details

To 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.

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