Ruchi Hospitality Private Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	64.45	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation to the rating assigned to the bank facilities of Ruchi Hospitality Private Limited (RHPL) factors in the negative net worth base along with moderate debt coverage indicators of the entity, competitive and cyclical nature of the business with high dependence on economic cycles. However, the rating factors in improving scale of operations supported by uptick in travel resulting in improved occupancy levels and revenue per occupied bed (RevPAR), tie up with international hotel brands for branding, marketing and operating properties coupled with promoter's extensive experience in hospitality space and demonstrated support from promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in operational performance as reflected by a TOI of more than Rs. 65 crores on a sustained basis
- Improvement in the capital structure of the company as reflected by an overall gearing of less than 1.00x on a sustained basis

Negative factors

- Deterioration in the capital structure of the company as marked by an overall Gearing of above 2.00x on a sustained basis
- Deterioration In the operational performance of the company as reflected by TOI of less than Rs. 60 crores on a sustained basis

Analytical approach: Standalone. CARE had earlier taken a view of the combined financials of Shanti hospitality Private Limited (Shanti) and RHPL owing to Common management and entities being in same line of business with loans and advances given from Shanti to RHPL. However, since the line of business of Shanti has changed, CARE has changed its approach to Standalone while analysing RHPL.

Outlook: Stable

CARE Ratings believes that the entity shall benefit from the extensive experience of its promoters in the hospitality industry and its brand tie up with Hyatt.

Detailed description of key rating drivers:

Key weaknesses

Modest financial risk profile

The net worth base of the company stood negative at Rs. -Rs. 2.56 crores as on March 31, 2024. The debt coverage metrics of the company also stood moderate as marked by interest coverage ratio of 3.67x as on March 31, 2024, as compared to 6.19x as on March 31, 2023. Furthermore, the total debt/ Gross Cash Accruals of the company improved to 7.58x as on March 31, 2024, as compared to 9.72x as on March 31, 2023.

Vulnerability of revenues to inherent industry cyclicality, economic cycles and exogenous events

Operating performance of the property remains vulnerable to seasonal industry, general economic cycles and exogenous factors (geo-political crisis, terrorist attacks, disease outbreaks, etc.). Nonetheless, the risk to revenue is partially mitigated by RHPL's property located in prominent business district, which allows it to withstand any demand vulnerability related to a particular micro market.

Geographical concentration risk due to single property operations of RHPL

RHPL is exposed to geographic concentration risk as it operates a single hotel property in Ahmedabad. There exists stiff competition among premium hotels in Vadodara which are in nearby vicinity and focus majorly on catering to corporate clients. Consequently, it is inherently exposed to changes in economic and industrial growth in the region.

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

Key strengths

Improvement in operational performance

Total operating income of the group has improved to Rs. 58.30 crores as on March 31, 2024, from Rs. 53.16 crores in the previous fiscal. Further, profitability margins of the company have also improved, with PBILDT and PAT margin improving by 308 basis points and 554 basis points respectively in FY24 (refers to April 01, 2023, to March 31, 2024). This fiscal both Average Room rate (ARR) and Revenue per Available Room (RevPAR) have improved by nearly 9% and 8% respectively compared to FY23.

Favourable location backed by strong catchment area with limited property and geography concentration risk

The hotel property is located in commercial centre i.e. Vadodara to attract target business travellers. The hotel has a good connectivity with Airport and outer ring road. The property is situated in Fatehgunj from where the local markets is at walking distance and tourist places are within the proximity of 10-15 Km from the property.

Tie-up with Hyatt

RHPL entered into technical, operating, marketing and royalty agreement with HYATT vide which the hotel project was run under the premium banner of "HYATT". The agreement with Hyatt India Consultancy Private Limited is valid for 20 years i.e. till March 2033 and can be extended by another 10 years upon the mutual consent of both the parties. Further based on the operational service agreement between the Hyatt and RHPL, 1% of annual gross revenue has passed on to Hyatt. Hyatt is one of the world's leading lodging companies with worldwide presence.

Experienced promoters with long track record in the hospitality industry

Shanti hospitality group is promoted by Dhairya Choudhrie and Bhanu Choudhrie through their promoted overseas companies. Both the promoters have rich experience in diverse segments of businesses, which include real estate development, hospitality, healthcare, agriculture and venture funding. The promoters are supported by professionals having substantial experience in the hospitality industry. The Shanti Hospitality group operates under various brands including Nira Hotels & Resorts, Ananda in the Himalayas, Amritara Hotels, Nidra Hotels. The current portfolio and pipeline projects of Shanti Hospitality group are spread across the Asian and European continents.

Liquidity: Adequate

The liquidity of the company remains adequate marked by free cash and liquid investment of Rs.7.19 Cr as on March 31, 2024. In case of any exigency, the promoters are committed to infuse funds for the operational and financial requirement of the company. Furthermore, RHPL on a standalone basis is expected to have gross cash accruals of approximately Rs.16-17 crores as against term debt obligation of Rs. 9.68 crores during the next financial year.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Hotels & Resorts]
[Financial Ratios – Non financial Sector]

About the company and industry

Industry classification

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

RHPL, a wholly owned subsidiary of Shanti, owns a 5-star hotel (with 178 rooms, 2 restaurants, all day café, banquet hall, meeting room, health spa and a swimming pool). RHPL started commercial operations in September 2012 with IHHR Hospitality Private Limited managing and operating the hotel operations under the brand name of 'ISTA'. However, in October 2012; RHPL and Hyatt India Consultancy Pvt. Ltd. (HICPL) have entered into hotel operation service agreement and the hotel was rebranded as 'Hyatt' in March 2013.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	12MCY24 (UA)
Total operating income	53.16	58.30	61.37
PBILDT	14.25	17.42	NA
PAT	4.07	7.72	NA
Overall gearing (times)	-11.08	-41.68	NA
Interest coverage (times)	6.19	3.67	NA

A: Audited UA: Unaudited NA: Not Available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2026	64.45	CARE BB+; 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-Term Loan	LT	64.45	CARE BB+; Stable	-	1)CARE BB+; Stable (19-Mar-24) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (02-Jan-24)	1)CARE BB; Stable (07-Nov-22) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (06-Jun-22)	-

*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

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

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Abhay Wanchoo Analyst **CARE Ratings Limited** E-mail: Abhay.Wanchoo@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in