

Sankalp Recreation Private Limited

April 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	64.21	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	32.79	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sankalp Recreation Private Limited (SRPL) derive strength from experienced promoter and management team, established brand presence with geographically diversified revenue stream, moderate capital structure as well as debt coverage indicators and adequate liquidity.

The above rating strengths, however, are tempered by its moderate scale of operations, volatile albeit healthy profitability, intense competition and fragmented nature of the restaurant industry along with exposure to group entities in the form of loans and advances which however reduced as on FY25 end (refers to the period April 1 to March 31).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income above Rs. 250 crores with PBILDT margin of more than 15% on a sustained basis.
- Improvement in debt coverage indicators with PBILDT interest coverage over 5x

Negative factors

- Moderation in scale of operations or PBILDT margin below 10% on sustainable basis
- Significant deterioration in the financial risk profile with PBILDT interest coverage below 3x and total debt/ GCA above 4x on sustained basis.
- Any significant extension of loans and advances resulting in moderation in capital structure.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the entity is likely to maintain its brand presence in the HoReCa (Hotel, Restaurant, and Catering) segment coupled with favourable demand scenario enabling it to sustain its operational performance in the medium term.

Detailed description of key rating drivers

Key strengths

Experienced promoter and qualified management team

SRPL, flagship company of the Sankalp Group, was established in 1980 and is a prominent player in the HoReCa industry. Promoted by Mr. Kailash Goenka, the group has over three decades of experience in hospitality and restaurants business. Sankalp Group has diversified presence across sectors such as hospitality, processed food manufacturing, and real estate development in Ahmedabad, Gujarat. The management is well-supported by a qualified and experienced team in managing day to day operations.

Established brand presence with geographically diversified revenue stream

SRPL is engaged in the business of operating restaurants (both owned and on franchise model), hospitality & banqueting services, catering services to IRCTC (Indian Railway Catering and Tourism Corporation) and is also engaged in manufacturing of spices & frozen foods. Over a period of time, SRPL expanded its restaurant chain under the brand name of 'Sankalp', with opening more branches and diversifying into North Indian, Pizza, and Multi-cuisine restaurants. As on March 25, 2025, SRPL operated 213 restaurants including 14 owned and 199 franchisee across India and globally in countries like USA, Canada, Australia and New Zealand. Furthermore, SRPL ventured in hospitality sector by opening Ramada, Ahmedabad, a 4-star hotel and then added 2 more hotels under the same brand i.e. 'Ramada Encore' near the Statue of Unity and 'Ramada Namo' at Narendra Modi Stadium. The occupancy rate (OR) from the above properties remained healthy in the range of 70% to 80% and average room revenue (ARR) remained in the range of Rs. 4000 to Rs. 5000 during 10MFY25.

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

Moderate capital structure and debt coverage indicators

SRPL's capital structure stood moderate with an overall gearing of 0.95x (P.Y.: 1.11x) as on March 31, 2024. Adjusted overall gearing, excluding the loans & advances extended from SRPL's net worth to its associate – Sankalp In (SKI; rated CARE BBB, Stable), stood negative as on March 31, 2024. However, as per the provisional financials for FY25, SRPL has recouped loans and advances extended to group entities; outstanding of which stood at Rs.22.88 crore as compared to Rs. 66.82 crore as on FY24 end. With this, SRPL, overall gearing stood at 1x and adjusted overall gearing stood at 1.40 times as on March 31, 2025. SRPL's debt coverage indicators were also moderate with PBILDT interest coverage of 4.44x and total debt to GCA of 3.73 years in FY25.

Key weaknesses

Moderate scale of operations with volatile albeit healthy profitability

Over the past four years ending FY24, SRPL achieved a CAGR of 22.72% in total operating income, reaching ₹127.81 crore in FY24, a 28% y-o-y increase. This growth was driven by higher franchise income, increased frozen food sales and a new IRCTC catering contract. Due to COVID-19 pandemic, SRPL's PBILDT margin was impacted in FY21 & FY22 but subsequently recovered to 21.74% in FY23 due to a hospitality sector rebound. However, in FY24, due to rising costs, PBILDT margin again moderated to 13.56%.

As per the provisional financials for FY25, SRPL reported a TOI of ₹176.04 crore with PBILDT & PAT margin of 19.25% and 10.55% respectively.

Going forward, CARE Rating expects growth in scale of operations with increase in share of restaurant and processed food division owing to increase in number of restaurants and franchises along with sustenance of healthy PBILDT margin.

Loans & advances extended to associate entities

SRPL had extended loans to its associate i.e. SKI which is engaged in real estate and hospitality industry. While these loans have been extended out of the surplus funds available with SRPL, it exposes the company to risks involved in these businesses. As on March 31, 2025, the outstanding of these loans & advances stood at Rs. 22.88 crore (PY: Rs.66.82 crore) and formed more than ~29% of SRPL's net worth as on that date. The company anticipates recovering the remaining balance of these loans and advances by Q1FY26. Going forward, the management has stated that no loans or advances shall be extended from SRPL. Future policy of SRPL regarding extending loans along with timely recovery would be a key rating monitorable.

Impact of macro-economic factors and seasonal uncertainty on hospitality sector

The company is exposed to 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 lead to inherent cyclicalities in the hospitality and restaurant industry. These risks can impact the occupancy rate of the hotel and thereby the company's 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. These risks have been partially mitigated by the company with rebranding of its hotel to 'RAMADA' and restaurant chain to 'SANKALP' which has a strong brand image.

Liquidity: Adequate

The company's liquidity position remained adequate marked by sufficient gross cash accrual of more than Rs.30 crore expected in FY26 against repayment of ~Rs.11 crore and moderate utilisation of working capital facilities. The company has maintained the free cash and bank balance of Rs. 1.78 crore and Rs. 6.21 crore as on March 31, 2024 and March 31, 2025 respectively. The company's working capital utilization was moderate at 80% to 90% for past twelve months ending February 2025. Further, the operating cycle of the SRPL stood comfortable at 15 days in FY24.

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](#)

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About the company and industry

Industry classification

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

Sankalp Recreation Private Limited (SRPL), incorporated in 1980, is a flagship company of Sankalp group with well-established presence in the travel and hospitality industry. The company is promoted by Mr Kailash Goenka who has an experience of over four decades in hospitality sector. SRPL is engaged in business of operating restaurants (both owned and on franchise model), hospitality & banqueting services, catering services to IRCTC (Indian Railway Catering and Tourism Corporation) and is also engaged in manufacturing of spices & frozen foods. The company manufactures an extensive array of products such as cooking spices, masala mix, pickles, jams, ketchups, chutney, ready-to-eat and instant food mixes, frozen food, snacks, and sauces.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Prov)
Total operating income	99.57	127.81	176.04
PBILDT	21.64	17.33	33.89
PAT	13.65	13.10	18.58
Overall gearing (times)	1.11	0.95	1.00
Interest coverage (times)	4.91	2.82	4.44

A: Audited Prov: Provisional; 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-Bank Overdraft		-	-	-	34.95	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	December 2030	29.26	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	32.79	CARE BBB-; Stable / 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 2025-2026	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	32.79	CARE BBB-; Stable / CARE A3				
2	Fund-based - LT-Term Loan	LT	29.26	CARE BBB-; Stable				
3	Fund-based - LT-Bank Overdraft	LT	34.95	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	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	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 Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Anuja Parikh Associate Director CARE Ratings Limited Phone: 079-40265616 E-mail: anuja.parikh@careedge.in Puja Dilip Joshi Assistant Director CARE Ratings Limited E-mail: puja.joshi@careedge.in
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About us:

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