

Chelsea Resorts Private Limited (Revised)

June 27, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total Bank Facilities	30.00 (₹ Thirty Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Chelsea Resorts Private Limited are constrained due to project implementation risk with pending financial closure for debt and large amount of promoter equity to be infused. However, the rating derives strength from favourable location of property in Kasauli town, Tie up with Hyatt International for technical and managerial assistance and resourceful promoter group.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Financial Closure of the debt for project funding
- Completion of the project within the stipulated timeline and cost estimate

Negative factors – Factors that could lead to negative rating action/downgrade:

- Delay in completion of the project beyond one year
- Cost overrun beyond 15% of the total project cost

Detailed description of the key rating drivers

Key rating strengths

Favourable location of the property: The hotel is located in a prime area in Kasauli town nearby Garkhal Chowk, Himachal Pradesh. Kasauli is a major tourist attraction in North India and due to limited construction activity being allowed, there are very few 4-star and 5-star properties in the area, thereby providing benefit to the company.

Tie up with Hyatt International: The company has tied up with Hyatt Hotels for the management of the property for period of 35 years. Under the said agreement Hyatt will be managing the entire operations of the company in lieu of fee based on percentage of the revenue.

Resourceful promoter group: The company is a part of Chelsea group having Chelsea Mills (CARE BBB; Stable / CARE A3) an export-oriented garment manufacturing company in India. Apart from this the promoters of the company are resourceful and has infused unsecured loan of Rs.17.4cr and equity of Rs 2.71cr till March 31, 2022.

Key rating weaknesses

Project implementation risk: The company is implementing a 92-room hotel project in Kasauli, HP at total project cost of Rs 69.28. proposed to be funded through debt of Rs 30.00cr and remaining through equity/unsecured loan. As on March 31, 2022, the company has incurred Rs. 22cr on the development of the project funded through equity/unsecured loan and the civil structure of the hotel is complete along with one mock room. The company has proposed to complete the hotel by September, 2023. However, considering that major fixture and furnishing work is yet to be completed along with the pending equity infusion, there is considerable amount of project risk.

Pending financial closure: The project is proposed to be funded through debt of Rs 30.00cr, for which the financial closure is pending and the company has applied for the debt with the banker, however the same is yet to be sanctioned.

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

Post-implementation risk associated with the project: Timely completion of the project with stabilization and streamlining of revenue remains to be seen. The efficiency of the management to operate the resort will play an important role in determine the profitability of the project.

High level of competition: The Indian hospitality industry is highly fragmented and region specific in nature with presence of large number of organized and unorganized players spread across all regions. Leisure destinations like Kasauli are highly dependent on tourist arrivals and it receives a mix of domestic as well as foreign tourists during the season. Apart from this, Similar geographical locations are available nearby like Parwanoo, Baddi, Shoghi, Solan, Shimla, etc and Similar type of upscale full-service resorts are also available like Surya Vilas Luxury Resorts, Forest Hill Resort, Ramada, Taj Theog Resort & SPA, etc.

Liquidity: Stretched

Presently the company is under project phase and is highly dependent on the timely infusion of equity/unsecured loan by the promoters and the sanction of bank loan for completion of the project. Any delay in the fund infusion, can lead to further delay in the project completion which can lead to cost overrun

Analytical approach: Standalone

Applicable criteria

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Hotel](#)

[Project stage companies](#)

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

About the company

Chelsea resorts private limited was incorporated on August 25, 2004. It is a group company belonging to Chelsea group whose flagship company is Chelsea Mills LLP (CARE BBB; Stable / CARE A3). Chelsea Mills LLP is one of the leading garment manufacturing company of India incorporated on 1978 by Mr. M K Jain (Founder & MD) and Mr. Rishabh Jain (Director). The promoters had decided to diversify from garment manufacture to hospitality sector with Chelsea resort private limited. The hotel which has to be made is going to be an upscale full-service resort.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)
Total operating income	0.00	0.00
PBILDT	-0.01	-0.11
PAT	-0.24	-0.12
Overall gearing (times)	6.18	7.40
Interest coverage (times)	-0.06	-146.64

A: Audited; P: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Term Loan-Long Term		-	-	May, 2033	28.00	CARE BB-; Stable
Non-fund-based - LT-BG/LC		-	-	-	2.00	CARE BB-; Stable

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Term Loan-Long Term	LT	28.00	CARE BB-; Stable	-	-	-	-
2	Non-fund-based - LT-BG/LC	LT	2.00	CARE BB-; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Non-fund-based - LT-BG/LC	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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