

Rating Update

November 11, 2024 | Mumbai

Jindal hotels limited

Update as on November 11, 2024

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Sustained improvement in operating margins to 30%, leading to higher cash accruals.
- Improvement in working capital cycle, with lower gross current asset days.

Downward factors:

- Non achievement of 15% growth in revenue and lower profitability margin below 25 %.
- Large debt-funded capital expenditure weakening the capital structure.
- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Jindal hotels limited (JHL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

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Rating Rationale

September 01, 2023 | Mumbai

Jindal Hotels Limited

'CRISIL BBB-/Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating	CRISIL BBB-/Stable (Assigned)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BBB-/Stable**' rating to the long-term bank facilities of Jindal Hotels Limited (JHL).

The rating reflects JHL's the extensive industry experience of the promoters in the hotel industry and benefits expected to be derived from alliance with the Accor group of hotels. These strengths are partially offset by its exposure to geographic concentration in the revenue profile, working capital intensive operations and weak financial risk profile of JHL.

Analytical Approach

CRISIL ratings has considered standalone financials of Jindal Hotels Limited for deriving at the bank loan ratings. The unsecured loans up to the extent of Rs. 6.1 crores extended by the promoters as on 31st March 2023, have been treated as neither debt nor equity as it is maintained more or less on similar lines over last three fiscals.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive industry experience of the promoters:** The promoters have more than three decades of experience in the hotel industry; their strong understanding of market dynamics and healthy relationships with customers and suppliers should continue to support the business. Revenue was comfortable at Rs 41.13 crore in fiscal 2023, led by over 50% of the total bookings from corporate clients. Catering services of the company are well reputed in Vadodara, Gujarat.
- **Benefits to be derived from alliance with Accor group of hotels:** Corporate tie-up with the Accor group of hotels should help JHL improve its occupancy ratio and average room rate. Using the central reservation system of the group will help target a wider clientele and open up avenues for corporate bookings across the nation. The brand has a strong goodwill in the European market and foreign multinational companies; thus, a major bulk of the total bookings come from corporate clients

Weaknesses:

- **Geographic concentration in revenue profile:** The entity only operates a one hotel in Vadodara. Dependence on a single location exposes the company to any adverse change in demand-supply situation and event risk. Moreover, the hospitality industry is susceptible to downturns in domestic and international economies. During weaker periods, revenue per available room for premium and mid-segment hotels get more acutely affected than economy hotels.
- **Weak financial profile:** Financial risk profile is likely to remain constrained by low cash accrual. Gearing stood high at 2.8 times and total outside liabilities to adjusted net worth ratio at 3.33 times as on March 31, 2023. Debt protection metrics were subdued, with interest coverage ratio of 2.26 times and net cash accrual to total debt ratio of 0.11 time for fiscal 2023.

Liquidity: Adequate

Liquidity should remain supported by the ample surplus available in cash accrual and bank lines. Bank limit utilization was 45.14% for the 12 months through June 2023. Cash accrual is projected at more than Rs 9 crore per annum, against yearly debt obligation of Rs 3.2 crore over the medium term. Current ratio was 0.96 time on March 31, 2023. The promoters are likely to continue extending timely, need-based funds (equity and unsecured loans) to aid financial flexibility whenever required.

Outlook: Stable

CRISIL Ratings believe JHL will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

Rating Sensitivity factors**Upward factors**

- Sustained improvement in operating margins to 30%, leading to higher cash accruals.
- Improvement in working capital cycle, with lower gross current asset days.

Downward factors

- Non achievement of 15% growth in revenue and lower profitability margin below 25 %.
- Large debt-funded capital expenditure weakening the capital structure.
- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.

About the Company

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Key Financial Indicators

As on / for the period ended March 31		2023 (Audited)	2022 (Audited)
Operating income	Rs crore	41.66	29.89
Reported profit after tax	Rs crore	2.07	-2.4
PAT margins	%	5.0	-8.0
Adjusted Debt/Adjusted Net worth	Times	2.88	3.58
Interest coverage	Times	2.12	1.26

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Term Loan	NA	NA	Apr-26	47	NA	CRISIL BBB-/Stable
NA	Working Capital Term Loan	NA	NA	Apr-26	3	NA	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	50.0	CRISIL BBB-/Stable		--		--		--		--	Withdrawn
Non-Fund Based Facilities	ST		--		--		--		--		--	Withdrawn

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	47	HDFC Bank Limited	CRISIL BBB-/Stable

Working Capital Term Loan	3	HDFC Bank Limited	CRISIL BBB-/Stable
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Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
CRISILs Criteria for rating short term debt
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