

Rating Advisory

August 24, 2020 | Mumbai

Regent Resorts and Properties Private Limited

Advisory as on August 24, 2020

This rating advisory is provided in relation to the rating of Regent Resorts and Properties Private Limited

The key rating sensitivity factors for the rating include:

- Occupancy levels and average room revenue (ARR)
- Capex plans and their funding
- Operating margin

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Regent Resorts and Properties Private Limited (RRPPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If RRPPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt.Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/CIR/P/2017/71dt.June 30,2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

RRPPL was established in 1998 by Mr Ravi Parikh, Mr Atul Taunk, and their family members. The company owns a 69-room hotel, The Sonnet, in Jamshedpur, and a 64-room hotel in Kolkata in the same name. The Jamshedpur operations commenced from 1999 and the Kolkata operations from February 2010.

Please note: This advisory should not be construed as a rating reaffirmation.

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Rating Rationale

June 11, 2019 | Mumbai

Regent Resorts and Properties Private Limited

Ratings upgraded to 'CRISIL BBB-/Stable/CRISIL A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.25.25 Crore
Long Term Rating	CRISIL BBB-/Stable (Upgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A3 (Upgraded from 'CRISIL A4+')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its ratings on bank facilities of Regent Resorts and Properties Private Limited (RRPPL) to '**CRISIL BBB-/Stable/CRISIL A3**' from 'CRISIL BB+/Stable/CRISIL A4+'.

The upgrade reflects sustained improvement in RRPPL's business and financial risk profiles, driven by steady growth in revenue and stable profitability on account of sustained increase in occupancy level for the last 3 fiscals. Equipped with all modern facilities, the occupancy level is expected to steadily rise over the medium term. Financial risk profile is also likely to remain healthy, aided by improved networth and capital structure, and absence of any large debt-funded capital expenditure (capex) plans. Sufficient cash accrual against no maturing debt and available cushion in the bank limit, will support liquidity.

The ratings also reflect the company's established market position. These strengths are partially offset by exposure to risks related to geographical concentration, intense competition and cyclicity in the hospitality industry.

Key Rating Drivers & Detailed Description

Strengths

* **Above-average financial risk profile:** Financial risk profile is healthy, marked by a comfortable capital structure and robust debt protection metrics. Networth is estimated around Rs 28.5 crore as on March 31, 2019, with minimal gearing. Interest coverage should remain healthy estimated around 16 times in fiscal 2019.

* **Established market position and extensive experience of promoters:** Benefits from the promoters' experience of close to two decades, their strong understanding of local market dynamics, and the company's established presence with hotels at Jamshedpur and Kolkata, should continue to support the business.

Weakness

* **Exposure to high risk of geographical concentration:** Since the hotels are based in Kolkata and Jharkhand, any location-specific demand constraint or force majeure event can weaken business prospects and performance.

* **Susceptibility to intense competition and cyclicity in industry:** The hotel industry remains vulnerable to trends in the domestic and international economies, as was seen in fiscal 2009, when occupancy rates and average room rentals dropped significantly, because of recessionary conditions; this led to several corporate clients trimming their budgets, and significant losses for players like RRPPL. Intense competition may also continue to restrict scalability and limit pricing power, thereby constraining profitability.

Liquidity

Estimated cash accrual of around Rs 6 crore in fiscal 2019, was sufficient to cover the term debt of Rs 1.4 crore. Cash accrual is likely to improve, in line with higher ARR, against no maturing debt or any major capex plans. Bank limit utilisation was low, averaging 18% in the 12 months through March 2019. Current ratio is expected to be around 1.5 times as on March 31, 2019.

Outlook: Stable

CRISIL believes RRPPL will continue to benefit from its established market presence, and extensive experience of its promoters. The outlook may be revised to 'Positive' if substantial and sustained growth in revenue and profitability or sizeable equity infusion, strengthens the financial risk profile. The outlook may be revised to 'Negative' if steep decline in profitability, or any large, debt-funded capital expenditure, weakens the financial risk profile.

About the Company

RRPPL was established in 1998, by Mr Ravi Parikh, Mr Atul Taunk, and their families. The company owns a 69-room hotel and a 64-room hotel, The Sonnet, in Jamshedpur and in Kolkata, respectively.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	31.83	28.39
Profit after tax (PAT)	Rs crore	2.97	2.53
PAT margin	%	9.3	8.9
Adjusted debt/adjusted networth	Times	-	0.28
Interest coverage	Times	7.83	5.23

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate	Maturity Date	Issue Size	Rating assigned with Outlook
NA	Overdraft	NA	NA	NA	2	CRISIL A3
NA	Bank guarantee	NA	NA	NA	0.5	CRISIL A3
NA	Proposed long-term bank loan facility	NA	NA	NA	22.75	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	24.75	CRISIL BBB-/Stable/ CRISIL A3			29-06-18	CRISIL BB+/Stable/ CRISIL A4+	10-03-17	CRISIL BB-/Stable			CRISIL BB-/Negative
Non Fund-based Bank Facilities	LT/ST	0.50	CRISIL A3			29-06-18	CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	.5	CRISIL A3	Bank Guarantee	.5	CRISIL A4+
Overdraft	2	CRISIL A3	Overdraft	2	CRISIL A4+
Proposed Long Term Bank Loan Facility	22.75	CRISIL BBB-/Stable	Proposed Long Term Bank Loan Facility	20.73	CRISIL BB+/Stable
--	0	--	Term Loan	2.02	CRISIL BB+/Stable
Total	25.25	--	Total	25.25	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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