

No. CARE/ARO/GEN/2022-23/1037

**Mr. Piyush Shah**  
**Director**  
**Jindal Hotels Limited**

Grand Mercure Vadodara Surya Palace,  
Sayajigunj, Vadodara  
Gujarat 390020

June 16, 2022

**Confidential**

Dear Sir,

**Credit rating for bank facilities of Jindal Hotels Limited**

Please refer to our Letter No. **CARE/ARO/RL/2022-23/2069** dated June 13, 2022 on the above subject.

The press release for the ratings is attached at **Annexure – I**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible.

In any case, if we do not hear from you by the end of June 17, 2022, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,



**[Ujjwal Patel]**  
Assistant Director  
[Ujjwal.patel@careedge.in](mailto:Ujjwal.patel@careedge.in)

Encl.: As above

Disclaimer

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**Annexure I**  
**Draft Press Release**  
**Jindal Private Limited**

**Ratings**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	41.55	CARE BB+; Positive (Double B Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Negative
Short Term Bank Facilities	8.00	CARE A4+ (A Four Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>49.55</b> <b>(₹ Forty-Nine Crore and Fifty-Five Lakhs Only)</b>		

Details of facilities in Annexure-1.

**Detailed rationale and key rating drivers**

The ratings assigned to the bank facilities of Jindal Hotels Limited (JHL) continue to remain constrained on account of leveraged capital structure with modest debt coverage indicators, geographical concentration risk along with its exposure to the risks associated with the cyclical and competitive hospitality industry.

The rating, however, continues to derive strength from established track record of operations of its well-located hotel property under the brand name of "Grand Mercure" of Europe-based Accor Group and its tie up with reputed corporate clients. The ratings also take cognizance of improvement in JHL's financial performance during FY22 (Provisional) (refers to the period April 01 to March 31).

**Rating sensitivities**

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

- Sustained growth in its scale of operations with total operating income (TOI) of more than Rs.50 crore along with PBILDT margin of more than 25%
- Improvement in capital structure led by overall gearing ratio to less than 1.5 times along with timely infusion of funds by promoters.

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

- Reduction in occupancy levels over a prolonged period of time, thereby affecting its liquidity & debt coverage indicators.
- Decline in TOI by 20% with continuation of operating losses.
- Delay in infusion of need based financial support from the promoter group

**Outlook: Positive**

The revision in the outlook from 'Stable' to 'Positive' reflects the expected improvement in the financial performance and liquidity profile of the company owing to improvement in RevPar (revenue per room) along with growth in income from food and beverages (F&B) segment. The outlook, however, may be revised to 'Stable' in case of lower than envisaged improvement in JHL's financial performance and deterioration in its liquidity profile.

**Detailed description of the key rating drivers**

**Key rating weaknesses**

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications  
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**Leverage capital structure:** The capital structure of JHL deteriorated and remains leveraged marked by the overall gearing of 3.76x as at FY22 end (3.08x as at FY21 end) on account of erosion of networth due to net losses incurred in FY21. The debt coverage indicators remain modest marked by total debt to GCA and interest coverage ratio improved to 38.11x (9.36x in FY21) and 1.25x (-0.25x in FY21) in FY22 respectively.

**Geographical concentration risk due to single property operations of JHL:** JHL is exposed to geographic concentration risk as it operates a single hotel property in Vadodara. There exists stiff competition among premium hotels in Vadodara which all are located 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.

**Inherent risks associated with cyclical and competitive hospitality sector:** JHL like any other hospitality player is exposed to cyclical nature of the industry, i.e. 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 leads to inherent cyclical nature in the industry. These risks can impact the occupancy rate of the company and thereby the company's profitability.

### **Key rating strengths**

**Experienced promoters with established track record of operations:** Mr. Piyush Shah, Chairman & Managing Director of JHL, is a third-generation entrepreneur and has more than three decades of experience in the hospitality industry. JHL owns a 146 room three-star hotel property 'Surya Palace' at Vadodara, which is operational since 1984. It is operated under the brand name of 'Grand Mercure' under management alliance with Accor group of Hotels (Accor).

**Improvement in scale of operations and profitability:** The TOI of JHL substantially grew by 92% to Rs 29.86 crore in FY22 (PY: 15.55 crore) owing to improvement in occupancy rate and RevPar to 59% and Rs. 1452/room (PY; 37% and Rs. 2208/room) respectively due to ease in travel restrictions.

JHL reported operating profit of Rs. 6.12 crore (PBILDT margin of 20.51%) as against operational loss during FY21 on account of considerable saving on employee cost and other operating expenses. Sustenance of the same with gradual opening of the economy remains a key rating monitorable. Consequently, net losses reduced to Rs.2.40 crore in FY22 as compared to Rs.10.96 crore in FY21.

**Strategic Location advantage and increasing footfall because of SOU tourism:** The hotel property is well-located at Sayajigunj near the central business district of Alkapuri in Vadodara and is well connected with major industrial zones and has easy connectivity to the Railway Station, Airport and various city attractions. Going forward, the footfall is expected to increase due to Statue of unity tourism and convention of one of the banquet halls to Gujarati Thali restaurant.

**Operations managed by Accor Group of Hotels under 'Grand Mercure' and established tie-up with corporate clients:** JHL has entered into a 10-year agreement starting from June 2017 with Accor, one of the largest hotel operators in Europe managing around 7,77,714 rooms spread over 5,300 hotels across 110 countries. Accor, with its global brand presence and well-established marketing set-up, has helped JHL to enhance its corporate clientele as well as in attracting tourists through its marketing channel and loyalty programs. Furthermore, JHL has an established tie-up with a sizeable number of corporate clients located in and around Vadodara and has hosted several national as well as international events and seminars. JHL is also focused on being a favoured location for wedding and corporate events for its banqueting and conference room facilities.

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## Liquidity: Adequate

JHL's liquidity remained adequate marked by cushion available in the form of unutilized OD Limit of Rs.6.15 crore and free cash and liquid investments of Rs. 7.34 crore as on March 31, 2022. In case of any exigency, the promoters are committed to infuse funds for the operational and financial requirements of the company. Further, during FY22, JHL has issued 3,50,000 share warrant of Rs.10 each at a price of Rs.32 each for cash aggregating to Rs.1.47 crore.

JHL has opted for one-time restructuring plan for its term loan instalments from February 28, 2021 onwards wherein principal payment of term loan has been deferred by 24 months (i.e. from February 28, 2021 to January 31, 2023). However, payment of interest component of Rs.0.30 crore per month on its principal outstanding of Rs.41.55 crore has been started in February 2021.

Going forward, JHL is envisaged to generate cash accruals in the range of Rs.6 to 10 crore as against debt repayment obligations in the range of Rs.3-8 crore in the near term.

## Analytical approach: Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

## About the company

Incorporated in 1984, Vadodara, Gujarat based Jindal Hotels Limited (JHL) is promoted by Mr. Piyush Shah has entered into a management agreement with Accor and is operational under the branding of "Grand Mercure Vadodara Surya Palace". JHL's property is located at one of the premium locations of Vadodara, i.e. Sayajigunj, close to the central business district. The property has 146 rooms ranging from Deluxe category to Executive suits. The hotel also has other facilities including 6 banquet halls, spa, gymnasium, swimming pool, conference rooms and a multi cuisine restaurant.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (P)
Total operating income	37.73	15.55	29.86
PBILDIT	10.74	-1.20	6.12
PAT	0.68	-10.96	-2.40
Overall gearing (times)	1.80	3.08	3.76
Interest coverage (times)	2.28	-0.25	1.25

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

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**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		-	-	April 2029	41.55	CARE BB+; Positive
Fund-based - ST-Bank Overdraft		-	-	-	8.00	CARE A4+

**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*	41.55	CARE BB+; Positive	-	1)CARE BB+; Negative (13-Sep-21)	1)CARE BB+; Negative (20-Aug-20) 2)CARE BBB-(CWN) (05-May-20)	1)CARE BBB-; Positive (30-Jul-19)
2	Fund-based - ST-Bank Overdraft	ST*	8.00	CARE A4+	-	1)CARE A4+ (13-Sep-21)	1)CARE A4+ (20-Aug-20) 2)CARE A3 (CWN) (05-May-20)	1)CARE A3 (30-Jul-19)

\*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	Fund-based - ST-Bank Overdraft	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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