

Press Release

Chopra Hotel And Resorts

03 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.60 Cr.
Long Term Rating	SMERA D

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA D**' (read as **SMERA D**) on the Rs.12.60 crore bank facilities of Chopra Hotel And Resorts.

Chopra Hotels and Resorts (CHR) is a partnership firm established in 2013 by Mr. Kamal Chopra, Mr. Gaurav Chopra, Mr. Umesh Chopra and Mr. Ravish Chopra. The firm runs a hotel by the name of Ramada Encore in Jalandhar (Punjab) under a franchisee agreement with Wyndham Hotel Asia Pacific Co. Ltd.

Key Rating Drivers

Strengths

- **Strong support of established brand:**

The firm has a tie-up with Wyndham Group which has an established and diverse group of hotels spread all over the world. Ramada Hotels owned by Wyndham Hotel Group is run by CHR under a franchisee agreement in the Jalandhar district of Punjab. SMERA believes that the strong support of the established brand name of Wyndham Group will help the firm in acquiring long term customers and suppliers in the market.

- **Geographical location advantage:**

Ramada Encore is located in Jalandhar city just 3.5 kilometers from Jalandhar City Railway Station and 95 kilometers (2 hour drive) from Amritsar Airport. SMERA believes that the central location of the hotel and its connectivity to key areas of the city will help the firm in capturing the corporate customers.

- **Reputed customer profile:**

In off seasons, CHR earns 70 percent of its revenue from corporate customers. These customers include reputed companies such as L&T, Punjab National Bank, Citi Group, Legrade Switches, Mahindra & Mahindra to name a few. SMERA believes that the reputed customer profile will help the hotel in maintaining a stable revenue stream in the near to medium term.

Weaknesses

- **Delay in debt servicing:**

The rating reflects delay in debt servicing obligation with regards to term loan interest and principal payments for the last three months ended 31 March, 2018 on account of stretched liquidity position. The creditor days were stretched at 215 days for the year ending 2018 (Provisional). The Net Cash Accruals of the firm stood at Rs.0.44 crore in FY2018 (Provisional) as against Rs.0.01 crore in FY2017 against the current long term debt obligation of Rs.1.20 crore for FY2018 (Provisional) and Rs.0.60 crore for FY2017.

- **Below average financial risk profile of the firm:**

The financial risk profile is below average marked by a low net worth of Rs.2.88 crore as on 31 March, 2018 (Provisional) as against Rs.1.87 crore as on 31 March, 2017. The gearing stood high at 4.45 times

as on 31 March, 2018 (Provisional) as against 7.20 times as on 31 March, 2017 on account of low net worth. The total debt of Rs.12.80 crore outstanding as on 31 March, 2018 (Provisional) comprises of long term loans from the bank. The ICR improved to 1.30 times in FY2018 (Provisional) from 1.03 times in FY2017.

• Competitive and fragmented hotel industry:

The hotel industry is extremely competitive. The firm derives 100 percent of its revenue from one hotel located in Jalandhar. SMERA believes that the firm faces intense competition from other established and unknown players in the market.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of CHR to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	6.72	1.12	0.00
EBITDA	Rs. Cr.	1.90	0.32	0.00
PAT	Rs. Cr.	0.44	-0.99	0.00
EBITDA Margin	(%)	28.23	28.90	0.00
PAT Margin	(%)	6.52	-87.97	0.00
ROCE	(%)	12.23	-8.74	0.00
Total Debt/Tangible Net Worth	Times	4.45	7.20	0.00
PBDIT/Interest	Times	1.30	1.03	0.00
Total Debt/PBDIT	Times	6.75	41.57	0.00
Gross Current Assets (Days)	Days	27	183	0

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	12.60	SMERA D

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ABOUT SMERA

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