

**Press Release**  
**FOMENTO RESORTS AND HOTELS LIMITED**  
**May 23, 2024**

**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Share of Facility
Bank Loan Ratings	426.54	ACUITE BBB   Reaffirmed & Withdrawn	-
Bank Loan Ratings	52.46	Not Applicable   Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	479.00	-	-



**Rating Rationale**

Acuite has reaffirmed and withdrawn its long-term rating of 'Acuite BBB' (read as Acuite Triple B) on the Rs. 426.54 Cr. bank facilities of Fomento Resorts and Hotels Limited (FRHL). Acuite has further withdrawn the proposed long-term facilities of Rs.52.46 Cr. without assigning any rating to Fomento Resorts and Hotels Limited (FRHL). The rating is being withdrawn on account of the request received from the company and the NOC received from the banker. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument.

**Rationale for Reaffirmation**

The rating reaffirmation considers FRHL's promoters established track record of operations, committed cash flows from hotel's operations and improved scale of operations in the business. The company generated a revenue of Rs.226.98 crore in FY2023 as against Rs.127.79 crore in FY2022. Further, for FY2024 (Prov), the company generated revenue of Rs.325 Crore. The growth in revenue is attributable to improved occupancy in hotel business. The company's EBITDA margins stood at 31.96 percent during FY23 as against 25.47 percent in FY2022 however continued to register losses after tax. Further, the rating also takes into account the moderate financial risk profile of the company. Also during FY2024, all the 500 rooms of Taj CDG heritage and Taj CDG horizon together were running and fully operational, which is also considered as a key rating factor.

**About the Company**

Fomento Resorts and Hotels Limited (FRHL), incorporated in the year 1971 is engaged in the hotel business in India. Currently, the company owns a five-star deluxe resort "Taj Cidade de Goa Heritage", consisting of 207 keys at Vainguinim Beach. The company also has a convention hotel Taj Cidade de Goa Horizon with 299 keys. FRHL has another boutique five-star resort which is in Aarvli, Maharashtra and will be commercial operated by the end of June 2024.

The registered office of this company is in Goa and it is managed by Mr. Auduth Modu Timblo, Mr. Vinayak Manohar Padwal, Mrs. Anju Auduth Timblo and Mr. Sujain Suresh Talwar.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone financial and business risk profile of FRHL to arrive at the rating

## Key Rating Drivers

### Strengths

#### Experienced management and established presence in hospitality industry

The management of FRHL have more than 35 years of experience in the hospitality industry. Mrs. Anju Timblo is the managing director and CEO of the company. She is actively involved in decision-making and day-to-day operations of the hotel. Her active involvement coupled with strong leadership capability has helped the company to grow and become one of the top rated five-star hotels in Goa. Further, FRHL has signed a hotel operating agreement with IHCL - Indian Hotel Company Limited to operate its hotels Taj Cidade de Goa Heritage and Taj Cidade de Goa Horizon located at Vainguinim Beach, Goa. This will benefit the company due to brand name, expertise and professional management. The company enjoys competitive advantage in terms of its location. It is located at Vainguinim beach which is close to Panaji city. In addition, it is situated at a distance of 28 kms from the airport.

#### Improved Operating Performance

The operating performance of FHRL continued to improve as the company generated a revenue of Rs.226.98 crore in FY2023 as against revenue of Rs.127.79 crore in FY2022. Further, for FY2024 (Prov), the company achieved revenue of Rs.325 Crore. FRHL saw a robust recovery in its revenues with a Y-o-Y growth of 78% in FY2023 at the back of all hotels running and fully operational. The company however continued to register losses after tax. EBITDA margins improved further and stood at 31.96 percent in FY2023 as against 25.47 percent in FY2022 on account of improvement in scale of operations. Also, FY2024 was the first year where all 500 rooms of Taj CDG heritage and Taj CDG horizon together were fully operational. Additionally, the company has a hotel at Sindhudurg which is under construction with a capacity of 25 rooms and is expected to be completed by the end of June 2024 and will be commercially operated thereafter.

#### Moderate Financial Risk Profile

FRHL has a moderate financial risk profile marked by a healthy tangible net worth, high gearing and weak debt protection metrics. The company follows a moderate leverage policy as the total Debt of the company comprises of term loan of Rs. 476.02 Cr. and the gearing level of the company stood moderate at 2.00 times as on 31st March, 2023 and 2022 as against 4.41 times as on 31<sup>st</sup> March 2021. The tangible net worth of the company stood at Rs. 239.23 crore as on 31st March, 2023 as against Rs. 253.71 crore as on 31st March, 2022.

The debt protection metrics of the company are weak as DSCR stood at 0.96 times in FY2023 as against 0.71 times in FY2022. Interest coverage ratio stood at 1.29 times in FY2023 as against 0.52 times in FY2022. The company has sufficient liquid cash balance and DSRA balance to meet its debt repayment obligations. As on March 31, 2024 the company has created DSRA of ~Rs. 20 Crore with HDFC Bank. Further, FRHL has prepaid its principal debt obligation of Rs.52.40 crore for FY2024. The cash and bank balance of the company stood at Rs. 68.49 crore as on March 31, 2023.

### Weaknesses

#### Working Capital Operations

The operations of FHRL are of working capital-intensive nature marked by improved GCA days of 141 days in FY2023 as against 398 days in FY2022. However, GCA days are high on account of high cash balance maintained by the company consisting on unutilized GECL loans. The cash and bank balance of the company stood at Rs. 68.49 crore in FY2023 as against Rs.114.40 crore in FY2022. Further, for FY2024 (Prov), the cash balance stood at ~Rs.105 Crore. The debtor days of the company stood at 17 days in FY2023 as against 10 days in FY2022 and inventory days stood at 7 days in FY2023 as against 8 days in FY2022. Also, the creditor days stood at 159 days in FY2023 as against 255 days in FY2022.

#### Highly competitive industry

The Indian subcontinent and the state of Goa with vast opportunities and potential for high growth has become the focus area of major international chains. Several of these chains have established and others have their plans to establish hotels to take advantage of these opportunities. These entrants are expected to intensify the competitive environment.

### Rating Sensitivities

Not Applicable

### Liquidity Position

#### Adequate

The liquidity position of the company is adequate marked by unencumbered cash and bank balance of Rs.68.49 Cr. in FY2023 as against Rs.114.40 Cr. in FY2022. Though the company has generated insufficient net cash accruals as against the debt repayment obligations, FRHL has maintained sufficient DSRA balance in addition to the unencumbered cash balance so as to meet its repayment obligations. Further, the company has prepaid the principal debt repayment obligations of Rs.52.40 Cr. in FY2024

### Outlook

Not Applicable

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	226.98	127.79
PAT	Rs. Cr.	(20.26)	(50.92)
PAT Margin	(%)	(8.93)	(39.84)
Total Debt/Tangible Net Worth	Times	2.00	2.00
PBDIT/Interest	Times	1.29	0.52

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Mar 2023	Proposed Long Term Bank Facility	Long Term	0.06	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	61.45	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	310.45	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	49.32	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	57.72	ACUITE BBB   Stable (Reaffirmed)
24 Aug 2022	Proposed Long Term Bank Facility	Long Term	0.05	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	185.76	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	186.14	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	28.10	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	25.42	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	53.53	ACUITE BBB   Stable (Assigned)
17 Jun 2022	Proposed Long Term Bank Facility	Long Term	28.10	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	185.76	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	186.14	ACUITE BBB   Stable (Reaffirmed)
24 Mar 2021	Term Loan	Long Term	400.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	52.46	Not Applicable   Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	30 Sep 2022	Not avl. / Not appl.	28 Feb 2031	Simple	53.64	ACUITE BBB   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	30 Sep 2022	Not avl. / Not appl.	31 May 2033	Simple	292.30	ACUITE BBB   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	30 Sep 2022	Not avl. / Not appl.	31 Aug 2026	Simple	31.90	ACUITE BBB   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	30 Sep 2022	Not avl. / Not appl.	31 Aug 2027	Simple	48.70	ACUITE BBB   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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