



Press Release
Zon Hotels Private Limited (erstwhile Shrem Resort Private Limited)
November 21, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	142.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	142.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs. 142.00 Cr. bank facilities of Zon Hotels Private Limited (Erstwhile Shrem Resort Private Limited) (ZHPL). The outlook remains ‘**Stable**’.

Rationale for rating

The rating reaffirmation considers the stable operating and financial performance of ZHPL marked by moderate improvement in operating income and range bound operating margins. The revenue of the company stood at Rs. 101.62 Cr. in FY2024 as against Rs. 92.65 Cr. in FY2023. This growth is driven by increased occupancy levels and average room rent for the period. The occupancy levels improved to ~85 percent in FY2024 from ~80 percent in FY2023 for both the hotels.. The ARR improved to Rs. 9411.29 in FY2024 from Rs. 9112.37 in FY2023. These factors are also supported by the improved financial risk profile and adequate liquidity position of ZHPL. While the rating draws comfort from the support provided by the promoters, it is constrained due to presence of the company in a highly competitive and fragmented industry. Going forward, the ability of ZHPL to maintain its scale of operations and profitability, along with improving its financial risk profile will be a key rating sensitivity.

About the Company

Goa Based, Zon Hotels Private Limited (Erstwhile Shrem Resort Private Limited), incorporated in the year 2010 by Mrs. Sarika Gupta and Mrs. Sunita Gupta, is engaged in hospitality business and owns two hotels in North Goa, under the brand name 'Novotel'. The company was renamed as “Zon Hotels Private Limited” in 2019 (earlier known as Shrem Resort Private Limited). The promoters of ZHPL belong to Gupta family with Route Mobile Limited (RML) as their flagship company. ZHPL has a management contract with Accor Group for running two hotels which also extends the brand name of 'Novotel'.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Zon Hotels Private Limited to arrive at the rating.

During the last review the rating was notched up factoring in support from flagship entity of promoter group - RML (Route Mobile Limited). However, the approach has been changed to standalone from this review onwards due to limited operational and financial linkages between RML and ZHPL.

Key Rating Drivers

Strengths

Resourceful promoters

The promoters of ZHPL belong to Gupta family, with RML being their flagship company. RML is promoted by Mr. Sandipkumar Gupta, Mr. Rajdeepkumar Gupta and Mr. Chandrakant Gupta who are highly experienced business professionals in the line of software designing and development. The promoters are high-networth individuals (HNI) and have a track record of supporting ZHPL in the past by way of infusion of unsecured loans and equity funds. In FY2024, the company has partly repaid these unsecured loans of Rs. 13.52 Cr. and balance is expected to be converted to equity in FY2025.

Acuite believes that ZHPL will continue to derive comfort from the experienced management and the promoters network as evident from historical trend of infusion of funds in the business.

Presence of long-term management contract along with association with reputed brand

The business risk profile is supported by presence of a long-term management and operation contract with Accor India; a multinational hospitality company that owns, manages, and franchises hotels, resorts, and vacation properties. Accor India ensures the marketing and sales strategies along with the day-to-day management of operations in the hotel. The hotel management agreement (HMA) with Accor India was signed in 2012 and is for a period of 25 years. Further, the business remains supported by the extension of 'Novotel' brand to the hotel since 2012. This has added benefit to the operations of the hotel properties and lead to improved occupancy levels and ARR levels in the past few years.

Stable operating performance

Operating Income of the company stood at Rs. 101.62 Cr. in FY2024 as against Rs.92.65 Cr. in FY2023. The company has been able to maintain their operating margins in the range of 32 - 34 percent in the past two years and are expected to remain on similar levels in the near term. These improvements are driven by improving occupancy and ARR levels at both the hotels of the company. For Novotel Goa Resort & Spa, the occupancy levels improved to 86.35 percent in FY2024 from 76.59 percent in FY2023. The ARR stood at Rs. 9623.81 in FY2024 as against Rs. 9411.54 in FY2023.

The Novotel Hotel, Candolim recorded an average occupancy level of 84.76 percent in FY2024 against 84.67 percent in FY2023. The ARR improved to Rs. 9198.77 in FY2024 from Rs. 8813.20 in FY2023.

Acuite believes that ZHPL will maintain a stable business risk profile in the near term.

Favourable and strategic location

Goa remains as one of the most highly visited tourist and leisure spot in India. The hotels are both located one of the bustling areas, near the Candolim beach at Goa. Both the properties are located close to each other and is close to most touristy areas in Goa. The hotels attract diverse set of customers ranging from corporate clients, tourists and other customers. The hotels also have tie-ups with online portals such as 'Booking.com', 'MakeMyTrip', 'Expedia.com', among others. The hotels attract diversified set of customers.

Acuite believes that the strategic location of the hotels will help ZHPL to maintain their business profile over the near to medium term.

Weaknesses

Average Financial Risk Profile

The average financial risk profile of ZHPL is depicted by the low but improving network, moderate gearing and average debt protection metrics. The tangible network stood at Rs. 42.99 Cr. on March 31, 2024 as against Rs. 33.35 Cr. on March 31, 2023. The gearing stood significantly improved at 2.52 times on March 31, 2024 as against 4.00 times on March 31, 2023. The improvement is attributable to reduction in overall debt levels of the company on account of repayment of external debt as well as repayment of USL.

TOL/TNW improved to 2.92 times on March 31, 2024 as against 4.55 times on March 31, 2023. The Debt-EBITDA stood at 3.11 times on March 31, 2024 as against 4.47 times on March 31, 2023.

Acuite believes that the financial risk profile of ZHPL will continue to improve supported by improving network, timely debt servicing and in absence of any major debt funded capex plans in the near term.

Highly competitive industry

The Indian subcontinent and the state of Goa with vast opportunities and potential for high growth have 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.

Acuité believes the success of ZHPL will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, service level and convenience of location and also the quality and scope of other amenities, including food and beverage facilities.

Rating Sensitivities

- Further improvement in the occupancy levels while maintaining profitability margins.
- Improvement in the financial risk profile

Liquidity Position Adequate

The adequate liquidity position of the company is supported by sufficient generation of net cash accruals (NCAs) against its maturing repayment obligations. The company generated NCAs worth Rs. 24.06 Cr. in FY2024 against maturing repayment obligations of Rs. 8.29 Cr. Going forward the NCAs are expected to remain in a similar range. The current ratio stood at 0.79 times on March 31, 2024 as against 1.03 times on March 31, 2023. The company has an unencumbered cash and bank balance of Rs. 2.99 Cr. on March 31, 2024. The company also has sanctioned overdraft limits of Rs. 2.00 Cr, which largely remain unutilized.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	101.62	92.65
PAT	Rs. Cr.	14.30	3.28
PAT Margin	(%)	14.07	3.54
Total Debt/Tangible Net Worth	Times	2.52	4.00
PBDIT/Interest	Times	3.25	2.04

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, Acuité 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Aug 2023	Term Loan	Long Term	124.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	18.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
01 Jun 2022	Term Loan	Long Term	142.00	ACUITE BBB- Stable (Reaffirmed)
05 Mar 2021	Term Loan	Long Term	142.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	43.55	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	16 Feb 2033	30.00	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jun 2027	68.45	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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