

Press Release

Viorica Hotels Private Limited

March 12, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE D (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 50.00 Cr bank facilities of Viorica Hotels Private Limited.

Viorica Hotels Private Limited (VHPL) incorporated in the year 2005, is promoted jointly by Vascon Engineers Ltd, Jasper Realtors Private Limited, Mr. Jagjit Singh Soni and Pristine Hospitalities Private Limited. The said company was taken over by Mr. Maruti N. Navale and Neemco Group of Companies by transfer of shares in FY2016-17. It operates a hotel in Pune under the name of 'Ramada Plaza by Wyndham, Hinjewadi Pune' under a franchise agreement with Wyndham Hotels & Resorts.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Viorica Hotels Private Limited (VHPL) for arriving at the rating.

Key Rating Drivers

Strengths

- Presence of franchise agreement with reputed hotelier company lending comfort of brand name "Ramada Plaza"**
The business risk profile is supported by presence of franchise agreement with Wyndham Hotels & Resorts (WHR); a multinational hotel company widely renowned for it being largest hotel franchisor. The franchise agreement with WHR supports the business by the extension of 'Ramada Plaza' brand to the hotel since 2020. This is expected to add benefit to the operations of the hotel properties and lead to improved occupancy levels and ARR levels in the near to medium term.
- Favourable and strategic location of hotel, based out of commercial hub in Pune**
The hotel is located in Hinjewadi, which is a commercial hub of Pune and located right adjacent to the booming IT hub. The hotel caters largely to corporate clients and is frequented by leisure and transient travelers. Corporate client visits contribute about 70 percent to total revenue and remaining by other leisure and social events. The company also has tie ups with online booking portals and corporates.

Weaknesses

- Delay in servicing debt obligations and statutory payments**
VHPL has been facing significant liquidity pressure further worsened by the covid impact on operations which has impeded its ability to meet its debt obligation capacity in a timely manner. The company has persistently delayed the repayments on its term debt for over a year causing the account status to remain irregular with lenders. Further, the company has also been unable to meet its statutory payments on time.
- Hotel operations significantly impacted due to pandemic**
VHPL's hotel operations remain significantly impacted since the onset of pandemic and the lockdown. The ARR and occupancy levels in 10MFY2021 stood at Rs.3,667.5 and 10 percent, respectively, against ARR and occupancy levels of Rs.3,743.9 and 50 percent, respectively. Further, the operations remained highly impacted in Q1 and Q2 of FY2021 with meagre traction in ARR and occupancy levels, due to lockdown across the nation worsened by the reduced corporate events and social gatherings. The operations, however, gradually picking up from August 2020 and with an occupancy of 22 percent in January 2021.

- **Below-average financial risk profile; moderated by equity infusion**

The financial risk profile of VHPL is characterized by a below average capital structure of negative networth profile, below average leverage ratios and overall remain further constrained due to moderate debt protection metrics. The company reported negative tangible networth of Rs.0.95 Cr as on March 31, 2020 against negative Rs.1.53 Cr as on March 31, 2019. The networth has deteriorated over the last few years on account of accumulated losses as a result of operational constraints in the business from previous years. However, the new promoters (Neemco Group) have infused equity in the business for the last three years to support the networth profile. The leverage metrics have also undergone variation on account of the reducing networth levels; the same was reported at (47.14) times as on March 31, 2020 against (36.28) times as on March 31, 2019. The company does not have any capital expenditure plans entailed for the near to medium term except for routine maintenance of the hotel properties.

Due to moderate operating profitability against high interest and debt payout, the debt protection metrics stood moderate with an interest coverage (ICR) and debt service coverage (DSCR) of 1.20 times and 0.47 times in FY2020, respectively, against 1.06 times and 0.41 times in the previous year, respectively.

- **Highly competitive industry with a major impact of covid outbreak**

The Indian subcontinent 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. Occupancy growth for hotels in India decelerated by a staggering 60 percent in Covid hit 2020 and total room inventory occupancy for hotels in India stood at 29 percent and the RevPAR plummeted to Rs.1,423 down 62 percent when compared to 2019. Hospitality and Tourism roughly account for 10 percent of India's GDP and employ nearly 9 percent of India's working population and has found little space in the Union Budget. The tourism, travel and hospitality industry were looking for immediate and short-term measures for critical revival, which have not been highlighted in the recent budget announcements.

Rating Sensitivities

- Timely servicing of debt obligations

Liquidity: Weak

VHPL's liquidity position is weak, marked by meagre cash accruals against debt repayment obligations, low cash and bank balances. The net cash accruals for FY2020 stood at Rs.1.53 Cr against repayment obligations of Rs.11.78 Cr. The cash and bank balances stood low at Rs.0.37 Cr as on March 31, 2020. Further, the current ratio also stood weak at 0.09 times as on March 31, 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	24.32	23.53
PAT	Rs. Cr.	(1.82)	(3.37)
PAT Margin	(%)	(7.49)	(14.31)
Total Debt/Tangible Net Worth	Times	(47.14)	(36.28)
PBDIT/Interest	Times	1.20	1.06

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of Facility (ies)	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Term Loan	Jan, 2014	12.60%	Mar, 2023	50.00	ACUITE D (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Sagarikaa Mukherjee Analyst - Rating Operations Tel: 022-49294033 sagarikaa.mukherjee@acuite.in	

About Acuité Ratings & Research:

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