



Press Release
Classical Paradise Hotels And Resort Limited May
07, 2024

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	99.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	99.00	-	-

Rating Rationale

ACUITE has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 99.00 Cr. bank facilities of Classical Paradise Hotels and Resort Limited (CPHRL). The outlook is **'Stable'**.

Rationale for Rating

The ratings reaffirmation takes into account the long experience of the Ambuja-Neotia group in the hospitality segment, favourable location of the project and the tie-up with Indian Hotels Company Ltd (IHCL) to operate under the brand of 'Taj'. The project has become operational timely and the corporate guarantee of group Company Vistar Properties Private Limited has been released by bank as per the terms of sanction, as scheduled commercial operation date had been achieved. The comfort is being derived from the Ambuja-Neotia group to support the operations and cash flows of the Company in the initial stages of operation. These strengths are however, partly offset by the below average financial risk profile of the company and cyclical hotel industry.

About the Company

Incorporated in 2007, Classical Paradise Hotels & Resort Limited (CPHRL) is a hospitality development project located at Pangthang, Sikkim. The management control of the company is with Ambuja-Neotia Group. The project is spread across a land parcel admeasuring 15 acres and out of which the first phase of development is a luxury resort comprising 72 room keys along with other facilities. The present development is spread across a total land area of 4 acres and is christened as "Taj Guras Kutir". CPHRL has entered into a hotel operating agreement with India Hotel Company Limited (IHCL) for the management of the luxury resort under the brand "Taj". The property became operational timely.

Unsupported Rating

ACUITE BB/Stable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of CPHRL to arrive at the rating. While arriving at the rating of CPHRL, Acuite has taken into account a strong level of support from the Ambuja-Neotia group given that Ambuja Neotia Holdings Pvt Ltd (ANHPL) has a significant stake in CPHRL, directly and indirectly.

Key Rating Drivers

Strengths

Experienced management

The Ambuja-Neotia group has a long operational track record in the hospitality industry of

around four decades. In addition to this, the promoter is highly experienced and actively involved in the operations of the company. Acuité believes that the long operational track record of the group and promoters' extensive understanding and expertise will support the company's growth plans going forward.

Financial flexibility of the Ambuja-Neotia group

The Ambuja-Neotia Group has been promoted by the Neotia Family, which has been an integral part of the business community in Kolkata for nearly 125 years. The group through its various Joint Venture Companies and Special Purpose Vehicles (SPVs) has been engaged in development of Real Estate properties, both housing and commercial complexes and in the Hospitality business. The group has executed more than 25 million square feet of development comprising of residential, commercial and hospitality projects through its various joint ventures and subsidiary companies over a period of the last 20 years and has established its brand which is widely recognized in the region. The group has also ventured into the states of Sikkim, Bihar and Chhattisgarh for undertaking various types of real estate and hospitality projects. The group has strong financial risk profile with a willingness to support their businesses, demonstrated from the continuous infusion of unsecured loans and equity funds into CPHRL. The group over the years has infused Rs. 90.73 Cr as on FY2024 to support the business operations of the company. Acuité believes that CPHRL, being a strategically important entity for the group shall continue to benefit from the financial, operational and management support from the Ambuja-Neotia Group as and when required. The parent company Ambuja Neotia Holdings Pvt Ltd (ANHPL) through its subsidiary Ambuja Hotel Ventures Private Limited (AHVNL) holds around 99.99 per cent in CPHRL which imparts further comfort to the rating. Any changes in the ownership pattern of CPHRL or any event that impinges the group's overall credit profile shall remain a key rating sensitivity.

Locational advantage along with tie-up with "Taj"

"Guras Kutir" has a locational advantage as it is situated around 15 km from Gangtok, a well-known tourist destination in the country. It is also well connected to the other popular destinations in Sikkim. Further, the newly built airport is only 45 km away from the project. In addition to this, to operate the resort the company has a 30 year arrangement with Indian Hotels Company Limited (IHCL). The "Taj" brand of The Indian Hotels Company Limited, is one of the most popular domestic brand. As per the agreement, IHCL will be receiving a fixed percentage of the revenue generated by CPHRL.

Weaknesses

Below Average financial risk profile

The company's financial risk profile is expected to remain below average marked by low networth and high gearing over the medium term. The tangible net worth of the company stood low at Rs.32.94 Cr as on 31st March, 2023 but it is expected to improve going forward after the ramp up in operations of the resort. Further, in FY2023, the Company has converted compulsory convertible debentures of Rs.12.00 Cr as on March 31, 2022, as a portion of equity. Gearing of the company stood high at 3.53 times as on 31st March, 2023. Gearing is expected to increase and is expected to remain at high levels in FY2023-24 as additional bank debt and unsecured loans has been infused in this time period. Acuité believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure over the medium term. Since, the Company has just started operations, the debt protection metrics appear to be weak but are expected to improve on the event that the Company is profitable.

Highly competitive industry

The Indian subcontinent 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. Acuité believes the success of the company 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

- Significant ramp up in scale of operations while improving the profitability margin
- Improvement in debt protection metrics

Liquidity Position Stretched

The net cash accruals is expected to be negative in the initial stages of operations. However, the term debt obligations are expected to begin from March 31, 2025. The shortfall, if any, is expected to be met up the unsecured loans available in the business from the group Companies. The promoters have ample financial flexibility to infuse business in the company as is reflective from unsecured loans of Rs. 90.73 Cr as on March 31, 2024. The cash and bank balances of the company stood at Rs.3.32 Cr. in FY2023. The current ratio stood at 0.85 as on 31st March, 2023. Acuité believes that going forward the liquidity position of the company will remain moderate and hence a key monitorable over the medium term due to leveraged capital structure and in presence of implementation risk.

Outlook: Stable

Acuité believes that the outlook on CPHRL will remain 'Stable' over the medium term on account of the long track record of operations of the group, experienced management, and financial flexibility of the Ambuja-Neotia group. The outlook may be revised to 'Positive' in case the company is able to start with healthy occupancy levels while maintaining a stable credit risk profile. Conversely, the outlook may be revised to 'Negative' in case there is significant drop in occupancy levels or any deterioration of financial risk profile leading to pressure on liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.02	0.02
PAT	Rs. Cr.	(0.86)	(0.55)
PAT Margin	(%)	(5526.28)	(2641.35)
Total Debt/Tangible Net Worth	Times	3.53	2.03
PBDIT/Interest	Times	(2.27)	(3.01)

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Feb 2023	Term Loan	Long Term	70.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Assigned)
29 Dec 2022	Proposed Long Term Bank Facility	Long Term	70.00	ACUITE BBB- Stable (Reaffirmed)
13 Oct 2021	Working Capital Demand Loan (WCDL)	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	60.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2036	Simple	90.00	ACUITE BBB- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Ambuja Neotia Holdings Private Limited

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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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