

## Press Release

### Aara Jungle Resort

April 01, 2022



### Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B Minus**) on the Rs. 18.00 Cr bank facilities of Aara Jungle Resort (AJR). The outlook is '**Stable**'.

The rating to the bank facilities of Aara Jungle Resort derive strength from its experienced promoters and management and location advantage. The rating however is constrained by its nascent stage of operations.

### About the Firm

Based in Tamil Nadu, Aara Jungle Resort is a partnership firm established in 2021. The partners of this firm are Mr. Janarthan Santhoosh and Ms. Motcha Priya. The firm is engaged in operating resorts - bars, restaurants, etc. The resort consists of 41 rooms, restaurants, spa and other amenities.

### Analytical Approach

For arriving at the ratings, Acuite has considered the standalone business and financial risk profile of AJR.

### Key Rating Drivers

#### Strengths

- **Experienced Promoters & Management**

Aara Jungle Resort (AJR) was incorporated in 2021. The firm is into the business of management of hotels with experienced partners namely Mr. Santhosh & Mrs. S. Motchapriya who are the key promoters to incorporate the firm. The partners have experience in constructing and operating resorts through its associate concern named 'SR Jungle resort'. The said resort is larger and operates higher number of rooms of premium quality.

Acuite believes that the firm will continue to benefit from its established presence in Annaikatti, decent brand recognition and the partner's extensive experience in the

hospitality industry.

- **Location Advantage**

AJR enjoys preference over other hotels being located in the outskirts of city and it is a good place for holiday, corporate meetings & conferences. AJR is spread over 3.5 acres of alluring terrain on the Western Ghats situated about 40 km from the Airport and 28 km from the Coimbatore Railway Station. Currently, AR Jungle Resort has 41 rooms, restaurant, park, corporate meetings, parties etc

## **Weaknesses**

- **Nascent stage of operations in a competitive industry**

The firm commenced its operations in September 2021; hence, it is at an early stage of operations and exposed to stabilisation risk. The revenues expected to be generated by the resort at Rs. 6 Cr for FY 2022. It is expected to commence its full operations from April 2022.

- **Off take risk associated with the project**

The firm is in the process of setting up new bars, restaurants with capacity of 48 rooms , respectively. Total cost of the project is estimated to be around Rs.38.00 Cr out of which Rs.32.00 Cr has been incurred till date. The firm has availed a term loan of Rs.9.68 Cr for the project; balance to be funded by way of internal cash accruals/ promoter contribution. Till date, ~80 per cent of the project is completed and is running at 60-70 percent occupancy levels. The firm has commenced its operations from September 2021 with Phase I.

Acuité believes that the ability of the firm to stabilise the operations of the new resort, bars, restaurants and run it with healthy occupancy will remain a key rating sensitivity. Any significant fall in the occupancy rates than projected will affect the cash flows, thereby impacting credit risk profile of the firm.

- **Highly competitive industry**

The hotel industry is very competitive with a large number of established organized players and their growing network of hotels catering to middle/high income group which has affected the pricing flexibility of the company, in addition to restricting occupancies to a certain extent. The hotel is located in the vicinity of other existing hotels . This could impair the ability of the hotel to generate requisite traction, thereby impacting its profitability and debt servicing ability.

Acuité believes that the success of the firm 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**

- Timely commencement of full operations
- Increase in Occupancy Rate along leading to increase in Revenue

## **Material covenants**

None

## **Liquidity Position: Adequate**

Since the firm is at the nascent scale of operations, it is expected to commence its full operations in FY2023. Liquidity will be aided by financial flexibility from the promoters. The firm is expected to generate accruals in the range of Rs. XX-4x Cr over the period FY2023-24. Acuité believes that the liquidity of the firm will remain adequate over the near to medium term on account of promoter's strong resource mobilisation ability.

### Outlook: Stable

Acuité believes that the firm will maintain 'Stable' business in the medium term on the back of established presence of the partners' experience in hospitality. The outlook may be revised to 'Positive' if the firm generates higher-than-expected cash flows from booking levels from current coupled with significant decrease in the debt levels. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm liquidity position due to lower-than-expected cash generated by the firm and/or significant increase in debt levels and delay in start of operations.

### About the Rated Entity - Key Financials

It is a newly formed Entity and started its operations in Sep 2021.

### 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

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

### Rating History:

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	8.32	ACUITE BB-   Stable   Assigned
CSB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	9.68	ACUITE BB-   Stable   Assigned

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### About Acuité Ratings & Research

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