

## Press Release

### Saifco Hillcrest Hotels Private Limited

March 29, 2023

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	96.04	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	96.04	-	-

### Rating Rationale

ACUITE has assigned its long-term rating of '**ACUITE BBB-**'(read as **ACUITE triple B minus**) on the Rs.96.04 Crore bank facilities of Saifco Hillcrest Hotels Private Limited (SHHPL). The outlook is '**Stable**'.

#### Rationale for Rating

The rating takes into account established track record of operations of the company along with increase in the occupancy level resulting into improvement in the top line of business. Further, post Resolution Plan implementation company met the requirements as per the circular along with efficient working capital cycle of the company. These strengths are however, partly offset by moderate financial risk profile and highly competitive nature of industry.

#### About the Company

Srinagar based, Saifco Hillcrest Hotels Private Limited (SHPL) was incorporated as a private limited company in the year 2006 under the provisions of the Companies Act, 1956 with ROC, J&K. The main object of the entity inter-alia, include to carry on the business of hotels, restaurants, cafes, etc. The registered office is located at Kralsangri, Brene, Nishat, Srinagar, Kashmir.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of Saifco Hillcrest Hotels Private Limited to arrive at this rating

#### Key Rating Drivers

##### Strengths

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

The management of SHHPL has an experience of more than a decade of experience in the hospitality industry. The directors of the company are Manzoor Ahmad Guna, Altaf Ahmad Guna, Suhail Manzoor Guna, Mohammad Khalil Guna, Ghulam Hassan Baba, Mumtaz Banoo, Ruhail Manzoor Guna, Dawood Altaf Guna, Parveez Ahmad Guna, Amir Manzoor Guna. Further, SHPL is having franchise, marketing & management agreements with Indian Hotels Company Limited (IHCL), a leading Indian hotel chain belonging to `TATA group, under its

upscale 'Taj Vivanta' brand. The company enjoys competitive advantage in terms of its location. It is located at Srinagar, Jammu and Kashmir and give an immense view to tourists. Acuite believes that SHHPL will continue to benefit from its extensive experience of promoters and its strategic location of hotel.

### **Improvement in the scale of operations**

The company has reported revenue of Rs.47.74 Crore in FY22 against Rs.14.65 Crore in FY21. As company has reported healthy demand, increase in travel leads to improvement in the average occupancy percentage from 36% in FY21 to 62% in FY22 and currently the occupancy percentage stood at 67% in FY23. The company has reported high demand uptick in Q1FY23 approximately at Rs.22.90 Crore. Further, the company has reported operating margins of 50.44% in FY22 against 39.86% in FY21. In addition, the PAT margins of the company stood at 7.37% in FY22. The company has achieved revenue of Rs.62.40 Crore till February. Going forward, the company is estimating to achieve the revenue of Rs.68.00 Crore along with stable margins.

Acuite believes that company may continue to report increase in revenue backed by recent increase in tourist activities in Srinagar and occupancy levels.

### **Weaknesses**

#### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by net worth of Rs. (19.43) Crore in FY22 against Rs. (23.63) Crore in FY21. The weakening in tangible net worth is mainly due to erosion of net worth due to accumulation of losses incurred in previous years. Further, the total debt of the company is Rs.101.63 Crore in FY22 against Rs.116.47 Crore in FY21. The account of the company restructured with ballooning pattern of EMIs up to FY 2037. Initially, the company had to pay 10% of the restructured debt in the first year.

However, the company has repaid more than 10% of the restructured debt from November 2021 to October 2022 as per the terms and conditions mentioned in sanction letter and in compliance of RBI. The company has been regular in paying the EMIs to the bank and currently prepaid more than 5 instalments.

The interest coverage ratio of the company stood at 1.42 times in FY22 against 0.33 times in FY21. In RP proposal, Interest cost was estimated at Rs.11.24 Crore for FY22. However, the interest cost has shown inflated at Rs.16.98 Crore in FY22 (at 12% interest rate). There is an increase in interest cost as the RP proposal implemented on Nov 21. However, the loan has sanctioned on July 2022. Due to this the interest payments had been made as per the previous interest rate of 12% and thereafter it has revised to 8.55%. So, the difference of 3.45% has been adjusted in FY23 in the form of reimbursement.

Further, the TOL/TNW ratio stood at (5.94) times in FY22 against (5.42) times in FY21 and the Debt-equity profile of the company stood at (5.23) times in FY22 against (4.93) times in FY21.

Acuite believes that the financial risk profile of the company may improve over the medium term on account of expected improvement in operating performance and absence of any debt-funded capex plan.

### **High competitive industry**

The hospitality sector is vulnerable to downturns in both the domestic and global economy. It is also sensitive to high competition and cyclicity. In a downturn, premium hotels are more negatively impacted because, despite high operating costs, their revenue per available room falls more precipitously than that of mid-sized or budget hotels. As a result, the cash flow from premium properties is more vulnerable to economic downturns. Also, the Indian hotel business is seeing fierce rivalry as a result of the expansion of domestic players and the growing presence of overseas competitors.

### **Rating Sensitivities**

- Significant improvement in occupancy levels and profitability margins.
- Significant deterioration in the financial risk profile of the company.
- Increase in occupancy levels.

## Material covenants

None.

## Liquidity Position

### Adequate

The Liquidity profile of the company is adequate. The net cash accruals in FY22 stood at Rs.7.14 Crore against debt repayment obligations of Rs.7.64 Crore in the same period. The money has been infused in the form of USL by 0.68 Cr in FY 2022 to repay the obligations. But the company has made pre-payments of Rs.5.00 Crore in FY22. Going forward, company is planning to make more prepayments. As in FY23 and FY24, company is expecting to generate net cash accruals of Rs.18.14 Crore and Rs.20.36 Crore against the debt repayment obligation of Rs.2.83 Crore in the same period.

Acuite believes that liquidity position of SHHPL may continue to remain adequate with improved operating performance resulting in sufficient cash accruals to meet its debt obligation.

### Outlook: Stable

Acuite believes the SHHPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and strategic location advantage in Srinagar. The outlook may be revised to 'Positive' in case the company is able to increase its occupancy levels while maintaining its stable credit risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile on account of lower than expected generation of cash accruals or in case of any debt funded capex plan adversely impacting the financial risk profile of the Company.

## Other Factors affecting Rating

Not applicable.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	47.74	14.65
PAT	Rs. Cr.	3.52	(15.81)
PAT Margin	(%)	7.37	(107.89)
Total Debt/Tangible Net Worth	Times	(5.23)	(4.93)
PBDIT/Interest	Times	1.42	0.33

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

None

## 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:**  
Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
J&K Bank	Not Applicable	Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	37.95	ACUITE BBB-   Stable   Assigned
J&K Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	53.69	ACUITE BBB-   Stable   Assigned
J&K Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.40	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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