

Press Release

JAM Hotels and Resorts Private Limited

July 20, 2020

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long Term Fund Based Bank Facilities (Proposed)	2.00	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)	Assigned
Total	2.00 (Two crores)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Jam Hotels and Resorts Private Limited (JHRPL) derives comfort from being promoted by well-established and diversified accord group, experienced and resourceful promoters, comfortable capital structure marked by presence of only unsecured loans and satisfactory occupancy ratio. These rating strengths are partially offset by small scale of operations, fiercely competitive hotel industry limiting the ability to attract and retain customers and capital-intensive nature of industry.

Key Rating Sensitivities

Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward factors

- Sharp fall in operating income and dip in profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.
- Variation of more than 5% in key financial figures of audited financial statements from reported figures of provisional financial statements could trigger the negative rating action.

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- Subdued industry scenario

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Promoted by well-established and diversified Accord group

JAM Hotels and Resorts Private Limited is part of the “Accord Group”. Accord Group was established in 1984, is being guided by Dr. S. Jagathrakshakan. Accord Group has presence in various industries such as education, hospitality, healthcare, liquor and other. AG has established Bharath University providing engineering courses and Shree Balaji Medical College and Hospital providing medical courses. AG group serves to the educational need of 30000 students under its various courses. AG has premium hotels in Chennai, Pondicherry and Ooty under the brand name of “Accord Metropolitan”. AG has presence in liquor industry through Accord Distillers and Brewers Privat Limited.

Experienced and resourceful promoters

JAM Hotels and Resorts Private Limited is part of Accord Group promoted by Dr. S. Jagathrakshakan and family. Dr. S. Jagathrakshakan is a Member of Parliament in Arokkaonam constituency. Earlier he has also served once as the Member of the Legislative Assembly from Utharamerur constituency, once as Member of Parliament from Chengalpet constituency and twice as Member of Parliament from Arokkonam constituency. He is the promoter of the “Accord Group”. In his vast experience of 40 years he has set up various ventures across sectors such as educational institutions, liquor industry, steel industry, hospitality industry, jewelry industry, healthcare and other. Mrs. J Anusuya W/o Dr. S Jagathrakshakan is a post graduate in nutrition from Madras University, she is also a social worker and has founded Lakshmi Ammal Educational Trust. Dr. J Sundeep Anand s/o Dr. S Jagathrakshakan holds masters in computer science from the University of Minneapolis, USA and a Doctorate in computer science from the Guindy Engineering College, Anna University, Chennai. He handles the corporate activities of the Accord group.

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Comfortable capital structure marked by presence of only unsecured loans

Capital structure of the company comprised of only unsecured loans infused by promoters and relatives. Infomerics has considered the amount of unsecured loans as neither debt nor equity. Capital structure stood comfortable as on March 31, 2020 marked by comfortable gearing ratio at 0.00x and TOL/ ANW at 0.10x. Comfortable gearing of the company indicates buffer for the additional borrowing to meet working capital requirements.

Satisfactory occupancy ratio

JAM Hotels and Resorts Private Limited, has a room capacity of 105 rooms. For which company has reported the occupancy ratio of 85% in FY20 against 75% in FY19. Occupancy ratio for FY20 stood satisfactory at 85% imparting comfort towards the market demand of the hotel.

Key Weaknesses

Small scale of operations

The company has a small scale of operation with a PAT of Rs. 2.51 crore on a total operating income of Rs. 19.66 crore for FY20. Small scale of operations restricts the financial flexibility of the company. Notwithstanding its small scale of operations, the company has comfortable profit margins with PAT margins at 12.74% for FY20 (Prov.).

Fiercely competitive hotel industry limiting the ability to attract and retain customers

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. Further, improvement of the occupancy levels is highly dependent on the hotel's ability to retain and add reputed customers which will be a challenge in light of heightened competition in the hotel sector.

Capital intensive nature of industry

The hotel segment is capital intensive industry on the back of maintenance capex expenses. Further, high fixed operational cost in the hotel also creates a challenge to continue operations.



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Generally, the payback period (PBP) for a new hotel is in the range of 5-6 years. Further, the maintenance capex required for the hotel industry also remains high owing to regular replacement of equipment to remain updated with the latest technology.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Hospitality Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate marked by its satisfactory occupancy ratio of 85% in FY20 imparting comfort towards the operating performance of the company. Further, company registered a PAT of Rs. 2.51 crore in FY20 (provisional) on operating income of Rs. 19.66 crore imparting comforts towards profitability of the company. Moreover, comfortable capital structure with no external borrowings indicates sufficient cushion to meet any additional borrowing requirement.

About the Company

JAM Hotels and Resorts Private Limited (JHRPL) incorporated in year 2008, is promoted by Mr. S Jagathrakshakan. JHRPL is running a 5-star hotel in Pondicherry with the capacity of 105 rooms equipped with premium amenities.

JHRPL is part of an Accord Group, established in 1984, is being guided by Dr.S.Jagathrakshakan. Accord Group has presence in various industries such as education, hospitality, healthcare, liquor and other industries.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Provisional

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For the year ended*	31-03-2019	31-03-2020
Total Operating Income	20.20	19.66
EBITDA	6.38	7.24
PAT	4.74	2.51
Total Debt	0.00	0.00
Tangible Net worth	1.45	3.96
EBITDA Margin (%)	31.57	36.85
PAT Margin (%)	20.62	12.74
Overall Gearing Ratio (x)	0.00	0.00

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash credit	Long Term	2.00*	IVR BB / Stable	-	-	-

*Mentioned facility is on proposed basis

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit (Proposed)	-	-	-	2.00	IVR BB / Stable