

Rating Update
October 21, 2024 | Mumbai**Viceroy Hotels****Update as on October 21, 2024**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Substantial and sustainable increase in revenue and profitability, leading to cash accrual of Rs 5 crore
- Gearing improving to below 2 times

Downward factors:

- Decline in revenue and profitability, resulting in cash accrual lower than Rs 2.5 crore
- Large, debt-funded capital expenditure or any sizeable stretch in the working capital cycle

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Viceroy Hotels (VH) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the firm

VH, set up in 2005, operates three hotels in Karnataka – Jayanagar and Kumara park in Bengaluru and Hubballi. These three-star hotels are managed under the brand, The President Hotel. Mr Jagannath V Pai and his family members own the business.

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Rating Rationale

August 23, 2023 | Mumbai

Viceroy Hotels

'CRISIL BB-/Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.24.5 Crore
Long Term Rating	CRISIL BB-/Stable (Assigned)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has assigned its '**CRISIL BB-/Stable**' rating to the long-term bank facilities of Viceroy Hotels (VH).

The rating reflects the extensive experience of the promoters in the hotels & resorts industry. This strength is partially offset by average financial risk profile and susceptibility to intense competition.

Key rating drivers and detailed description

Strength:

Extensive experience of the promoters

The promoters have more than four decades of experience in the hotels and resorts industry; their strong understanding of market dynamics and healthy relationships with suppliers and customers should continue to support the business. Advantageous location of its three hotels in Bengaluru and Hubballi (Karnataka) ensures stable occupancy levels.

Weaknesses:

Average financial risk profile

The capital structure remains constrained by the high reliance on debt. Networth is estimated at Rs 9.19 crore as on March 31, 2023, with gearing at 2.70 times and total outside liabilities to adjusted networth ratio at 2.87 times. This, along with moderate profitability, led to moderate debt protection metrics, with interest coverage and net cash accrual to total debt ratios of 2.92 times and 0.09 time, respectively, for fiscal 2023

Exposure to intense competition

The Indian hotel industry faces intense competition due to the growing presence of foreign players and expansion by domestic players; most major hotel brands are increasing their presence in India. Such competitive pressure restricts the ability of players to hike average room rentals and record growth in occupancy rates.

Liquidity: Stretched

Bank limit utilisation was around 90% for the 12 months through June 2023. Cash accrual is projected at Rs 2.8 crore per annum, barely sufficient to meet the yearly debt obligation of Rs 2.7 crore over the medium term. Need-based funds extended by the promoters should partially support liquidity

Outlook: Stable

VH will continue to benefit from the extensive experience of its promoters and their established relationship with clients.

Rating sensitivity factors

Upward factors

- Substantial and sustainable increase in revenue and profitability, leading to cash accrual of Rs 5 crore
- Gearing improving to below 2 times

Downward factors

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About the firm

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Key Financial Indicators

As on/for the period ended March 31		2023*	2022
Operating income	Rs crore	39.6	23.66
Reported profit after tax (PAT)	Rs crore	0.54	0.73
PAT margin	%	1.36	3.09
Adjusted debt/adjusted networkth	Times	2.7	2.64
Interest coverage	Times	2.92	4.94

*Provisional

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit / Overdraft facility	NA	NA	NA	2.0	NA	CRISIL BB-/Stable
NA	Term Loan	NA	NA	Mar-27	22.5	NA	CRISIL BB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	24.5	CRISIL BB-/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit / Overdraft facility	2	Saraswat Bank	CRISIL BB-/Stable
Term Loan	16.15	Saraswat Bank	CRISIL BB-/Stable
Term Loan	3.56	Saraswat Bank	CRISIL BB-/Stable
Term Loan	1.36	Saraswat Bank	CRISIL BB-/Stable
Term Loan	1.43	Saraswat Bank	CRISIL BB-/Stable

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition

[Rating criteria for manufacturing and service sector companies](#)

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