

Nirwana Hotels and Resorts Private Limited

Instruments	Amounts	Rating action
	(Rs. crore ¹)	June 2016
Term Loans	7.77 (enhanced from Rs.6.61 crore)	[ICRA]B+ / upgraded from [ICRA]B
Fund Based facilities	2.00 (enhanced from Rs.0.60 crore)	[ICRA]B+ / upgraded from [ICRA]B
Non-Fund Based facilities	0.02	[ICRA]B+ / upgraded from [ICRA]B

ICRA has upgraded the long term rating outstanding on the Rs.7.77 crore term loans, Rs.0.60 crore fund based facilities, Rs.0.02 crore of non-fund based facilities and Rs.0.02 crore of proposed term loans of Nirwana Hotels and Resorts Private Limited (NHRPL/ the company) to [ICRA]B+ (pronounced as ICRA B plus) from [ICRA]B (pronounced as ICRA B).

The rating upgrade considers the substantial improvement in NHRPL's revenues and margins supported by 29.3% ramp up of in the company's RevPAR (Revenue Per Available Room) from Rs.2,572 in FY2015 to Rs.3,187 in FY2016. During FY2016, the company's operating income stood at Rs.10.1 crore (up 29.1% YoY) with operating margin of 28.5% (up from 21.6%). This was largely supported by the strong branding and marketing initiatives taken up by the company over the last two years which resulted in increase in occupancy from 28% in FY2014 to 40% in FY2016. Consequent to strong accruals on back of healthy operational metrics, while the company's capital structure and coverage metrics had also improved during FY2016, they continue to remain strained.

The ratings also continue to factor in the favorable location of Hoysala Village Resort, located close to several heritage sites in Hassan, which continues to enhance NHRPL's business prospects. Further, long standing experience of the promoters in the hospitality business, strong brand presence by virtue of company tying up with national and international travel agencies and online portals continue to support the company's occupancies and RevPARs. Ancillary services like spa, souvenir shop, coffee café and bar and dining facilities (also open to walk-in customers) have facilitated multiple avenues for revenue generation which in turn have resulted in a steady increase in non-room revenues of the company.

The rating strengths are, however, partially offset by the stiff competition faced by the company from relatively cheaper hotels situated in its close vicinity. The rating also continues to be constrained by the single property concentration and financial profile of the company characterized by stretched debt protection metrics and negative free cash flows. ICRA also notes that the company is currently in the process of enhancing its room inventory from 49 rooms to 59 rooms by way of addition of 10 Malnad suite palaces to the room portfolio. Successful ramp up in occupancies of the same would have an impact on the company's margin trajectory in the future on. Going forward, ability of the company to expand its revenue base whilst improving its profitability and financial profile would remain key credit monitorables.

Company Profile

Incorporated in 1993, NHRPL is engaged in hospitality services through a 49-room single resort called "Hoysala Village Resort ("the resort") located in Hassan, Karnataka about 200 Kms from Bangalore. The Resort is spread over 7 acres of land completely owned by the promoters with about 30 cottages, 10 suites and 9 Jacuzzi Villas. Apart from lodging, Hoysala Village Resort offers a variety of other facilities like swimming, indoor sports, massage and trekking facilities to its guests. The Resort also has multi-cuisine restaurants as well as bar and dining facilities, a spa, a souvenir shop and coffee café to cater to varied preferences of its domestic and foreign guests. The company is promoted by Mr. K. R Alwa and his family. The promoters have presence across real estate and agricultural businesses apart from hospitality services through their other companies viz. Civic India Housing Pvt Ltd and Civic India Mphar Pvt Ltd.

¹ 100 lakhs = 1 crore = 10 millions

Recent results

As per provisional, unaudited results, for FY2016, the company reported an operating income of Rs. 10.1 crore with net profit of Rs. 0.9 crore as against an operating income of Rs.7.8 crore with a net profit of Rs.0.01 crore during FY2015.

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