



Press Release

ABC Sites Private Limited

October 07, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | <u>Complexity Indicator</u> |
|------------------------------|-----------------------------------|--------------------------------------------------------------------------|-----------------------------|--------------------------|----------------------------------------|
| Long Term Bank Facilities | 42.47 | IVR BBB- /Stable [IVR Triple B Minus with Stable outlook] | - | Assigned | <u>Simple</u> |
| Total | 42.47 | [Rs. Forty-two crore and forty-seven lakhs only] | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the rating to the bank facilities for long term facilities as IVR BBB- with a Stable outlook to ABC Sites Private Limited (ABCSPL).

The assigned rating draws comfort from experienced promoters and favourable location of the property along with the strong brand name of 'Holiday Inn'. The rating further draws comfort from the diversified revenue stream and moderate risk profile. However, these rating strengths are partially offset by moderate scale of operations coupled with geographical concentration of revenue to a single property in Zirakpur, Chandigarh as well as competition from other brands. The rating also considers the macro-economic factors and seasonal uncertainty.

The 'Stable' outlook reflects Infomerics Ratings expectation that ABCSPL will continue to benefit from its moderate risk profile and diversified revenue stream from the hotel and commercial complex, which helps mitigate the risk of industry-specific challenges.

Infomerics Ratings has principally relied on the standalone audited financial results of ABCSPL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:



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Upward Factors

- Sustained improvement in scale of operation backed by occupancy and ARR.
- Improvement in capital structure and debt protection metrics

Downward Factors

- Any decline in occupancy or ARR leading inability to achievement of expected revenue leading to deterioration in credit profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The company is managed by Mr. Parminder Kumar Sharma, Mr. Dharminder Kumar Sharma and Mr. Narinder Kumar Sharma. The promoters of the company have more than two decades of experience in real estate domain. The company benefits from its association with Holiday Inn brand, which has a strong brand recall and reputation.

- **Strong brand name**

The company has a franchise agreement with Intercontinental Hotels Group (India) Private Limited, which grants it the right to use the "Holiday Inn" brand. Holiday Inn is one of the world's most recognized hotel brands. The agreement, effective from June 12, 2018, has a term of 15 years, with an option to extend for an additional ten years. It includes provisions for marketing, technical consultancy, and branding of the hotel.

- **Diversified revenue streams**

ABCSPL operates across two segments: hotel and commercial complex. The diversified cash flows from these segments help mitigate the risk of any industry-specific challenges. The hotel has 131 rooms, including suites and deluxe rooms, as well as a range of amenities such as banquet, a conference hall, a restaurant, a health club, and a swimming pool and generates revenue from rooms, food and beverages, banquet and other facilities provided to guests. The company has leased out a commercial complex to tenants including Reliance Corporate IT Park Ltd. (Brands: Reliance Trends and Reliance Digital),



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Think and Learn Private Limited (Brand name: BYJU) and Kalyan Jewellers India Limited, among others. In FY24, the company generated approximately 88.20% of its revenue from the hotel segment, 5.50% from the sale of units in the commercial complex, and 6.31% from rental income from the commercial complex. However, the company has no plans to sell any additional units going forward.

- **Favourable location of the property**

The hotel and commercial complex are located on National Highway 22 in Zirakpur, Punjab, which connects Ambala and New Delhi to Chandigarh. This prime location attracts travellers from across northern India, particularly those heading to the Delhi NCR region.

- **Moderate financial risk profile**

The capital structure of the company stood moderate marked by overall gearing at 1.20x as on March 31, 2024, improved from 1.71x as on March 31, 2023, mainly due to increase in tangible net worth due to accretion of profits to reserves and decline in term debt. Further, total indebtedness of the company as reflected by TOL/ATNW also improved and stood at 1.58x as on March 31, 2024, as compared to 2.09x as on March 31, 2023, on account of increase in tangible net worth and decline in term debt. The debt profile primarily consists of a total term loan of Rs. 44.08 crore, which includes a GECL loan of Rs. 5.56 crore, LRD loan of Rs. 9.07 crore, and the remaining term loan of Rs. 29.45 crore as of March 31, 2024. Unsecured loans to the tune of Rs.12.07 crore as on March 31, 2020, have been considered as quasi-equity as the same are subordinate to bank debt. The Interest coverage has improved to 3.42 times in FY24 as against 3.03 times in FY23 due to increase in operating profitability. DSCR of the company stood at 1.19x in FY24 as against 1.27x in FY23.

Key Rating Weaknesses

- **Macro-economic factors and seasonal uncertainty**

Hotel industry being cyclical and dependent on the general economic scenario. The company is exposed to the changes in the macro-economic factors and tourist arrival



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growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socioeconomic factors which leads to inherent cyclicity in the hospitality industry. These risks can impact the occupancy rate of the company and thereby the company's profitability along with a drop in ARR.

- **Geographical concentration of revenue and competitive pressures**

Owing to the geographic concentration of its room inventory in Zirakpur, the company would remain exposed to any adverse region-specific development and risks. Also, competition from other brands in the micro market may impact the ARR and occupancy levels.

- **Moderate scale of operations**

The Total operating income (TOI) has increased by ~13.37% to Rs.39.66 crore in FY2024 (Audited) from Rs.34.99 crore in FY2023 on account of improvement in occupancy ratio leading to higher Average Revenue Rate (ARR) in FY24. However, TOI remains moderate. The company has shown improvement in its occupancy ratio, increasing from 53.5% in FY22 to 77.7% in FY23 and further to 79.7% in FY24. Similarly, the ARR has increased from Rs. 4,164.52 in FY22 to Rs. 5,006.07 in FY23, and to Rs. 5,335 in FY24. The EBITDA margins improved to 37.25% in FY24, up from 35.16% in FY23. This increase was driven by a reduction in selling and distribution expenses as a proportion of Total Operating Income (TOI). The PAT margin also improved by 473 bps and stood at 16.87% in FY24 as compared to 12.15% in FY23 on account of improvement in EBITDA margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Rating Methodology for Lease Rental Discounting \(LRD\)](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)



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Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company's liquidity is adequate marked by 25.79% average utilisation of fund-based limits during the past 12 months ended August 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company has a Current Ratio of 1.06x as on March 31, 2024. The Working Capital Cycle of the company stood at 78 days in FY24. The unencumbered cash and bank balance stood at Rs. 0.46 crore as on March 31, 2024.

About the Company

ABC Sites Private Limited was incorporated on August 13, 2003, as an unlisted public limited company and was converted into a private limited company on July 10, 2014. It is managed by Mr. Narinder Kumar Sharma, Mr. Dharminder Kumar Sharma and Mr. Parminder Kumar Sharma. The company operates a hotel under the "Holiday Inn" brand in Zirakpur, Punjab which began full operations in June 2021. In addition to the hotel, the company has leased out a commercial complex to tenants including Reliance Corporate IT Park Ltd. (Brands: Reliance Trends and Reliance Digital) and Kalyan Jewellers India Limited, among others.

Financials (Standalone):

| For the year ended/ As on* | (Rs. crore) | |
|----------------------------|-------------|------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |
| Total Operating Income | 34.99 | 39.66 |
| EBITDA | 12.30 | 14.78 |
| PAT | 4.31 | 6.80 |
| Total Debt | 53.86 | 44.58 |
| Tangible Net Worth | 31.59 | 37.02 |
| EBITDA Margin (%) | 35.16 | 37.25 |
| PAT Margin (%) | 12.15 | 16.87 |
| Overall Gearing Ratio (x) | 1.71 | 1.20 |
| Interest Coverage (x) | 3.03 | 3.42 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable



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Any other information: Not Applicable

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|--------------------------------------|--------------------------------|--------------------------------|-----------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| | | Type (Long Term/Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| 1. | Long Term Fund Based Bank Facilities | Long Term | 42.47 | IVR BBB-/Stable | - | - | - |

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------------------------------------------------|------|---------------------|---------------------|------------------|------------------------------------|-----------------------------|
| Long Term Bank Facility - Term Loan | - | - | - | April 2032 | 28.36 | IVR BBB-/Stable |
| Long Term Bank Facility - Term Loan under LRD Scheme | - | - | - | November 2032 | 8.83 | IVR BBB-/Stable |
| Long Term Bank Facility - GECL Loan | - | - | - | April 2027 | 4.28 | IVR BBB-/Stable |
| Long Term Bank Facility - Cash Credit | - | - | - | - | 1.00 | IVR BBB-/Stable |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ABC-Sites-7oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.