



## Press Release

### JHV Construction Company Private Limited

November 09<sup>th</sup>, 2023

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	63.94	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	2.00	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>65.94</b>	<b>(Rupees Sixty-Five Crore and Ninety-Four Lakh Only)</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of JHV Construction Company Private Limited draw comfort from its experienced promoters, moderate debt protection metrics, favourable location of the hotel and franchisee & management arrangement with Hilton for a tenure of 22 years. However, these rating strengths are partially offset by nascent stage of the project, risk related to project execution and stabilisation of the project, low operating profitability in the already existing business and cyclical nature of the industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Timely completion of project within the estimated cost and achieving projected operating parameters.

##### Downward Factors

- Significant delay in commencement of operations with significant cost overruns.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced of the Promoters**

JHV Construction Company Pvt Ltd is promoted by Mr. Hira Lal Jaiswal and Mr. Abhishek Jaiswal. The promoters have rich experience of more than two decades in the industry. Longstanding presence of the promoters in the industry has helped the company to establish strong relationships with customers.

##### **Favourable Location of commercial property**

The Hotel project is situated at Varanasi's City's Commercial Center. Hotel is easily accessible by Road, Airport and Railway. The hotel is expected to benefit from paucity of five-star hotel and increase in tourism expected because of it being spiritual city.

##### **Franchise and Management arrangement with Hilton for tenure of 22 years**

JHVCCL operational risk is likely to be mitigated to a large extent by the franchise-cum-management agreement with USA-based luxury hotel chain "Hilton" for a term of 22 years. Hotel is expected to enjoy benefits like advertising, promotional programs for the hotel on a global basis and access to Hilton's reservation system and customer base.

#### **B. Key Rating Weaknesses**

##### **Risk related to project execution and stabilisation of operations**



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The company is executing hotel project which involves constructions of 144 rooms, restaurant and other amenities in Varanasi (UP) at total project cost of Rs. 97.28 crore which will be funded through promoters contribution of Rs. 17.22 Crore and term loan of Rs.59 crore and unsecured loan of Rs. 21.06 Crore. The hotel has commenced its banquet operations in October 2022. The Completion of the project within envisaged cost and timelines will be crucial. Further, achievement of envisaged revenues and profitability will also be key monitorable.

### **Exposure to risks relating to cyclicalities and other external factors:**

Cyclicalities in hotel industry could lead to fluctuations in cash inflow because of volatility in general economy and exogenous shocks, which may impact the debt servicing ability of the company. JHV Construction Company Private Limited will remain susceptible to the inherent cyclicalities in the hotel and tourism industry. The company is also likely to face competition from other 5-star hotels located in Varanasi.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

The company's liquidity is expected to remain adequate on the expectation of sufficient cushion in cash accruals vis-à-vis debt repayments. The current ratio of the company stood above unity at 1.05x as on March 31<sup>st</sup>, 2023. The unencumbered cash and bank balance as on March 31, 2023, stood at Rs. 1.95 Crore.



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### About the Company

JHV Construction Pvt. Ltd. was incorporated in 1989. The Company has long experience in setting up real estate projects and have successfully completed several projects in Mumbai. Having developed a strong foothold in construction and real estate, the company has entered into the Hospitality Industry by setting up of a five-star hotel property in Varanasi, Uttar Pradesh.

The Company has set up 144 rooms hotel in Varanasi, which is under franchise agreement with the Hilton Group. Company has executed franchise agreement with Hilton Hotel for 22-year lease i.e. it would end on year 2041.

### Financials (Standalone):

For the year ended* / as on	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	8.68	10.95
EBITDA	2.04	1.52
PAT	1.52	0.94
Total Debt	53.47	66.06
Tangible Net Worth	27.82	34.74
<b>Ratios</b>		
EBITDA Margin (%)	23.45	13.85
PAT Margin (%)	17.49	8.55
Overall Gearing Ratio (x)	1.92	1.90

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Facilities	Long Term	63.94	IVR BB-/ Stable	--	--	--



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22
2.	Short Term Fund Based Facilities	Short Term	2.00	IVR A4	--	--	--

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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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	April 2028	44.97	IVR BB-/ Stable
Term Loan	-	-	April 2028	3.99	IVR BB-/ Stable
Term Loan	-	-	April 2028	9.98	IVR BB-/ Stable
CC	-	-	-	5.00	IVR BB-/ Stable
BG	-	-	-	2.00	IVR A4

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-JHV-nov23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com).