

Rating Rationale

Brickwork Ratings assigns “BWR C-” for the Bank Loan facilities aggregating 6.00 Cr of AAR Royal Residency Pvt Ltd or ‘The Company’

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Credit Facilities Sanctioned/availed amounting to ₹6.00 crores by AAR Royal Residency Pvt Ltd

Facility	Amount (₹ Crs)	Tenure	Rating
Fund Based Term Loan	6.00	Long Term	BWR C- (Pronounced BWR C Minus)
Total	6.00		(INR Six Crores Only)

BWR has principally relied upon the audited financial Statements up to FY15, Provisional Financials of FY 16 and Projected Financials up to FY17 of AAR Royal Residency Pvt Ltd, publicly available information and information/clarifications provided by the company.

The rating reflects the weakening of the company’s credit risk profile, restructuring of company’s term loans and inadequacy of income to meet term loan obligations. The rating constrained by the small scale of operations, intense industry competition. However, the rating takes into consideration the experience of the promoters and latent potential for growth in hotel industry

Background

AAR Royal Residency Pvt Ltd. Tirunelveli, Tamilnadu was established in 2012 by Mr. Ayya Durai Pandian and Ms. Alli Rani. The hotel has 37 rooms including suites, 24-hour Coffee Lounge, Multi Cuisine restaurant, Conference halls, Spa, Casino bar, Electronic Safe Locker, Valet Parking, Currency Exchange, Fitness Center and Swimming pool.

Management

Mr. Ayya Durai Pandian is the Managing Director and has extensive experience in the hospitality business. Ms. Alli Rani is the other director. The company is a closely held family business.

Financial Performance

Total Operating Income increased from ₹1.08 Cr in FY15 to ₹1.56 Cr in FY16. Net loss of the Company in FY16 decreased to ₹-1.06 Cr from ₹-1.18 Cr in FY15. The Company’s Net worth is declined to ₹-2.21 Cr in FY16 as against ₹-1.16 Cr in FY15.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Outlook

Going forward, the ability of the company to improve its revenue and profitability, generate sufficient cash accruals to service its debt obligations in time, strengthen its capital structure will be the key rating sensitivities.

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