

## Rating Rationale

### Brickwork Ratings assigns 'BWR B' Outlook (Stable) for the Bank Loan Facilities amounting to ₹ 8.00 Cr of M/s Abika Hotels

Brickwork Ratings has assigned **Ratings<sup>1</sup>** for the bank loan facilities of INR 8.00 Cr (Rupees Eight Crores) of Abika Hotel as follows:

Bank Facilities	Tenure	Amount ₹ Crs	Rating
<b>Fund Based Limit</b>			
Term Loan	Long Term	8.00	<b>BWR B</b> <i>(Pronounced as BWR B)</i> <i>(Outlook: Stable)</i>
<b>Total Fund Based</b>		<b>8.00</b>	<b>INR Eight Crores Only</b>

BWR has essentially relied upon the audited financial statements (Balance Sheet) of FY16 and projected Financial up to FY18, publicly available information and clarification provided by the Company's management.

The rating factors the location advantage .However ,the rating is constrained by Lack of experience of partners in hospitality business and intense competition and seasonal nature of industry.

#### Background

M/s Abika Hotels was established in August,2014 as a partnership firm by Mr.Ashok Jhalani ,Mr Umesh Jhalani,and Mr Mahesh Jhalani with an objective to establish a three star hotel at Ujjain (Madhya Pradesh). However,construction of hotel building started from July,2014

#### Project Details

The partners of the firm are experinced in different fields and now moving towards hospitality industry.

The cost of the project is Rs.14 cr, this is expected to be funded by Rs 3.35 cr of promoters' contribution , unsecured loan of Rs 2.65 cr and Rs 8 cr term loan from Madhya Pradesh Financial Corporation, which has been sanctioned.

Presently, the hotel building is under construction and 85% construction is done.The regular hotel business is expected to start from April,2017.

#### Management Profile

The firm comprises of five partners. The key partners are Mr. Bharat Jhalani and Mr. Aditya Jhalani.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Financial Performance

The firm is yet to commence its Hotel Business. As of september,2016 the firm has incurred Rs 12.05cr on the project, which is funded out of Rs.2.35 as capital ,Rs.2.40 from unsecured loan, and Rs 7.30cr as term loan from Madhya Pradesh Financial Corporation.

### Rating Outlook

The rating outlook is expected to be stable based on current status of project. The rating derive strength from location advantage present in Ujjain.

Going forward, lack of prior experience, ability of the firm to timely complete the project without any further cost and time overrun and to achieve the projected occupancy level and Average Room Rent (ARR) for the hotel in the highly competitive industry would be the key rating sensitivities.

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