

Rating Rationale

Brickwork Ratings assigns ‘BWR B+’ for the existing and proposed Bank Loan Facilities aggregating to ₹ 12.00 Cr of Arundwati Hotels and Resorts Private Limited.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the existing and proposed Bank Loan facilities of Arundwati Hotels and Resorts Private Limited (AHRPL).

Facility	Limits (₹ Cr)		Tenure	Rating
	Existing#	Proposed Additional		
<u>Fund Based</u>				BWR B+ (Pronounced BWR Single B plus) (Outlook : Stable)
Term Loan	7.13	4.87	Long Term	
Total	12.00		(INR Twelve Crores only)	

- sanctioned by Union Bank of India

BWR has principally relied upon the audited financial results of FY14, projected financials for FY15 & FY16, publicly available information and information/ clarifications provided by the company’s management.

The rating factors in the low project completion risk with the company’s maiden project nearing completion and expected to commence commercial operations by February 2015, strategic location of the project in a commercially booming area of the city with good scope for occupancy levels and relatively lower competition due to presence of few hotels in the city which fall in the similar price band.

However, the rating is constrained by the company’s average financial profile with a high gearing ratio and low net worth, strained liquidity with low debt protection metrics, capital intensive and seasonal nature of the hospitality industry and the highly tax laden structure inherent in the business.

Background:

Arundwati Hotels & Resorts Private Limited (AHRPL) was incorporated in 2011 by Mr. Sarandeep Singh Saluja, Mr. Satish Kumar Agrawal and Mr. Rajeev Kumar Gupta who also act as the directors.

The company is currently in the process of completing the construction of a hotel “HOTEL ARUNDWATI” and will be commencing operations by February 2015 in Raigarh, Chhattisgarh.

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

The 3-star equivalent deluxe hotel is located in an upcoming area in the suburbs of Raigarh near Gajanandpuram colony, Kotra road. The hotel is being built in the style of a business cum leisure resort, an 8 storeyed structure spread over 2 acres with a sprawling lawn and will be fully equipped with banquet halls, party halls, restaurant cum coffee shop, bar/discotheque, party terrace and terrace garden, terrace swimming pool and a health club. The hotel will have around 56 rooms which include Deluxe Rooms, Executive Deluxe rooms, Super Deluxe rooms and Luxury Suites.

The company has received clearances from Nagar Nigam Raigarh, NHAI & Central Ground Water Board, Raigarh while the Chhattisgarh State Tourism Board and the local Fire Department approvals are in process which are expected before commencement of commercial operations.

Financial Performance:

According to the audited results of FY14, there were no sales recorded by the Company as commencing of commercial operations of AHRPL's hotel is only by February 2015.

Debt equity ratio stood at 2.36 times in FY14. As of 31st March, 2014, the net worth of the company stood at ₹ 1.00 Crores although is projected to increase. According to the company's management, the projected share capital for FY15 is to be ~ ₹ 5.41 Crores while the net sales for FY15 & FY16 have been projected at ~ ₹ 1.00 Crore and ~ ₹ 6.50 Crores respectively.

Rating Outlook:

The outlook for AHRPL is expected to be stable in the near term. Going forward, the ability of the company to improve its capital structure while achieving projected levels of revenues through projected occupancy levels and maintaining a comfortable debt equity position will be the key rating sensitivities.

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