

Rating Rationale

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 6.24 Cr of Athitheya Kshema Hotels Pvt Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for Bank Loan Facilities of Athitheya Kshema Hotels Private Limited ("AKHPL" or "the Company"):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Overdraft Term Loans	0.75 2.32	Long Term	BWR B + (Pronounced BWR B Plus) Outlook - Stable
Non-Fund Based Bank Guarantee	3.17	Short Term	BWR A4 (Pronounced BWR A Four)
Total	6.24	INR Six Crores & Twenty Four Lakhs only	

BWR has essentially relied upon the Company's audited financial results up to FY13, provisional key financial figures of FY14, projections for FY15 and onwards, publicly available information and the information/clarifications provided by the Company.

The rating has factored the experience of promoters in the hotel industry, the established track record of operations, diversified revenue streams from the hotel and leasehold income locational advantages and the ongoing serviced apartment's project at Bangalore, which is expected to drive future revenue growth. The rating is constrained by the low scale of operations, subdued financial risk profile marked by small net worth, susceptibility of revenues to intense industry competition and risks related to project execution.

Background:

Athitheya Kshema Hotels Private Limited (AKHPL) was established by Mr. K Ravi and Mrs K Sudha in 1999. AKHPL is engaged in the hospitality business and the Company started its commercial operations in 2005 – 06. AKHPL operates a three-star hotel under the brand 37th Crescent Hotel in Bangalore, (Karnataka). 37th Crescent Hotel has 60 rooms with various amenities, two Banquet/ Conference halls, Board Room, Health Club, South Indian and Chinese specialized Restaurants, Bar Lounge and other value added services. It has about 125 employees, and operational, marketing support are taken care by the Company itself. The company's day-to-day operations are managed by Mr. K Ravi.

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

AKHPL has entered into an Agreement in 2011 with Bangalore Metropolitan Transport Corporation (BMTC), Bangalore to act as an Asset Management Company to operate and maintain the BMTC's Traffic Transmission Management Centres (TTMC) at five places in Bangalore viz., Jayanagar, Shanthi Nagar, Vijayanagar, Banashanakri and Koramangala. These properties have been sub-leased to other counter parties like Aditya Birla Group, Reliance Group, Deccan Chronicle Holdings Private Limited etc. AKHPL is currently undertaking the construction of 50 Serviced Apartments in Kammanahalli, Bangalore. The company also proposes to venture into Motels, Health Clubs etc. on the National Highways (Chennai – Vellore).

Management:

The directors of the company are Mr. K Ravi, Managing Director and Mrs K Sudha, Director who hold 70% and 30% respectively. The promoter has experience in the construction business and before entering the hospitality business was running a construction firm called K Ravi Civil Engineering Contractors.

Financial Performance:

Net Sales of the Company increased from ₹ 6.26 Cr in FY 12 to ₹ 15.91 Cr in FY 13. Profit after tax has declined from ₹ 0.50 Cr in FY 12 to ₹ (0.12) Cr in FY 13 on account of leasehold expenses exceeding leasehold income in FY 13. AKHPL's net worth stood at ₹ 3.54 Cr & Overall Debt Equity Ratio was at 2.60 times in FY13. On a provisional basis, the Company has achieved Net Sales of ₹ 26.09 Cr for FY14.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the Company's ability to complete the upcoming serviced apartments project as proposed, ensure timely debt servicing and lease rent collections, achieve the projected occupancy levels and average room rent and improve its overall financial risk profile will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.