

May 08, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	0.10	SMERA BB-/Stable (Assigned)
Term Loan II	0.22	SMERA BB-/Stable (Assigned)
Term Loan III	9.65	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.9.97 crore bank facilities of Meghdoot Resorts Private Limited (MRPL). The outlook is '**Stable**'. The rating is supported by the company's established operations and experienced management. The rating also draws comfort from the healthy operating efficiency of the hotel run by the company. However, the rating is constrained by the company's exposure to project execution risk. The rating factors in risks related to the company's debt-funded capex.

MRPL, incorporated in 1982, is an Aurangabad-based company engaged in running of Hotels, Resorts and Restaurants. MRPL currently operates two hotels (named Hotel Atithi and Hotel Kohinoor Plaza) in the Aurangabad region.

MRPL benefits from its experienced management. The promoters of the company have around four decades of experience in the hotel industry. MRPL's hotels have healthy occupancy of ~85 per cent. The company has registered strong operating profit margin of 19.76 per cent in 2014.

MRPL is in the process of adding 34 additional rooms in Hotel Atithi. The project construction is at the nascent stage. The company expects to complete the project by October 2016. The total cost of the project is estimated at Rs.16.00 crore, which will be funded through bank borrowings of Rs. 9.65 crore and equity capital of Rs. 6.35 crore. Notwithstanding the benefits of capacity expansion, SMERA believes the aforementioned capex will have an adverse impact on the debt protection metrics of MRPL.

Rating sensitivity factors

- Improvement in capital structure
- Timely completion of the project

Outlook: Stable

SMERA believes MRPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while achieving sustained improvement in profitability, financial profile and working capital management. The outlook may be revised to 'Negative' in case of delays in project execution, or in case of deterioration in the company's working capital management or capital structure.

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About the project

MRPL is in the process of adding 34 rooms to Hotel Atithi, Jalna Road Aurangabad. The project cost is estimated at Rs.16.00 crore, which is likely to be funded through term loan of Rs.9.65 crore (sanctioned) and promoters' funds of Rs 6.35 crore.

About the company

MRPL, incorporated in 1982, is an Aurangabad-based company promoted by Mr. Suresh Patil. MRPL is engaged in running of hotels, resorts and restaurants. The company operates two hotels (named Hotel Atithi and Hotel Kohinoor Plaza) in the Aurangabad region. Hotel Atithi has 48 rooms, while Kohinoor Plaza has 19 rooms.

For FY2013-14, MRPL reported profit after tax (PAT) of Rs.0.71 crore on total income of Rs.6.27 crore, as compared with PAT of Rs.1.68 crore on total income of Rs.5.72 crore in FY2012-13. The company's net worth stood at Rs.7.04 crore as on March 31, 2014, as compared with Rs.6.34 crore a year earlier.

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