

Press Release

Ishaan Clubs & Hotels Private Limited (ICHPL)

April 19, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs.59.90 Cr
Long Term Rating	SMERA BB-/Stable* (Downgraded)

**Refer Annexure for details*

Rating Rationale

SMERA has downgraded the long-term rating on the Rs.59.90 crore bank facilities to '**SMERA BB-**' (read as **SMERA double B minus**) from 'SMERA BB' (read as SMERA double B) of Ishaan Clubs & Hotels Private Limited (ICHPL). The outlook is '**Stable**'. The downgrade is in view of the cost escalation and time overrun with regard to the upgradation undertaken.

Incorporated in March 2011, ICHPL is a Mumbai-based construction company that runs clubs and hotels and deals in resorts such as Juhu Club Millennium, Strike 10 (bowling alley), Lavesh Enclave to name a few. The company was promoted by Mr. Rajeev Anand and Mr. Sahil Anand who possess more than a decade of experience in the hospitality industry.

ICHPL plans to set up a hotel comprising 98 rooms and 20 Swiss tents at Khodiyat Forest Chowki, Udaipur. The company purchased the property from Hotel Jagat Niwas Private Limited along with the adjoining land parcel. The project is likely to be launched by April, 2017.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: Mr. Rajeev Anand and Mr. Sahil Anand have around two decades of experience in the hospitality industry.

Weaknesses:

Project implementation risk: The total project cost escalated to Rs. 131.91 cr (funded through term loan of Rs. 85.00 cr and equity of Rs. 46.91 cr) from the earlier Rs. 93.98 cr mainly on account of expansion and upgradation of the club to five star category. The upgradation entails addition of two Presidential Suites, a banquet hall, a kitchen (pure veg) and a restaurant, an additional lobby and reception area apart from other ancillary facilities.

The present debt-equity for the project stands at 1.81 times. The project is in the advanced stage of completion and scheduled to be completed by April, 2017 as against the earlier date of April, 2016. Going forward, ICHPL's ability to generate revenue to service term debt obligations will remain a key rating sensitivity factor.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Services Sector: <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that ICHPL will maintain a stable outlook and continue to benefit over the medium term from its promoters extensive industry experience and tie-up with Vivanta.. The outlook may be revised to 'Positive' if the company implements the project without cost and time over runs and generates adequate cash flows to repay its debt. Conversely, the outlook may be revised to 'Negative' in case of delay in project implementation.

About the Rated Entity

ICHPL, incorporated in March 2011, is a Mumbai-based company that runs clubs, hotels, resorts among others and deals in resorts. Promoted by Mr. Rajeev Anand and Mr. Sahil Anand, the company is setting up a hotel at Khodiyat Forest Chowki, Udaipur to be managed by Vivanta by Taj. It is likely to be launched by April, 2017.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	59.90	SMERA BB-/Stable (Downgraded)	Nov 19, 2015	SMERA BB/Stable (Assigned)				

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A	N.A	July, 2027	59.90	SMERA BB-/Stable (Downgraded)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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