

November 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	23.24	SMERA B-/Stable (Assigned)
Funded Interest Term Loan (FITL)	1.48	SMERA B-/Stable (Assigned)
Bank Guarantee	1.59	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B- (read as SMERA B minus)**' to the Rs.24.72 crore long term facilities and '**SMERA A4' (read as SMERA A four)**' to the Rs.1.59 crore short term facility of Waterline Hotels Private Limited (WHPL). The outlook is '**Stable**'.

The ratings are constrained due to the small scale of operations, limited track record and the highly fragmented and competitive hospitality industry that the company operates in. The ratings are also constrained due to the weak financial profile marked by net losses, aggressive capital structure and negative net cash accruals. Further, the ratings take note of the project implementation risk for the real estate project, Miraya Rose. However, the ratings draw comfort from the hotel's tie-up with an established brand - Holiday Inn, experienced management, group support and promoter's experience in the hospitality and real estate business.

Outlook: Stable

SMERA believes WHPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in income receivables while maintaining its debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

Rating Sensitivity Factors

- Ability to scale up operations while maintaining profitability
- Ability to pay off debt obligations

About the Company

WHPL, incorporated in 2008, is a Bangalore-based 122 room five star hotel promoted by Mr. Guatam U. Nambisan, Mayurnath K Setra, Ravindran Kolliaikal and others. Part of the UKN Group of companies, the hotel has joined hands with the reputed, InterContinental Hotels Group (Holiday Inn) and is also into real estate development.

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About the Project

Miraya Rose is an Rs.125 crore residential-cum-commercial project undertaken by WHPL at Whitefield, Bangalore to construct 88 luxury rooms. The company had launched the project in December 2013 and the expected completion date is June 2016.

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