

Press Release

Taleda Square Private Limited

15 March, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs.14.00 Cr
Long Term Rating	SMERA B+/Stable (Upgraded from SMERA B/Stable)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long-term rating on the Rs. 14.00 crore bank facilities of Taleda Square Private Limited (TSPL) to **'SMERA B+' (read as SMERA B plus)** from **'SMERA B' (read as SMERA B)**. The outlook is **'Stable'**.

The upgrade is driven by the successful completion of the project and commencement of commercial operations. The ratings continue to be supported by the company's experienced management and strategic location of the property. However, the ratings are constrained by the limited track record of operations and intense competition in the hospitality industry.

TSPL, incorporated in 2014, is a Pune-based company promoted by Mr. Harshad Talera and Mr. Praveen Mutha. A 100 per cent subsidiary of Smart Hotels Private Limited, the company has established a multi-functional complex under the name 'Taleda Square' at Ajmer, Rajasthan. The complex comprises commercial units (12 shops) and a budget hotel, Smart Inn with 90 rooms. The land has been leased by Rail Land Development Authority (RLDA) for a period of around 45 years. The construction of the hotel is underway and is expected to be completed by March, 2018.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters

The company benefits from the extensive experience of its Directors, Mr. Harshad Talera and Mr. Praveen Mutha who collectively possess more than a decade of experience in the real estate sector as also in the running of hotels. The company is part of the Pune-based Talera Group which has interests in real estate, hotels, theatres, banquet halls and warehousing. The group runs five hotels in Pune.

Strategic location of the property

The project is located at Station Road, Ajmer Railway Junction. In terms of accessibility, the site is 137 kms from the airport, close to the railway station, bus station and 0.1 km from the city. The site is close to the National Highway which connects Jaipur, Delhi, Udaipur & the Shekhawati Belt, a popular tourist belt. Ajmer has several tourist attractions and is also one of the 100 cities identified to be a Smart City to be aided by USA.

Weaknesses:**Limited track record of operations**

The company completed construction of the project in January, 2018 and commenced operations in February, 2018. Hence, the company has limited track record of operations. The commercial operations (COD) were delayed by nine months due to delay in disbursement of loan and other internal factors. However, currently the company has leased out five shops out of 12 and 80 rooms out of 90 which are operational as on date.

Competition from existing and upcoming hotels/resorts in Ajmer

The company faces stiff competition from existing and upcoming hotels in and around Ajmer. It also faces competition from Dharamshalas and paying guest accommodations. Taleda Square faces competition from various existing and upcoming hotels/resorts in Ajmer. These include premium hotels such as Hotel Jagat Palace, Ananta Resort & Mansingh Palace, mid-market hotels including Hotel Embassy, Hotel Ambassador and budget hotels such as Regal and Oasis.

Analytical Approach:

SMERA has considered the standalone business and financial risk profiles of Taleda Square Private Limited.

Outlook: Stable

SMERA believes that the outlook on TSPL's rated facilities will remain stable over the medium term on account of the company's experienced management and scope for hotels in Ajmer. The outlook may be revised to 'Positive' in case the company achieves the expected occupancy and ARR rates. Conversely, the outlook may be revised to 'Negative' in case of decline in occupancy levels leading to lower cash accruals, or if the company undertakes a sizeable debt-funded capex programme, resulting in weakening of its debt protection metrics.

About the Rated Entity –Key Financials

The operations of the company commenced from January, 2018.

Applicable Criteria

- Service Entities – <https://www.smera.in/criteria-service.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

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

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
11 Oct, 2017	Term Loan	Long Term	14.00	SMERA B/Stable Issuer not co-operating*
5 Jul, 2016	Term Loan	Long Term	14.00	SMERA B/Stable (Assigned)

*The issuer did not co-operate; based on best available information.

***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	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA B+ / Stable (Upgraded from SMERA B/Stable)

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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