

June 30, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	10.00	SMERA C (Assigned)

SMERA has assigned a rating of '**SMERA C** (read as SMERA C)' to the Rs.10.00 crore bank facility of RG Royal Hotel & Convention (RG Royal). The rating is constrained by the expected deterioration of the firm's debt repayment ability on account of delays in project completion. The rating is also constrained by the firm's exposure to intense competition in the hotel industry. The aforementioned weaknesses are partially offset by the firm's experienced management.

RG Royal is a Bengaluru-based proprietorship concern established to undertake the business of running hotels. The firm is constructing a three-star hotel in Mahalakshmipuram, Bengaluru. The project cost is estimated at Rs.34.00 crore (excluding land cost of Rs.6.00 crore), which is likely to be funded through promoter's funds of ~Rs.24.00 crore and term loan of Rs.10.00 crore (disbursed to the extent of Rs.3.60 crore). The principal repayment of the term loan is due from April 2015 onwards. The commercial operations were scheduled to commence in April 2015; however, there were delays in project execution and the firm now expects to start commercial operations in August 2015. SMERA believes the delays in project execution will have an adverse impact on the debt repayment ability of the firm.

RG Royal benefits from its experienced management. The proprietor of the firm has around ten years of experience in the hotel industry.

About the firm

RG Royal is a proprietorship concern established in 2013 by Mr. Ravish Gowda. The firm is constructing a three-star hotel (with 66 rooms) in Mahalakshmipuram, Bengaluru. The proposed hotel will have an air-conditioned banquet hall and a convention room. The total project cost is estimated at Rs.34.00 crore (excluding land cost of Rs.6.00 crore). The project is likely to be funded through promoter's funds of ~Rs.24.00 crore and term loan of Rs.10.00 crore.

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