

Press Release

N. K. Realtors

19 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.25 Cr.
Long Term Rating	SMERA B/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed a long term rating of '**SMERA B**' (read as **SMERA B**) to the above mentioned bank facilities of Rs.13.25 crore to N. K. Realtors. The outlook is '**Stable**'.

The Mumbai-based N. K. Realtors (NKR), incorporated in 2014 is a partnership firm is promoted by Mr. Hitesh D. Majethia and Mr. Nitin H. Thakkar. The firm is developing a hotel property by name 'Valley Vista Grand' at Khandala.

Key Rating Drivers

Strengths

- **Experienced management:**

Incorporated in 2014, NKR is developing a 66-room with 2 restaurants and banquet halls at Khandala, Maharashtra; the firm is promoted by Mr. Nikhil Thakkar and Mr. Hitesh D. Majethia; the promoters enjoy more than a decade experience in operating hotels. SMERA believes that NKR expects to benefit from the experience of the promoters in the hospitality industry.

Weaknesses

- **Delay in the project completion:**

NKR has started construction of the hotel in April 2015, to be operational by April 2018. However, due to climatic issues (rainy season) in the region, the project got delayed and, now the management is expecting the project to be operational by around October 2018. The time over run results in cost escalation by about 15 per cent to about Rs.23.28 crores from original cost of about Rs. 20.24 crores. NKR has invested about ~Rs.17.00 crores so far on the project; the same is funded out of term loan of Rs.11.60 crores and balance out of promoter's contribution in the form of capital and unsecured loans. There is an undrawn term loan of about Rs. 1.65 crores, and additional margin to be brought in by the promoters of about ~Rs. 4.70 crores for completion of the project by October 2018. SMERA believes that any delay in infusion of funds by the promoter may result in time and cost overrun of the project, and is the key rating sensitivity factor.

- **Intense competition**

Khandala has immense competition from other established hotels and resorts being a popular tourist destination. Surviving in intense competition may prove difficult for Hotel Valley Vista Grand putting pressure on the cashflows of the firm.

Outlook: Stable

SMERA believes that the outlook on NKR's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case of early completion of the project, and higher -than-expected generation of cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any time or cost overrun in completion of the project, or lower-than-expected revenues resulting in stretch in the liquidity.

About the Rated Entity - Key Financials

NA

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

Applicable Criteria

- ② Service Sector- <https://www.smera.in/criteria-services.htm>
- ② Default Recognition - <https://www.smera.in/criteria-default.htm>
- ② Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19 January, 2018	Term Loan	LT	13.25	SMERA B/ 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	Not Applicable	Not Applicable	Not Applicable	13.25	SMERA B/ Stable (Reaffirmed)

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