

Press Release

Eulogia Inn LLP (EIL)

10 February, 2017

Rating Assigned

Total Bank Facility Rated *	Rs.15.00 Crore
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.15.00 crore long term bank facility of Eulogia Inn LLP (EIL). The outlook is '**Stable**'.

EIL, a limited liability partnership firm established in 2014 has set up a luxury hotel in Ahmedabad. The firm was founded by nine partners including Mr. Alpesh Patel, Mr. Kamrali Masi, Mr. Abbasali Yakubhai Masi with more than 20 years of experience in the hospitality, real estate and construction sectors. The hotel commenced operations in June 2016.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The rating draws comfort from the experienced management - Mr. Alpesh Patel, Mr. Kamrali Masi and Mr. Abbasali Yakubhai Masi possess more than two decades of experience in the aforementioned industries.

Locational advantage: The hotel enjoys locational advantage since it is located at a prime business hub - near Gota fly over, on Sarkhej-Gandhinagar Highway, Ahmedabad.

Weaknesses:

Limited track record: The hotel commenced operations in June 2016 and has limited track record of business.

Low occupancy level: Since inception, occupancy levels have been between 30-40 per cent. The hotel earns maximum revenue from banquet halls (over 60 per cent occupancy level).

Operating level losses and high dependence on promoters fund: EIL registered operating losses of Rs. 0.71 crore (provisional) from June to December 2016 resulting in stretched liquidity. However, the firm has interest commitment charges of around Rs.1.23 crore which are met from continuous infusion of partner's capital. The principal repayment obligation will commence from April 2017. SMERA thus notes that timely infusion of funds by promoters to pay its debt obligation would be the key rating sensitivity.

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

Applicable Criteria

- Service sector criteria: <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 EIL will maintain a stable outlook and benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' in case the company generates steady cash flows from increase in occupancy levels. Conversely, the outlook may be revised to 'Negative' if the company fails to reach envisaged occupancy levels leading to decline in its overall operating performance.

About the Rated Entity

EIL, a limited liability partnership firm was established in 2014 to run a luxury hotel near the Sarkhej-Gandhinagar Highway (Ahmedabad). The 45 room hotel has two restaurants and banquet halls with capacity to serve 1050 people. The partners possess business experience across industries including the hospitality sector.

Till December 2016, EIL reported net loss of Rs.(1.90) crore on total operating income of Rs.2.96 crore (provisional).

Status of non-cooperation with previous CRA: ICRA in its press release dated October 13, 2016 inter alia has stated the following "ICRA has suspended the [ICRA] B rating assigned to the Rs.15.00 crore long term – unallocated limits of Eulogia Inn LLP. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company."

Any other information: Not Applicable

Rating History for the last three years:

Name of Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	15.00	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	NA	NA	March 2024	15.00	SMERA B/Stable (Assigned)

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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