

Press Release

KADODARA HOTELS

December 18, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of KADODARA HOTELS. The outlook is '**Stable**'.

The Surat-based Kadodara Hotels (KH), established in 2016, plans to set up a three star hotel consisting of 27 rooms, 12 service apartments, a restaurant, banquet and other facilities at Surat. The firm is led by Partners, Mr. Shaileshbhai Dahyabhai Patel (Key Promoter) and Mr. Atulbhai Mangubhai Patel. The total cost of the project is Rs.11.00 crore and commercial operations are expected to commence from April, 2018.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. Shaileshbhai Patel and Mr. Atulbhai Patel have more than two decades of experience in the hospitality and real estate sectors. Further, the aforementioned are also co-founders of the 'Chatrala Group', engaged in the hospitality and real estate businesses since 1980 in USA.

- **Management agreement/Tie-up**

The firm has entered into an agreement with Budget Inn Enterprises (BIE) for managing the day-to-day operations of the proposed hotel.

- **Location advantage**

The proposed hotel is located at Kadodara Char Rasta (Surat) near Kim-Pipodara, Karanj and other industrial areas.

Weaknesses

- **Off-take risk**

While operations are expected to commence from April 2018, the project faces off take risk. However, the risk is mitigated to a certain extent considering the extensive experience of the promoters in the hospitality and real estate sectors.

- **Intense competition**

The hotel industry faces intense competition from a large number of organised and unorganised players.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the firm.

Outlook: Stable

SMERA believes that KH will maintain a stable outlook in the medium term owing to the extensive experience of the partners. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows from operations while achieving a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of delays in project implementation.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)
Operating Income	Rs. Cr.	N/A
EBITDA	Rs. Cr.	N/A
PAT	Rs. Cr.	N/A
EBITDA Margin	(%)	N/A
PAT Margin	(%)	N/A
ROCE	(%)	N/A
Total Debt/Tangible Net Worth	Times	N/A
PBDIT/Interest	Times	N/A
Total Debt/PBDIT	Times	N/A
Gross Current Assets (Days)	Days	N/A

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- 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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.24	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.76	SMERA B+ / Stable

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