

Press Release

Kadodara Hotels

February 21, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE B**' (**read as ACUITE B**) from **ACUITE B+** (**read as ACUITE B plus**) to the Rs. 10.00 crore bank facilities of Kadodara Hotels (KH). The outlook is '**Stable**'.

The downgrade is on account of delay in commencement of operations and deterioration in the financial risk profile. The operations of the hotel started in August, 2018, rather than the earlier estimate of April, 2018. The ability of the company to generate adequate cash flows to support its debt obligations is a key rating sensitivity.

Surat-based KH, established in 2016, has set up a two-star hotel consisting of 27 rooms, 12 service apartments, a restaurant, banquet and other facilities at Surat (Gujarat). 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 commenced from August, 2018.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of KH to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The Partners 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 management has entered into an agreement with the 1589 Hotels Private Limited for managing the day-to-day operations of the hotel.

Weaknesses

- **Delay in project execution**

The operations of the hotel started from August, 2018 as against the earlier estimate of April, 2018. Whereas, the term loan obligations commenced as per schedule. Hence, the ability of the company to generate adequate cash flows to support its debt obligations is a key rating sensitivity.

- **Intense competition**

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

Liquidity Profile:

The operations of the firm commenced from August, 2018 against which the repayment of debt obligations started from September, 2018. The ability of the firm to generate adequate net cash accruals in the initial phase of its operations is yet to be seen. Hence, Acuité believes that the partners will have to support the repayment of debt obligations by bringing in unsecured loans till

the firm starts generating adequate cash inflows.

Outlook: Stable

Acuité 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 deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	1.79	2.21	0.00
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Dec-2017	Proposed Cash Credit	Long Term	3.24	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	6.76	ACUITE B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.24	ACUITE B / Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.76	ACUITE B / Stable (Downgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Jyotsna Nebhnani Analyst - Rating Operations Tel: 022 49294052 jyotsna.nebhnnani@acuiteratings.in	

About Acuité Ratings & Research:

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