

July 11, 2013

Facility	Amount (Rs. Crores)	Rating
Term Loan	8.00	SMERA D/Assigned

SMERA has assigned a rating of '**SMERA D' (read as SMERA D)**, to the above mentioned bank facility of Aishwarya Regency (AR). The rating reflects the continuous delays in principal repayments and interest servicing during the last six months. The rating also factors in the project implementation risk involved in the debt-funded Greenfield project, lack of operational track record as commercial activity is yet to begin and lack of promoters' experience in a hotel business.

AR is setting up an 80,000 square feet three-star hotel and restaurant at Talegaon, Pune. The construction is in the advanced stage and 90 per cent of the work completed is certified by the architect. The proposed hotel will have various amenities including 82 luxury and semi luxury rooms, a restaurant with seating capacity of 140, two conference halls and parking space. The project was initially proposed to be completed in September 2012 but was delayed due to revision in size from 56,000 square feet to 80,000 square feet. The commercial operations are likely to begin from October 2013. The management has also applied for a three star accreditation, which is expected to be received in the next three to four months.

The project cost of Rs.21.27 crores is proposed to be largely funded by term loan of Rs.15.00 crores with debt to equity ratio at 3:1. However, AR has been sanctioned a term loan of only Rs.8.00 crores and the same is fully disbursed as on date. Thus, the project completion largely depends on the timely receipt of the balance funds. The term loan repayment was scheduled to commence from September 2012. However, delay in project execution led to restricting of the term loan, which was subsequently scheduled for repayment from December 2012. AR has failed to service its debt

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obligations on time and the firm's term loan repayment statement reflects significant delays in principal repayments and interest servicing.

About the Firm

AR was established in 2008 as a partnership firm by Mr. Sanjay D. Mali and Mrs. Rupali S. Mali. The firm is setting up a three-star hotel at Talegaon, Pune. Although the partners have thirteen years of experience in the restaurant business (through group entity Aishwarya Garden Restaurant), they lack experience in managing a hotel.

As on March 31, 2012 the net worth of the firm stood at Rs.0.22 crores.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, Vice President – Sales Tel : +91-22-67141177 Cell : +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 98336 51336 Email: umesh.nihalani@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

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