

**October 11, 2013**

Facilities	Amount (Rs. Crore)	Rating
Term Loan	136.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA Double B**) to the Rs.136.00 crore bank facilities of Seven Leisure Private Limited (SLPL). The outlook is '**Stable**'. The rating derives strength from the company's experienced management. The rating is also supported by the favorable location of the project and the healthy membership advances received till date. However, the rating is constrained by the company's exposure to project execution risk and uncertainties associated with acquisition of new members.

SLPL is engaged in the construction of a 14-acre fully integrated leisure, sports, entertainment and business activity club (Club 07) in Ahmedabad, Gujarat. The company's management has over two decades of experience in the real estate sector. The construction activity of Club 07 started in 2012 and is likely to be completed by 2015. The total project cost (excluding land) is estimated at about Rs.235.00 crore. Till March 31, 2013, the company incurred project cost of Rs.44.00 crore, which was funded through a mix of membership advances (Rs.37.00 crore) and promoters' contribution. SLPL is in the final stage of raising a term loan of Rs.136.00 crore for the ongoing project. The project construction progressed at a healthy pace during the first four months of FY2013-14 (refers to financial year, April 01 to March 31).

SLPL's effective marketing strategies helped Club 07 acquire more than 3,000 members within the first two years of the launch of the project. The company is relatively well positioned against competition as the other prominent clubs in Ahmedabad are running at peak utilization. Moreover, the membership fees charged by the other clubs are two to three times higher than those charged by Club 07.

Club 07 currently operates from a temporary facility. SLPL is exposed to the risk of time and cost overruns in the completion of the project. Any delay in project completion is likely to affect the company's revenues and profitability. Club 07's average membership fee was ~Rs.1 lakh in FY2011-12 and ~Rs.2 lakh in FY2012-13 while the current membership fee is Rs.3.25 lakh. Although Club 07 currently enjoys a competitive price edge over its peers, SMERA believes the run rate of member addition at higher fees will be lower.

#### **Rating Sensitivity Factors**

- New members addition
- Timely completion of the project

#### **Outlook: Stable**

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SLPL has a stable outlook. SMERA believes Club 07 will continue adding new members on the back of its ongoing marketing initiatives. The outlook may be revised to 'Positive' if the company achieves higher-than-expected memberships at higher fees and if the construction activity progresses ahead of schedule. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected member addition or in case of delays in project execution.

### About the project

SLPL is engaged in setting up Club 07, a recreational club in South Bopal — Ahmedabad, Gujarat. The estimated project cost is Rs.235 crore, which is likely to be funded by a mix of promoters' contribution (Rs.39.00 crore), membership fees (Rs.60.00 crore) and bank term loans (Rs.136.00 crore).

### About the company

SLPL is a special purpose vehicle of West Wing Infrastructures Private Limited (WWIPL), which was incorporated in 2009 by Mr D S Prajapati, Mr Kalpesh Prajapati and Mr Ashokbhai Prajapati. WWIPL and SLPL have the same promoters. SLPL's management has over two decades of experience in construction, commodities trading and import-export business.

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