

April 11, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------------------------|--------------------|----------------------------|
| Proposed long-term bank facilities | 28.00 | SMERA B/ Stable (Assigned) |

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.28.00 crore bank facilities of Vijan Hotels Pvt. Ltd. (VHPL). The outlook is '**Stable**'. The ratings are constrained by the company's exposure to project execution risk amidst competition prevalent in the hospitality industry. However, the ratings are supported by the company's experienced management.

VHPL, incorporated in May 2013, is a Jabalpur-based company established to undertake the business of operating a hotel. The construction of the hotel is underway and is likely to be completed by December 2015. The total outlay is estimated at Rs.28.00 crore. The company has incurred construction cost of Rs.2.00 crore as on March, 2014. VHPL is exposed to project execution risk as the construction of the hotel is at nascent stage. Moreover, the project has not achieved financial closure as the bank loan is yet to be sanctioned. The company is also likely to face moderate competitive pressure from existing hotels in Jabalpur, Madhya Pradesh.

VHPL is poised to benefit from its experienced management. Mr. Sandeep Vijan, director of VHPL, has 13 years of experience in operating another hotel (named Vijan Palace) in Jabalpur.

Outlook: Stable

SMERA believes the outlook on VHPL's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' in case the company is successful in implementing its project on time. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution, or in case of increase in the size or scope of the project.

About the company

VHPL, incorporated in May 2013, is a Jabalpur-based company promoted by Mr. Sandip Vijan and his family members. VHPL is established to undertake the business of operating a hotel. The construction of the hotel is underway and is expected to be completed by December 2015.

VHPL's upcoming hotel (located on 1.4 lakh sq. ft land) is expected to have about 85 rooms and a spacious banquet hall for hosting weddings and other events.

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SMERA RATINGS LIMITED

Vijan Hotels Pvt. Ltd. (VHPL)

Rating
Rationale

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