

June 09, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan – I	37.00	SMERA B/ Stable (Assigned)
Term Loan – II	12.19	SMERA B/ Stable (Assigned)
Proposed Term Loan	1.87	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.51.06 crore bank facilities of Naveen Hotels Limited (NHL). The outlook is '**Stable**'. The rating is constrained by past instances of delays in debt servicing by the company. The rating is further constrained by the company's weak financial profile marked by high gearing (debt-to-equity ratio), low interest coverage ratio and net loss in FY2012–13 (refers to financial year, April 01 to March 31). The aforementioned weaknesses are partially offset by the company's satisfactory debt servicing track record since January 2014. The rating draws comfort from the company's long track record of operations, experienced management and healthy revenue growth.

NHL, established in 1975, is a Bangalore-based company engaged in operating hotels. NHL is a part of the R. N. Shetty Group. The company operates hotels in Hubli and Murudeshwar. NHL has also leased hotel complexes (on M. G. Road and Yeshwanthpur, Bangalore) to the Taj Group of Hotels. NHL's term loan statements reflected delays in debt servicing till December 2013. However, the company has exhibited a satisfactory debt repayment track record since January 2014. NHL's weak financial risk profile is marked by high gearing (debt-to-equity ratio) of 3.50 times as on March 31, 2013 and low interest coverage ratio of 1.31 times in FY2012–13.

NHL benefits from its experienced management. The promoters of the company have around four decades of experience in the hotel industry. NHL's revenues increased from Rs.29.36 crore in FY2012–13 to Rs.38.37 crore (provisional) in FY20103–14, a growth of ~30.38 per cent.

Outlook: Stable

SMERA believes NHL will continue to benefit over the medium term from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained growth in net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability.

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**About the company**

NHL, incorporated in September 1975, is a Bangalore-based company engaged in operating hotels. NHL is a part of the R. N. Shetty Group of Companies promoted by Dr. R. N. Shetty.

For FY2013-14 (as per provisional financial statements), NHL reported profit after tax (PAT) of Rs.5.79 crore on operating income of Rs.38.37 crore, as compared with net loss of Rs.1.45 crore on operating income of Rs.29.04 crore for FY2012-13. NHL's net worth stood at Rs.44.59 crore (provisional) as on March 31, 2014, as compared with Rs.38.80 crore a year earlier.

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