

May 05, 2015

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

SMERA has reaffirmed the rating of '**SMERA B' (read as SMERA single B)** on the abovementioned bank facilities of Naveen Hotels Limited (NHL). The outlook is '**Stable**'. The rating remains constrained by the company's weak financial risk profile. However, the rating draws comfort from the healthy revenue growth registered by the company. The rating is also supported by the company's experienced management.

Update

NHL's weak financial risk profile is reflected in debt service coverage ratio (DSCR) of 0.64 times and net cash accruals to total debt (NCA/TD) ratio of 0.05 times in FY2013–14 (refers to financial year, April 01 to March 31). The company's operating profit margin declined from 53.43 per cent in FY 2012–13 to 48.86 per cent in FY2013–14.

NHL has entered into a long-term agreement (of 25 years) with The Indian Hotels Company Limited for running a hotel in Hubli. The commercial operations of the hotel started in May 2013. NHL's revenues have increased at a healthy compound annual growth rate (CAGR) of ~20 per cent during FY2009–10 to FY2013–14.

Outlook: Stable

SMERA believes NHL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy revenue visibility. The outlook may be revised to 'Positive' in case the company registers sustained growth in net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profitability.

About the company

NHL, incorporated on September 01, 1975, is a Karnataka-based company promoted by Dr. R. N. Shetty. NHL was established to undertake the business of running hotels, lodging facilities, restaurants, bars and holiday resorts. NHL is part of the R N Shetty Group of Companies.

For FY2013–14, NHL reported profit after tax (PAT) of Rs.1.51 crore on operating income of Rs.36.77 crore, as compared with net loss of Rs.1.45 crore on operating income of Rs.29.36 crore in FY2012–13. The company registered revenue of Rs.35.44 crore (provisional) in FY2014–15. NHL's net worth stood at Rs.44.59 crore as on March 31, 2014, as compared with Rs.38.80 crore a year earlier.

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Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Jyoti Punjabi Associate Vice President – Corporate Ratings Tel: +91-22-6714 1107 Email: jyoti.punjabi@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in