

Press Release**SDB Developers Private Limited****March 28, 2019****Rating**

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	87.60	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Total	87.60		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of SDB Developers Private Limited (SDB) derive comfort from its operation and management agreement with a leading hotel chain, locational advantage and good business potential for the hotel. However, the rating is constrained by no prior experience of the promoters in the hospitality segment, execution of project with time and cost overrun and intense competition. Ability to successfully scale up operations and achieve projections, timely servicing of debt, ability to compete with similar players are the key rating sensitivities.

List of Key Rating Drivers with detailed description**Key Rating Strengths***Operation and management agreement with a leading hotel chain*

SDB has entered into an agreement with Intercontinental Hotel group, which is one of the leading hotel chains in the world. The hotel constructed by SDB will be operated under Intercontinentals 'Holiday Inn' brand, which is one of the world's prominent mid-scale hotel brand. Holiday Inn has a network of over 1173 hotels all over the world. Holiday Inn has about 16 properties in India. The hotel can leverage the brand name and good management practices of Holiday Inn, to increase traction and thereby achieve profitably a certain scale of operations.

Locational Advantage and Good business potential for the hotel

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The Site is only 45 minutes' drive from Kolkata International Airport. West Bengal is witnessing massive development in IT, Services and Manufacturing industries. Backed by the initiatives taken by the State and Central Governments, industries like BPO, IT, Call Centres are establishing base in the State. The same is creating demand for quality hotel accommodation for business travellers as well as for getaway for business conventions. Similarly, Kolkata is considered as gateway to North–Eastern States, with good tourism potential. Also, with the destination marriage trending, the property being in close proximity to Kolkata will benefit the company.

Key Rating Weaknesses:

No prior experience of the promoters in the hospitality segment:

The promoters – Mr. Pawan Bhimsaria and Mr. Sanjay Bhimsaria– have entered into the hotel business for the first time. The promoters have long experience in the Logistics and security advisory business. Though, hotel construction is complete and the promoters have carried out due diligence by way of feasibility studies and have tied up with Intercontinental (for operation and management of the hotel), lack of hands on experience in the business could be a weakness for the company.

Execution of project with time and cost overrun

The company has been able to complete construction of the resort, thereby mitigating project execution risk. Though the estimated project completion date was March 2018, the project was completed and COD achieved on December 31, 2018. The actual cost incurred is Rs.142.92 crores against the revised estimated project cost of Rs.131.99 crores which is about 10% higher than the initial cost.

Intense competition:

The hotel is located near the city of Kolkata where other existing hotels such as, Mariott, Prime, Ibiza, Ambuja Realty (having similar brands associated with them and catering to the same clientele class). This could impair the ability of the hotel to generate requisite traction, thereby impacting its profitability and debt servicing ability.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Service Sector Companies

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Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

SDB's liquidity profile seems moderate in the medium term. The cash DSCR appears to be moderate in the projected period. The company has just received COD and operations have started in January 2019, however, the company expects higher cash accruals in the projected period, due to increased occupancy rate. This, along with resourcefulness of the promoter, do not indicate any difficulty for the company in meeting debt obligations in the near term.

About the Company

SDB Developers Private Limited (SDB) is a Private Limited Company incorporated on 9th June, 1999 in Kolkata. The Directors of the Company Mr. Pawan Bhimsaria, Mr. Sanjay Bhimsaria having vast experience in service industry like Logistics & Transportation business, decided to enter into the Hospitality business i.e. Hotels and Resorts, and constructed a 4 star premium hotel on the land admeasuring 12.48 acres area at Uluberia, Dist-Howrah, West Bengal. For the Management, Operation and Marketing of the proposed hotel, Company has tied with Holiday Inn brand, and the hotel was decided to be operated in the name of "Holiday Inn Resort Kolkata NH6".

Financials (Standalone): Not applicable since the company started commercial operations in January 19.

Status of non-cooperation with previous CRA: Not Available

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	85.10	IVR BB+/Stable	-	-	-
2.	Long Term Fund Based Limits – Cash Credit	Long Term	2.50	IVR BB+/Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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Name and Contact Details of the Rating Analyst:

Name: Ms. Aakanksha N. Banthia

Tel: (033) 46022266

Email: abanthia@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	12.10	Quarterly instalments ending Q3-FY28	85.10	IVR BB+/Stable
Cash Credit	-	-	-	2.50	IVR BB+/Stable