

Heath View Holiday Resorts Limited

Instrument	Amount	Rating Action
Fund based limits – Overdraft	Rs. 3.0 crore	[ICRA]B assigned
Fund based limits – Term Loans	Rs. 12.0 crore	[ICRA]B assigned
Non fund based limits – Bank Guarantee	Rs. 0.5 crore	[ICRA]A4 assigned

ICRA has assigned the long term rating of [ICRA]B (pronounced ICRA B) for Rs. 15.0 crore long term bank facilities of Heath View Holiday Resorts Limited (HVHRL). ICRA has also assigned the short term rating of [ICRA]A4 (pronounced ICRA A four) for Rs. 0.5 crore short term bank facilities of HVHRL.

The ratings assigned take into account the Heath View Holiday Resorts Limited's (HVHRL) long-term association with association with Berggruen Hotels Private Limited (BHPL), which has experienced professionals operating hotels under the Keys brand, which renders brand recognition and marketing support to the company. ICRA takes into account the favourable location of the property in the tourist hub of Mahabaleshwar and also the high entry barriers for new entrants due to restrictions in the region for construction of new hotel property, which provides competitive advantage to the company.

The ratings, however, are constrained by the single asset concentration risk for the company as it is operating a single hotel in Mahabaleshwar, which exposes it to any adverse demand scenario in the region. The ratings also take note of low net profitability for the hotel with significant depreciation and interest costs for the company, though fiscal incentives in the form of luxury tax exemptions and reduced electricity tariffs are likely to render some support to profit metrics. The ratings also factor in the company's leveraged capital structure and weak coverage ratio. Also, moderate occupancy levels with exposure to a single asset given the cyclical nature of tourism industry remain a concern for the company.

ICRA expects HVHRL's occupancy levels and Average Room Rates (ARR) to improve gradually resulting in moderate growth in operating income; however any deterioration in occupancy levels and ARR will be a concern for the company. The company's capital structure is expected to remain leveraged in near term in wake of significant debt levels; however infusion of significant equity may result in moderation of capital structure.

Company Profile:

Incorporated in 1993, Heath View Holiday Resorts Limited (HVHRL) was established with the purpose of construction and operation of a hotel at Mahabaleshwar. The company was established by the Patel Group and was taken over by Evershine Builders in 2004. Evershine Group then commenced construction of the hotel property, which was completed by May 2010. Meanwhile, a hotel operating agreement was signed between HVHRL and Berggruen Hotels Private Limited (BHPL) assigning the rights of management and operations of hotel to BHPL under the Keys brand name. The hotel commenced operations in October 2010. Currently, the company is operating an 86 room four star hotel property at Mahabaleshwar by the name of Evershine Keys Prima Resort.

Recent Results:

HVHRL reported a profit after tax of Rs. 0.5 crore on an operating income of Rs. 18.2 crore for the year ending March 31, 2015 (audited) and net losses of Rs. 0.3 crore on an operating income of Rs. 15.8 crore as on March 31, 2014 (audited).

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