

July 27, 2017

Peninsula Projects (Bangalore) Private Limited

Summary of Rated Instruments

Instrument*	Amount (Rs. crore) ¹	Rating action
Long-Term – Fund-Based	20.00	[ICRA]B (Stable); Assigned
Total	20.00	

*Instrument Details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]B (pronounced ICRA B)² to the Rs. 20.00-crore term-loan facilities of Peninsula Projects (Bangalore) Private Limited (PPPL). The outlook on the long-term rating is Stable.

Rationale

The assigned rating derives comfort from the hotel's favourable location in Whitefield, Bangalore, the city's IT hub, and its brand recognition due to the tie-up with Royal Orchid Hotel Group (ROHG). The rating also draws comfort from the continuing financial support from PPPL's promoters, enabling it to meet its debt-servicing obligations amid net losses.

The assigned rating, however, is constrained by the weak financial profile of PPPL, characterised by net losses due to high interest and depreciation costs, also leading to eroded net worth, weak coverage indicators and sizeable repayment obligations to be met vis-à-vis the cash accruals of the company. The rating also takes into account the subdued operational metrics of the company substantiated by a decline in room revenues since FY2014 due to intense competition in the location of the property. This also led to a decline in the revenue per available room (RevPar) over the years. The rating also factors in PPPL's susceptibility to the inherent cyclicity of the hotel industry.

Going forward, the hotel's ability to improve its occupancy and ARR in the intensely competitive Whitefield market would be critical to become self reliant in servicing its debt-repayment obligations.

Key rating drivers

Credit strengths

- Favourable location of PPPL's hotel, Royal Orchid Suites (ROS), in Whitefield in Bangalore that has a large catchment of IT companies
- Management tie-up with Royal Orchid Hotels provides a strong brand name besides marketing and advertising linkages
- Continuing and timely financial support from group companies towards PPPL's debt-servicing obligations

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

Credit weaknesses

- Inability of the company to turn profitable despite having been in operations for many years
- Intense competition in the market given the presence of a large number of hotels, limiting the company's pricing flexibility while also impacting the occupancy levels
- Weak financial profile characterised by net losses due to high depreciation and interest expenses and weak coverage indicators
- Single-property concentration risk resulting in complete dependence of PPPL on demand-supply scenario in Bangalore hospitality market

Description of key rating drivers:

PPPL has a single hotel property in Bangalore with 88 rooms that has been operational for eight years now. The occupancy level in the hotel has declined marginally in FY2017 due to competition. The hotel has achieved average room rate (ARR) of Rs. 2,569 with an average occupancy of 73% in FY2017 against ARR of Rs. 2467 with an average occupancy of 79% witnessed in the FY2016. PPPL has a 10-year agreement (ending July, 2018) with Royal Orchid Hotel Group (ROHG) to brand the hotel as 'Royal Orchid Suites'. The hotel benefits from ROHG's reservation systems along with strong brand recognition. The hotel's primary target customer segment is business travellers from whom it receives 75% of its total bookings. Its presence in Whitefield, which has a sizeable presence of IT companies, augurs well for the hotel.

The hotel faces competition from the existing 4-star and 5-star hotels in the vicinity, limiting its pricing flexibility. As the financial profile of the company is weak, it might have to continue to depend on funding support from promoters and group companies for timely debt servicing. The revenues remain susceptible to adverse market conditions in Bangalore as its operations are limited to a single property. Improvement in ARR and occupancy levels would be important to scale up operations and the profitability of the company.

Analytical approach

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable Criteria

[Corporate Credit Rating – A Note on Methodology](#)

About the company:

Peninsula Projects (Bangalore) Private Limited owns a four-star hotel named Royal Orchid Suites at Whitefield in Bangalore, which has been operational since January 2009. PPPL is promoted by Bangalore-based Vaswani Group, which is primarily involved in real-estate operations. The hotel has a management tie-up with Royal Orchid Hotel Group (ROHG) and mainly targets business travelers of companies situated in the area. It consists of 88 rooms that include 42 executive apartments, 42 studio apartments and four penthouse suites, apart from a banquet hall, lounge bar, restaurant, spa and swimming pool.

As per provisional results of FY2017, the company reported a net loss of Rs. 1.09 crore on an operating income of Rs. 7.71 crore against a net loss of Rs. 0.97 crore on an operating income of Rs. 7.65 crore in FY2016.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	Month-year & Rating	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015	
				July 2017	June 2016	May 2015	July 2014	
1	Asset Backed Loan	Long Term	20.00	[ICRA]B (Stable)	-	-	-	
2	Term Loan	Long Term		-	[ICRA]BB-(Stable); Suspended	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument details

Name of the instrument	Date of issuance/sanction	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Asset Backed Loan	June, 2016	-	July, 2026	20.00	[ICRA]B (Stable)

Contact Details

Analyst Contacts

K Ravichandran

+91 44 45964301

ravichandran@icraindia.com

R Srinivasan

+91 44 45964315

r.srinivasan@icraindia.com

G. Anand Babu

+91 080 49225549

anand.babu@icraindia.com

Kashika Khiani

+91 080 49225571

kashika.khiani@icraindia.com

Relationship Contacts

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500