

July 29, 2010

**CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF
APPU HOTELS LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	191.55	'CARE BBB+' (Triple B Plus)	Reaffirmed
Long/ Short-term Bank Facilities	4.00	'CARE BBB+' / 'PR 2+' (Triple B Plus) / (PR Two Plus)	Reaffirmed
Total Facilities	195.55		

Rating Rationale

The ratings continue to derive strength from the promoter's experience in the hospitality industry, established track record & locational advantage of the Chennai property 'Le Royal Meridien'. The ratings also take into account the satisfactory progress of the ongoing Coimbatore project.

However, the ratings are constrained by the decline in operational & financial performance of AHL during FY09 and 11MFY10, implementation risks associated with largely debt funded 5-star hotel project at Coimbatore, regionally concentrated operations, the challenging business environment and inherent cyclical nature of the hotel industry.

Going forward, ability of the company to ensure timely completion of the Coimbatore project within the estimated cost, to improve and sustain the margins at reasonable levels in a scenario of expected change in supply dynamics of premium segment hotels in the Chennai region will be the key rating sensitivities.

Company Profile

Appu Hotels Limited (AHL) is the flagship company of the Chennai based PGP Group of Companies. AHL owns a 243 room 5-star deluxe category hotel in the name of "Le Royal Méridien Chennai" (LRM), near Chennai Airport. This property is managed by 'Le Meridien Hotels and Resorts' (LMHR), part of 'Starwood Hotels & Resorts Ltd.', one of the leading and well recognised names in the hospitality industry with presence across the world.

AHL is currently establishing a 250 room 5-star category hotel in Coimbatore at an estimated cost of Rs.210 cr, to be funded by debt of Rs.140 cr (fully tied up) and balance from internal accruals. AHL has spent Rs.113cr on this project upto March 24, 2010 and the project is scheduled to be commissioned in December, 2010.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications".

On a total operating income of Rs.72cr, AHL reported PAT of Rs.11cr during FY09. Overall gearing stood at 1.19 times as on March 31, 2009.

For the eleven months ended February 28, 2010, AHL recorded an operating income of Rs.52cr as against Rs.69cr achieved during 11MFY09. AHL recorded PBT of Rs.8cr for 11MFY10 as against Rs.18cr recorded during 11MFY09.

Analyst Contact

Name: K. Karthik Raj
Tel # 044 - 28697812
Mobile # 9940162244
Email: karthik.raj@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Praladnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>