

July 16, 2010

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF DISH HOSPITALITY PVT. LTD.**Ratings assigned**

Facilities/ Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	29.00	'CARE BBB-' (Triple B Minus)	Assigned
Total Facilities	29.00		

Ratings Rationale

The rating factors in the strength of the promoters, functional expertise of the management, low gearing levels, financial closure in place for the proposed project, presence in Quick Service & Full Dining restaurants and multi-brand portfolio catering across various market segments with focus on metropolitan cities.

The rating is, however, constrained by the risks associated with the relatively small size of operations, debt-funded project, aggressive expansion plan, subdued profitability margins, long gestation period to breakeven, delay in the project schedule and high competition from organized and unorganized players.

Ability of DHPL to execute the project as per the schedule without cost overruns, stabilize operations and maintaining profitability margins is the key rating sensitivity.

Company Profile

Dish Hospitality Pvt. Ltd. (DHPL) was incorporated on September 7, 2001. The Wadhawan group has presence in diversified verticals like financial services, real estate food retail, hospitality, hotels and resorts, lifestyle retailing and education. DHPL ventured with Aurus in FY06, a premier fine-dine restaurant located at Juhu. The number of restaurants has since increased to six in FY09. DHPL intends to launch 18 more restaurants across different formats. The total project cost is estimated at Rs.45 crore to be funded at debt-equity of 1.81:1. With this expansion drive, the total number of restaurants would go up to 24.

Out of proposed 18 restaurants by DHPL only six have been completed as on May 31, 2010 and remaining are expected to be operational in FY11. Out of the total project cost of Rs.45 crore, the company has incurred Rs.16.30 crore till May 31, 2010, funded through debt of Rs.8.15 crore and remaining through equity. Further, the promoters have brought in Rs.15.00 crore in the form of unsecured loans as on September 30, 2009 which is expected to be converted into equity in FY11.

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

The reasons for delay in implementation of the project are the delays in term loan disbursement and finalisation of locations. DHPL has revised its implementation schedule by 6 to 12 months.

On a total income of Rs.12.22 crore DHPL has posted a net loss of Rs.0.99 crore in FY09. The overall gearing was comfortable at 0.02x as on March 31, 2009.

As per unaudited financials, during FY10, DHPL has achieved total income of Rs.24.15 crore with a net loss of Rs.1.00 crore. As on March 31, 2010, the net worth was Rs.59.93 crore.

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CARE 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.

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