

Press Release

Crescent Spa and Resorts Indore Private Limited

09 October, 2017

Rating Upgraded



Total Bank Facilities Rated*	Rs. 14.50 crore
Long Term Rating	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)

**Refer Annexures for details*

SMERA has upgraded the long term rating on the Rs.14.50 crore bank facilities of Crescent Spa and Resorts Indore Private Limited (CSRIPL) to **'SMERA BB+' (read as SMERA double B plus)** from **'SMERA BB' (read as SMERA double B)**. The outlook is **'Stable'**.

The upgrade is in view of the improvement in the financial risk profile along with unexpected growth in net cash accruals. SMERA believes that going ahead, CSRIPL will sustain the financial risk profile and net cash accruals over the medium term.

Part of the Crescent Rai Group, CSRIPL incorporated in 2010 by Mr. Akhilesh Rai, Mr. Anshay Rai & Mrs. Namita Rai (Directors) is a resort-cum-water park located at Nemawar on the outskirts of Indore. The resort has around 67 rooms featuring a range of standard, executive, deluxe and presidential suits.

List of key rating drivers and their detailed description:

Strengths

Experienced management:

The Directors, Mr. Akhilesh Rai, Mr. Anshay Rai and Mrs. Namita Rai possess experience of over a decade in the hospitality business. The group has interests in liquor, construction and entertainment.

Healthy profitability margins:

The profitability margins are healthy. The EBITDA margin stood at 53.35 per cent for FY2017 (Provisional) as against 48.39 per cent for FY2016. The PAT margins stood at 9.56 per cent in FY2017 (Provisional) as against 12.67 per cent in FY2016. The margins declined on account of increase in depreciation cost in FY2017.

SMERA believes that CSRIPL will maintain healthy profitability over the medium term.

Improvement in the financial risk profile:

The financial risk profile of CSRIPL improved during the period under study. The tangible net worth stood at Rs.11.55 crore as on 31 March, 2017 (Provisional) as against Rs. 9.72 crore as on 31 March, 2016. The gearing stood at a moderate 1.74 times as on 31 March, 2017 (Provisional) compared to 2.18 times as on 31 March, 2016. The total debt of Rs.20.13 crore (outstanding as on 31 March 2017) comprises term loan of Rs. 17.73 crore and long term debt of Rs. 2.40 crore. The

Interest Coverage ratio improved to 4.29 times in FY2017 from 3.45 times in FY2016. The DSCR improved to 2.00 times in FY2017 (Provisional) from 1.67 times in FY2016.

The net cash accruals improved to Rs.4.95 crore in FY2017 (Provisional) from Rs. 1.80 crore in FY2016. The Net Cash Accruals to Total debt ratio improved to 0.25 times in FY2017 (Provisional) from 0.09 times in FY2016.

SMERA believes that going ahead, CSRIPL will maintain a stable financial risk profile along with sufficient generation of net cash accruals over the medium term.

Weaknesses

Small scale of operations:

The scale of operations is small since the company was incorporated in 2010. The operating income stood at Rs. 12.99 crore for FY2017 (Provisional) as against Rs. 8.07 crore for FY2016. However, SMERA believes that the scale is expected to grow over the medium term with the resort being fully operational from FY2017-18.

Analytical approach: SMERA has considered the standalone business and financial risk profile of CSRIPL to arrive at the rating.

Applicable Criteria

- Service Entities: <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook: Stable

SMERA believes that CSRIPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected revenue with sustainable profitability. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates or the company undertakes debt funded capital expenditure plan.

About the rated entity - key financials

For FY2016-17 (Provisional), CSRIPL reported profit after tax (PAT) of Rs.1.24 crore on operating income of Rs.12.99 crore, compared to net profit of Rs.1.02 crore on operating income of Rs.8.07 crore in FY2015-16. The net worth stood at Rs.11.55 crore as on 31 March, 2017 (Provisional) compared with Rs. 9.72 crore a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Up to last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
08-Aug, 2016	Term loan	Long term	14.50	SMERA BB/Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term loan	N.A	N.A	N.A	14.50	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)

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ABOUT SMERA

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