Press Release

Orange Megastructure LLP

July 04, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	164.00	ACUITE BB | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	164.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long-term rating of **"ACUITE BB' (read as ACUITE double B)** on the Rs. 164.00 crore bank facilities of Orange Megastructure LLP (OMLLP). The outlook is 'Stable'.

Rationale for rating assigned
The assignment of rating factors in the recovery of hospitality industry post COVID resulting into better operating performance of the company in FY22. Further the liquidity of the company has also improved from the previous year and is at an adequate position. Further the management of the company is also rich in experience with more than 3 decades if experience. The aforemaentioned factors are underpinned by the company's financial risk profile. Improvement in the company's operations resulting into better profitability and liquidity will remain key monitorable.

About the Company
Based in Indore, Madhya Pradesh, Orange Megastructure LLP (OMLLP) was established in 2012. The Firm is engaged in running of five Star Hotel located in Surat, Gujrat under the brand "**Le-Meridien**". The company is led by Mr. Gurjeet Singh Chhabra and Mr. Rajesh Mehta, having experience of over three decades in the real estate, running malls.

Analytical Approach
Acuite has considered the standalone business and financial risk profiles of OMLLP to arrive at the rating.

Key Rating Drivers

Strengths
Experienced management
The Firm is led by Directors, Mr. Gurjeet Singh Chhabra and Mr. Rajesh Mehta who possess experience of over two decades in the real estate development and management of shopping malls.

Improvement in Revenue Profile and Profitability
Firm reported operating income of Rs. 51.70 Cr in FY2022 (Provisional) as against Rs. 30.84 Cr in

FY2021 due to Recovery trend in Hospitality industry post Covid era. There has been increase in EBITDA margin from 20.14 % in FY21 to 43.08 % in FY22 (Prov.). The increase in EBITDA margins is due to Reinstatement of revenue level in line with pre covid period figures. Net Profit margin has increased from (28.59) % in FY2021 to (2.83) % in FY2022 (Prov.) due to increase in rentals in ine with pre covid figures. Profitability margin increased to (2.83) % in FY 2022 (Provisional) in comparison to (28.59) % in FY 2021. PAT margin will further improve in future on account of improvemnt in room occupancy and banquet business.

Weaknesses

Sensitive Industry

Firm is operating in highly sensitive Industry prone to pandemic. Pandemic has severely impacted the operations of firm in FY 2021. Operation income in FY 2021 reduced to approx. half of operating income in FY 2020.

Moderate financial risk profile

Firm has moderate financial risk profile marked by moderate net worth and moderate debt protection metrics. Firm's net worth stood at Rs. 46.83 Cr as on 31st March 2022(Prov.) as against Rs. 48.29 Cr as on 31st March 2021. Gearing levels (debt-to-equity) increased from 2.80 times as on March 31, 2021 to 3.55 times as on March 31, 2022 (Prov.). Further, the interest coverage ratio stood at 1.22 times for FY2022 (Prov.) as against 0.53 times in FY2021. However, Debt service coverage ratio stood higher from 0.76 times in FY2021 to 1.22 times in FY 2021(Prov.). Total outside liabilities to total net worth (TOL/TNW) stood at 3.70 times as on FY 2022(Prov.) vis-à-vis 3.03 times as on FY2021. However, Debt-EBITA stood at 8.65 times as on 31st March 2022(Prov.) as against 17.29 times as on 31st March 2021

Tightly matched liquidity profile

The firm's liquidity is adequate marked by its net cash accruals to its maturing debt obligations. In FY 2022, the firm had cash accruals of 3.42 Cr to nil debt obligation. Going forward the net cash accruals are expected to Rs. 14.42 crores for FY 2022-23 against CPLTD of 6.31 Cr of FY 2022. Half year in FY 2023 is under moratorium. Expected Net cash Accruals to be 17.30 Crores against CPLTD of 16.29 for FY 2023 there is not much cushion after repayment of debt obligation to meet contingencies.

Rating Sensitivities

1. Firm's ability to improve its revenue significantly through increase in RevPAR
2. Firm's ability to improve its profitability resulting into better liquidity.
3. Significant improvement in Financial Risk Profile.

Material covenants

None

Liquidity Position: Adequate

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Outlook: Stable

Acuite believes that OMLLP will maintain a stable outlook over the medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the Firm registers healthy growth in revenue while sustaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	30.84	62.78
PAT	Rs. Cr.	(8.82)	1.92
PAT Margin	(%)	(28.59)	3.06
Total Debt/Tangible Net Worth	Times	2.80	2.66
PBDIT/Interest	Times	0.53	1.61

Status of non-cooperation with previous CRA (if applicable)

CRISIL vide its press release dated 30 June 2021, has mentioned the rating of OMLLP to CRISIL B+ Issuer Not Cooperating as on 30 June 2021.

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.42	ACUITE BB | Stable | Assigned
Union Bank of India	Not Applicable	Covid Emergency Line.	09-09-2021	7.80	31-10-2027	19.41	ACUITE BB | Stable | Assigned
Union Bank of India	Not Applicable	Funded Interest Term Loan	11-06-2021	9.45	30-09-2029	2.40	ACUITE BB | Stable | Assigned
Union Bank of India	Not Applicable	Funded Interest Term Loan	11-06-2021	9.45	31-03-2032	2.68	ACUITE BB | Stable | Assigned
Punjab National Bank	Not Applicable	Term Loan	18-01-2018	9.45	30-09-2029	89.03	ACUITE BB | Stable | Assigned
Union Bank of India	Not Applicable	Term Loan	11-01-2018	9.45	31-10-2029	33.89	ACUITE BB | Stable | Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	9.45	31-03-2032	14.17	ACUITE BB | Stable | Assigned

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About Acuité Ratings & Research

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