



**Press Release**  
**ORANGE MEGA STRUCTURE LLP**  
**September 20, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	164.00	ACUITE BBB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	164.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**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 upgrade**

The rating upgrade is majorly on account of comfort derived from its parent company i.e. Century 21 Town Planners Private Limited (CTPPL) reflected by financial support provided in the form of equity infusion. Furthermore, the CTPPL has extended corporate guarantee towards borrowings of the firm. The rating also factors in the improvement in the business risk profile of the firm with improvement in revenues and healthy profitability margins. The rating continues to draw comfort from the extensive experience of the promoters in the hotel industry, the favourable location of the hotel and the operational tie up with the Marriott Group.

The rating is however constrained by the moderate financial risk profile with high gearing levels, working capital intensive operations and cyclical nature of the hotel industry.

**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, Gujarat 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.

**Standalone (Unsupported) Rating**

ACUITE BB+/Stable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of OMLLP and has notched up the standalone rating of OMLLP by factoring in the financial support extended by Century 21 Town Planners Private Limited to OMLLP.

**Key Rating Drivers**

**Strengths**

### **Established operations with experience management**

Incorporated in the year 2012, the firm is engaged in running operations of five-star hotel under the brand name "Le-Meridien" located in Surat, Gujarat. The firm has established operations of more than a decade and is led by Directors, Mr. Gurjeet Singh Chhabra and Mr. Rajesh Mehta who possess experience of over three decades in the real estate development and management of shopping malls. Acuité believes that the promoters' extensive understanding and expertise will support the company's operations going forward.

### **Strong support from parent**

The parent of the firm i.e. Century 21 Town Planners Private Limited is a part of C21 Group which is promoted by Mr. Gurjeet Chhabra and the group has a well-established presence in the real estate market. CTPPL currently operates a renowned mall in Indore known as 'C21 Mall' and also owns C21 Business Park. Furthermore, the parent entity holds ~49.92 percent and Mr Gurjeet Chhabra holds 0.08 percent stake in OMLLP. The parent company has extended financial support by way of capital infusion and will continue to do so as and when required. Also, the parent company has extended corporate guarantee on the loans availed by OMLLP. Acuité believes that OMLLP will continue to benefit from the support of its parent company over the medium term.

### **Augmentation in the business risk profile**

The revenue of the firm improved and stood at Rs.62.19 crore in FY2023 (Provisional) as against the revenue of Rs.51.36 crore in FY2022. The increase in the operating income is majorly on account of increase in room occupancy levels and improvement in the banquet business. Furthermore, the profitability of the firm also witnessed improvement marked by operating margin of 39.94 percent in FY2023(Provisional) as against 37.23 percent in FY2022 and PAT margin of 8.55 percent in FY2023(Provisional) as against 1.00 percent in FY2022. Acuité believes that the business risk profile of the firm is expected to remain stable on account of healthy occupancy levels over the medium term.

## **Weaknesses**

### **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by moderate net worth, high gearing levels and moderate debt coverage metrics. The tangible net worth of the company stood at Rs.66.46 crore as on March 31, 2023 (Provisional), as against Rs.47.83 crore as on March 31, 2022. The gearing of the company is high and stood at 2.35 times as on March 31, 2023(Provisional), as against 3.47 times as on March 31, 2022. The total debt of the company stood at Rs.156.01 crore. It consists of long-term debt of Rs.149.66 crore and unsecured loans of Rs.0.04 crore as on March 31, 2023. The interest coverage ratio stood at 1.59 times as on March 31, 2023, as against 1.38 times as on March 31, 2022. The DSCR stood at 1.17 times as on March 31, 2023, as against 1.35 times as on March 31, 2022. Acuité believes that the financial risk profile of OMLLP is likely to remain moderate in medium term.

### **Working capital intensive operations**

The company's operations are working capital intensive as evident from the GCA days of 395 days as on March 31, 2023 (Provisional) as against GCA days of 418 days as on March 31, 2022. The high GCA days is on account of the high current assets of Rs.52.86 in FY2023 which majorly consists of the loans and advances given by the company. The inventory days stood at 14 days for FY23(Provisional) as against 16 days for FY22. Average inventory holding period is around 10-20 days. The debtors' days stood at 6 days for FY23(Provisional) as against 23 days for FY22. The average credit period allowed to the customers is around 20 days. Advance payments are received from the customers. The creditors days stood at 9 days for FY23(Provisional) against 162 days for FY22. The average credit period received from the supplier is around 60 days. The average utilization of the bank limits are high at around 80 percent for six months ending August '2023. Acuité believes that the ability of the company to improve its working capital operations will remain a key sensitivity in medium term.

### **Cyclical nature of the hotel industry**

The company is exposed to inherent cyclical nature of the hotel industry. Acuité believes the success of the company will be dependent upon its ability to excel in areas such as room rates, quality of accommodation, service level and convenience of location and also the quality and scope of other amenities, including food and beverage facilities after the completion of the project.

### **Rating Sensitivities**

Significant improvement in scale of operations and profitability margins.

Any stretch in the working capital cycle leading to an increase in reliance on working capital borrowings and liquidity position.

Any stretch in the financial risk profile of the firm.

### **All Covenants**

Not applicable

### **Liquidity position: Adequate**

The firm has an adequate liquidity position marked by adequate net cash accruals against the maturing debt obligations. The firm generated cash accruals of Rs.10.29 crore in FY23(Provisional) as against maturing debt obligations of Rs.6.31 crore over the same period. The firm is estimated to generate cash accruals of Rs.11.53-13.89 crore over the period 2024-2025 against maturing debt obligations of Rs.11.56-13.35 crore over the same period. The firm maintains unencumbered cash and bank balance of Rs.12.09 crore as on March 31, 2023(Provisional). The current ratio is healthy at 6.02 times as on March 31, 2023(Provisional).

### **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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	62.19	51.36
PAT	Rs. Cr.	5.32	0.51
PAT Margin	(%)	8.55	1.00
Total Debt/Tangible Net Worth	Times	2.35	3.47
PBDIT/Interest	Times	1.59	1.38

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

CRISIL vide its press release dated 28th Aug 2023, had rated the company to CRISIL B+/Stable; Issuer Not Cooperating.

India Ratings vide its press release dated 24th July 2023, had rated the company to BB; Issuer Not Cooperating

### Any other information

In the previous rating exercise, Acuité has considered the standalone financial and business risk profile to arrive at the rating. However, during the current rating exercise, Acuité has notched up the standalone rating of OMLLP by factoring in the financial support extended by Century 21 Town Planners Private Limited to OMLLP to arrive at the final rating.

### 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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jul 2022	Term Loan	Long Term	33.89	ACUITE BB   Stable (Assigned)
	Funded Interest Term Loan	Long Term	2.68	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	14.17	ACUITE BB   Stable (Assigned)
	Funded Interest Term Loan	Long Term	2.40	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	2.42	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	89.03	ACUITE BB   Stable (Assigned)
	Covid Emergency Line	Long Term	19.41	ACUITE BB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BBB-   Stable   Upgraded
Union Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	19.41	ACUITE BBB-   Stable   Upgraded
Union Bank of India	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BBB-   Stable   Upgraded
Union Bank of India	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	2.20	ACUITE BBB-   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	8.07	ACUITE BBB-   Stable   Upgraded
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	84.27	ACUITE BBB-   Stable   Upgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	31.95	ACUITE BBB-   Stable   Upgraded
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.60	ACUITE BBB-   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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