



Press Release
Orange Megastructure LLP
September 20, 2024
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs. 164 Cr. bank facilities of Orange Megastructure LLP (OMLLP). The outlook is '**Stable**'.

Rationale for rating reaffirmation:

The reaffirmation of rating factors in the growth in operating income during FY2024 (Prov.), despite lower occupancy due to on-going renovation. The revenue from food and beverages for FY2024 increased by 40 percent over the last year's revenue of Rs.40.81Cr, significantly contributing to the overall revenue growth for FY2024. Further, the operating profit margin improved to 45.33 percent but increase in finance cost impacted the PAT margin. The rating also considers the support offered by the parent company, Century 21 Town Planner Private Limited in form of corporate guarantee for the debt availed by OMLLP. Going forward, sustaining the growth in operations and improvement in the financial risk profile will be a 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, 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.

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 in 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 from parent company over the medium term.

Steady growth in operating revenue and profitability:

OMLLP registered revenue of Rs.70.47 Cr. in FY2024 (Prov.), which is improved by 13 percent against the FY2023 revenue of Rs.62.20 Cr. The revenue growth is primarily contributed by the food and beverages segment, which shown a 40.5 percent Y-o-Y growth. The segment's contribution to the total revenue has increased to 76 percent in FY2024 (Prov.) from 66 percent in FY2023. Revenue from rooms was declined by 19 percent in FY2024 (Prov.) due to the ongoing renovation works. Consequently, the average room occupancy for FY2024 declined to 45 percent compared to 58 percent of FY2023. Despite, the healthy improvement in operating profit margin to 45.33 percent in FY2024 (Prov.) from 39.60 percent in FY2023, the PAT margin has declined by 5.30 percent in FY2024 from FY2023 due to other interest expenses incurred during the year. Acuite expects, the revenue of OMLLP to improve over the medium term, as the rooms will be operational from the end of 2024.

Weaknesses

Moderate financial risk profile:

OMLLP's financial risk profile is moderate, marked by moderate net worth, moderate gearing and moderate debt protection metrics. The firm's net worth remained at Rs.66.47 Cr. as on March 31, 2024 (Prov.) against Rs.66.46 Cr. as on March 31, 2023 as the profits for the year have been withdrawn by the partners in their respective profit sharing ratio. The leverage indicators of the firm remained moderate with gearing and total outside liabilities to tangible net worth (TOL/TNW) at 2.24 times and 2.49 times respectively, as on March 31, 2024 (Prov.) against 2.32 times and 2.54 times as on March 31, 2023. The debt protection metrics stood moderate with DSCR and ICR of 0.88 times and 1.55 times respectively as on March 31, 2024 (Prov.) Debt to EBITDA improved to 3.80 times as on March 31, 2024 (Prov.) from 5.38 times as on March 31, 2023. Acuite believes that the financial risk profile of OMLLP is likely to remain moderate in the medium term.

Working capital intensive nature of operations:

OMLLP's operations are working capital intensive in nature as reflected by the gross current assets (GCA) days of 382 days in FY2024 (Prov.) against 362 days in FY2023. The elongated GCA days is on account presence of large amount of loans and advances. As the firm is into hospitality business, the inventory and receivables cycle are low at 11 days and 2 days respectively in FY2024 (Prov.) against 13 days and 19 days respectively in FY2023. The firm's major creditors are suppliers of food, beverages who has extended a credit period of 3-4 months to the firm. Acuite expects the operations of the company to remain working capital intensive on account of the presence of large amount of advances.

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

- Sustaining the growth in revenue and profitability.
- Any stretch in the working capital cycle leading to deterioration of liquidity position.
- Any further deployment of loans and advances to the group companies exceeding the standalone net worth.

Liquidity position: Adequate

OMPPL's liquidity position is adequate, despite the insufficient net cash accruals (NCA's) against the debt repayment obligations in FY2024. (Prov.). The firm has registered NCA's Rs.10.01 Cr. in FY2024 (Prov.) which was insufficient to meet the debt repayment obligations of Rs.16.29 Cr. However, with the proceeds from refinancing of the debt, the firm prepaid the working capital and funded interest term loans during the year. The firm is expected to generate NCA's in the range of Rs.16-18 Cr. over the medium term, which would comfortably meet the debt repayment obligations range of Rs.4.5-Rs.7 Cr. for the same period. Additionally, the corporate guarantee offered by the parent company i.e. C21 Town Planners Private Limited further strengthens the liquidity profile of OMPPL's.

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 and demonstrates improvement in financial risk profile. 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	70.47	62.20
PAT	Rs. Cr.	5.04	5.32
PAT Margin	(%)	7.15	8.55
Total Debt/Tangible Net Worth	Times	2.24	2.32
PBDIT/Interest	Times	1.55	1.66

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuite 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Sep 2023	Funded Interest Term Loan	Long Term	2.20	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	84.27	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	31.95	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	13.60	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	2.50	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Covid Emergency Line.	Long Term	19.41	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Funded Interest Term Loan	Long Term	2.00	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	8.07	ACUITE BBB- Stable (Upgraded from ACUITE BB Stable)
04 Jul 2022	Funded Interest Term Loan	Long Term	2.68	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	89.03	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	33.89	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	14.17	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	2.42	ACUITE BB Stable (Assigned)
	Covid Emergency Line.	Long Term	19.41	ACUITE BB Stable (Assigned)
	Funded Interest Term Loan	Long Term	2.40	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
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE BBB- Stable Reaffirmed
Axis Finance Limited	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE BBB- Stable Reaffirmed
Axis Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2039	Simple	144.50	ACUITE BBB- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Orange Megastructure LLP
2	Century 21 Town Planners Private Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.