



Rating Rationale

Cosy World Resorts Ltd

06th December 2017

Brickwork Ratings assigns “BWR B (Stable)” for the Bank Loan facilities of Rs. 18.00 Crs of Cosy World Resorts Ltd (‘CWRL’ or ‘the Company’)

Particulars

| Facility Rated | Amount (Rs. Crs)# | Tenure | Rating [^] |
|-----------------------------------|---|-----------|---|
| Fund Based Drop Line OD | 18.00 | Long Term | BWR B (Pronounced BWR Single B) Outlook: Stable Assigned |
| Total | 18.00 (INR Eighteen Crores Only) | | |

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank wise facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has principally relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw comfort from the industry experience of the promoters in the hospitality industry and other business activities. The ratings, however, are constrained by the below average credit profile marked by modest net worth, thin profitability, high gearing and weak liquidity, susceptibility to cyclicalities and intense competition and geographical concentration in revenue.

Going forward, the ability of the Company to generate sufficient cash accruals to meet its debt obligations on time, improve its operating parameters, strengthen its overall credit profile and manage its working capital requirements effectively would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).

Key Rating drivers

- **Experienced management:** The management of Cosy World Resorts Ltd has more than two decades of business experience in hospitality management. The Company has long-

standing relationships with Schlumberger Asia Services Ltd and Halliburton Offshore Services Inc. In FY17, 24% of revenue was generated from these two companies only.

- **Below average financial profile:** Tangible networth was modest at Rs. 8.56 Crs and the gearing was high at 2.12 times as on March 31 2017. The company incurred losses till FY16 and reported net margin of 3.49% for FY17. Liquidity was weak with Current Ratio at 0.64 times for FY17.
- **Susceptibility to cyclicity and intense competition:** The hotel industry is vulnerable to changes in the domestic and international economies. On the other hand, cost of operating premium properties remain high even during downtrends; cash flow from these properties are, therefore, more susceptible to economic downturns. Intense competition from other hotels in the vicinity is likely to impact occupancy hotels.

Rating Outlook: Stable

BWR believes 'CWRL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Cosy World Resorts Ltd (CWRL) was incorporated on 04th June, 1993 at Kakinada, Andhra Pradesh. The company operates a five star category hotel HALCYON TIMES in Kakinada, Andhra Pradesh. HALCON TIMES has 115 rooms with average occupancy rate of around 74% for FY17 (previous year 65%). The group entities of the company are East Coast Imports and Exports, Aiswarya Infrastructure and Services and Andhra Prabha Publications Ltd.

Mr. M Gopal Krishna, Mr. M.V. Sasidhar, Mr. M Naveen Krishna and Mr. M Goutham are the directors.

Financial Performance

CWRL reported Net Revenue of Rs.8.74 Crs. and net profit of Rs.0.31 Cr. for FY17 as against Net Revenue of Rs.7.46 Crs and net loss of Rs.0.52 Crs for FY16. Tangible Networth stood at Rs.8.56 Crs as on March 31 2017. For 7MFY18, the Company has reported a provisional revenue of around Rs.4.00 Crs.

Rating History for the last three years:

| Instrument/ Facility | Current Rating (December 2017) | | | Rating History | | |
|--|--------------------------------|---------------------|--|----------------|--------------|--------------|
| | Type | Amount (Rs. Crs) | Rating | 2016 | 2015 | 2014 |
| <u>Fund Based</u> Drop Line OD | Long Term | 18.00 | BWR B (Pronounced BWR Single B) | Not Rated | Not Rated | Not Rated |



| | | | | | |
|--------------|--|--|-------------------------------------|--|--|
| | | | Outlook: Stable Assigned | | |
| Total | | 18.00 (INR Eighteen Crores Only) | | | |

Status of non-cooperation with previous CRA: Not Applicable

Any other Information: Not Applicable

Hyperlink/Reference to applicable **Criteria**

[General Criteria](#) [Approach to Financial Ratios](#)

[Services Sector](#)

| | |
|---|--|
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Annexure I – Details of Rated Facilities

| Name of Bank | Bank Facilities | Type of Facility | Tenure | Amount (Rs. Crs) |
|---------------------------|-----------------|------------------|-----------|------------------|
| SBI, SME Branch, Kakinada | Drop Line OD | Fund Based | Long Term | 18.00 |
| Total | | | | 18.00 |

Annexure II Key Financial Indicators

| | FY16 (A) | FY17 (A) |
|---------------------------|----------|----------|
| Net Sales (Rs. Cr) | 7.46 | 8.74 |

| | | |
|----------------------------------|--------|------|
| EBITDA (Rs. Cr) | 3.04 | 4.33 |
| PAT (Rs. Cr) | (0.52) | 0.49 |
| Tangible Networth (Rs Cr) | 8.25 | 8.56 |
| Total Debt: TNW (Times) | 2.19 | 2.12 |
| Current Ratio (Times) | 0.92 | 0.64 |

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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