



## Rating Rationale

### Oswal Motels & Resorts Ltd

26 March 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 33.23 Crores of Oswal Motels & Resorts Ltd.**

#### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	22.48	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Proposed Fund Based	10.75	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Total	33.23	INR Thirty Three Crores Twenty Three Lakhs Only	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon Audited Financial results of FY 15-17, projected financial results of FY 18 and FY 19, publicly available information and clarification provided by company's Management.

The rating derives strength from the location of the project and promoters extensive experience in tourist business and thus having large fleet of vehicles which supports this project and experienced administrative and management team.

The rating is constrained by weak financial risk profile marked by small scale of operations, negative profit margin and debt protection metrics and project being in nascent stage however it being operational. Going forward, the ability of the company to scale up its operations on a sustained basis, improve its profit margins and service the debt timely will be the key rating sensitivities.

#### Key Strengths

**Strategic Location of project :** -The Hotel is located in Orchha Madhya Pradesh which is about 172 Km from Khajuraho which is the well known heritage site known for tourism worldover.

**Adequate Experience of promoters :-**Promoters already engaged in tourist agency business in another group company Oswal Arts Private Limited and thus had large fleet of vehicles which supports this project.

#### Key Weakness



**Weak Debt protection metrics :-** Company's debt protection metrics is not strong as indicated by ISCR of 0.02 X and DSCR of 0.01 X but the same is partially offset due to group support .as the promoters have also infused Rs 20 crores as unsecured loans.

**Small scale of operations :-** Company's Net sales have increased to Rs 5.64 crores in FY 17 from Rs 3.94 crores in FY 16 but scale of operations is still small . As per the provisional YTD Dec 2017 numbers , company achieved Rs 6.36 crores of Net sales

**Negative Profit:** As per the Audited FY 17 company reported PAT of Rs (-4.35 Crores ) against PAT of Rs 0.22 crores in FY 16. The loss has widened due to higher interest cost and depreciation

### Analytical Approach

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

### About the Company

The company entered into hospitality industry and in year 1998 company started maiden project (Orchard Resorts - hotels) by setting up resort at Orchha in Madhya pradesh with capacity of 34 rooms and 11 swiss tents. . The company's strategy is to concentrate on theme hotels . The company came up with another project Orchha Palace . It also has hotel cum convention centre . The commercial operation of this project started in October 2016. The company is managed by Ashok Jain. Mr Ashok Jain and Mrs. Usha Jain have shareholding of 99.96 % in company. The promoters are common in other group companies Oswal Traders and Travels Private Limited and Oswal Arts Private Limited which are into handicraft products.

### Rating Outlook: Stable

BWR believes the Oswal Motels and Resorts Limited 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### Company Financial Performance

Key Parameters	Units	2016 Audited	2017 Audited
Result Type			
Operating Revenue	₹ Cr	3.64	5.64
EBITDA	₹ Cr	0.82	0.05
PAT	₹ Cr	0.22	-4.35
Net worth	₹ Cr	26.05	21.7

Total Debt/Tangible Net worth	Times	1.28	2.03
Current Ratio	Times	3.33	1.05

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	22.48	BWR B+	N.A	N.A	N.A
	<b>Proposed Fund Based</b>	Long Term	10.75	BWR B+	N.A	N.A	N.A
	<b>Total</b>		<b>33.23</b>	<b>₹ Thirty Three Crores Twenty Three Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)- Not applicable

Any other information-Not applicable

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

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