Rating Rationale

Rudraksh Club and Resort (A Unit of RSM and Company) 9 March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.67 Crores of Rudraksh Club and Resort (A Unit of RSM and Company).

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Term Loan	**9.67**	**Long Term**	**BWR B+** **Outlook: Stable** (Pronounced as BWR Single B Plus)
Total	**9.67**	**INR Nine Crores and Sixty Seven Lakhs Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has essentially relied upon the audited financial results of the firm up to FY17 and publicly available information and information/clarifications provided by the management. The rating has factored inter-alia, the promoters' experience in hospitality industry and favourable location of the hotel. However, the ratings are constrained by low partners' capital, nascent stage of operations, losses incurred in the last two years and average financial risk profile. Going forward, the ability of the firm to scale up the operations and achievement of envisaged profitability would be key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of promoters:** The promoters have been in the hospitality industry for over 10 years.
- **Favourable location of the hotel:** The hotel is located on the bank of the Shipra River near the Triveni Sangam. Further, it is well connected to railway stations, airports, and other means of transport.

Credit Risks:

- **Limited operational track record and small scale of operations:** The partnership firm was started in 2014 and the commercial operations of the hotel was started in June 2016. The scale of operations has been small with operating revenue of Rs 7.65 Crs in FY17 and Rs. 2.40 Crs in FY16. The firm booked revenue of ~ Rs 6.86 Crs from April 2017 to January 2018.
- **Losses incurred in FY17 :** The firm has incurred a loss of Rs.1.53 crs in FY17

- **Average financial risk profile:** The financial risk profile of the firm is average marked by gearing of 2.64 times in FY17 and 1.79 times in FY16. The Interest Coverage Ratio stood at 1.12 times in FY17 compared to 2.44 times in FY2016. The partners capital stood at Rs 4.35 Crs in FY17 as against Rs 5.23 Crs in FY2016.
- **Highly fragmented and competitive industry:** The firm is exposed to intense competition in the area from several small and large players affecting margins.

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).

Rating Outlook: Stable
BWR believes the **Rudraksh Club and Resort (A Unit of RSM and Company)** 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.

About the Firm
M/s RSM and Company is a partnership firm, started on 26th January 2014, engaged in the business of hotels and banqueting facilities for marriage events, conferences and restaurants in Ujjain, Madhya Pradesh. The firm has set up a 75-key hotel cum resort in name of Rudraksh Club & Resorts in Ujjain. Mr. Yogesh Mittal, Mr. Anand Gorana and Mr. Pradeep Agarwal are the partners of the firm.

Firm Financial Performance
Rudraksh Club & Resorts started its operations on June 2016. In FY17, it generated revenue of Rs. 7.65 Crs and net loss of Rs. 1.53 Crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2016	2015	2014
1	**Fund Based**	Long Term	9.67	**BWR B+ Stable**	-	-	-
	Total		**9.67**	**₹ Nine Crores and Sixty Seven Lakhs Only**			

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	7.65	2.40
EBITDA	₹ Cr	1.79	1.27
PAT	₹ Cr	(1.53)	(0.16)
Tangible Net worth	₹ Cr	4.35	5.23
Total Debt/Tangible Net worth	Times	2.64	1.79
Current Ratio	Times	1.21	0.19

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Service Sector
- Short Term Debt

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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 ₹ 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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