Orange County Resorts & Hotels Limited

January 03, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	209.73 (Reduced from 278.70)	CARE A-; Stable	Reaffirmed
Short-term bank facilities	1.00	CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings for bank facilities of Orange County Resorts & Hotels Limited (OCRHL) continues to draw strength from the promoters' extensive experience in the hospitability industry and relevant experience in coffee plantation business, and recognised brand with theme-based properties at attractive locations. Ratings also factor in increase in average room rate (ARR) leading to improved profitability in FY24 (Provisional) (FY refers to April 01 to March 31), and stable industry outlook.

The rating strengths are partially offset by OCRHL's moderate scale of operations, geographical concentration risk, and project risk associated with planned debt-funded capex of setting up new resort in Mandu, Madhya Pradesh. Ratings are also constrained due to susceptibility to macro-economic factors and seasonal uncertainty.

Ratings also consider moderation in capital structure in FY24 with debt-funded acquisition of coffee plantation land of 2,491 acres and delay in asset monetisation plan for part of land triggering the negative sensitivity. However, CARE Ratings Limited (CARE Ratings) takes note of OCRHL monetising part of land (~600 acres) in FY24 and 8MFY25 and prepayment of unsecured loans and part of term debt improving leverage profile. The company intends to continue to monetise land for prepayment purpose and focus on increasing yield of coffee plantation to earn from sale of coffee in medium term which would remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in total operating income (TOI) above ₹200 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 35%.
- Increase in the number of keys with commencement of operations in Mandu, MP project, within the envisaged timeline.

Negative factors

- Deterioration in operational metrics and financial performance marked by significant fall in TOI below envisaged levels.
- Exposure to additional debt resulting in weakened capital structure with overall gearing above 1.00x on a sustained basis.

Analytical approach: Consolidated

To arrive at ratings assigned to bank facilities of OCRHL, CARE Ratings Limited (CARE Ratings) has adopted the consolidated approach, consolidating OCRHL's four subsidiaries and one step-down subsidiary. Details of entities considered for consolidation are given in **Annexure-6**.

Outlook: Stable

CARE Ratings expects OCRHL's sustenance in financial profile in medium term considering its stable performance of luxury resorts having established track record and planned prepayment of term debt. The subsidiary in Botswana, Africa, is expected to report profits in near term which will add to the OCRHL's consolidated performance.

Detailed description of key rating drivers:

Key strengths

Healthy operating metrics in turn translated into stable although moderate level of TOI with healthy profitability

On consolidated level, in FY24 (provisional), OCRHL reported improvement in its operating metrics of three hotels at Karnataka with an ARR of ₹30,026 (PY: ₹28,408). Overall occupancy rates in FY24 remained at ~59% with a decline from 63% in FY23 resulting in RevPAR of ₹17,642 (PY: ₹18,017). This resulted in stable room revenue. However, the company reported TOI of ₹141.77 crore compared to ₹148.31 crore in FY23. The moderation in TOI was on the back of lower income generated from foods and beverages, and other activities such as safari, sports, carnival, income from construction contracts of subsidiary, among others. On a consolidated basis, the profitability marked by PBILDT continue to remain at healthy levels at 32.74% in FY24 (PY: 31.78%). In 8MFY25, there has been improvement in occupancy, whereas RevPAR remained stable. CARE Ratings observes, TOI and profitability are expected to get augmented in FY25 by sales from coffee plantation.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Attractive location, and theme-based properties
The company operates three luxury hotels in Karnataka. The Coorg resort (59 keys), the revenue driver for the company, is a 300-acre working plantation resort, surrounded by the river Cauvery and forests. The resorts at Kabini (37 keys) and Hampi (46 keys) are also theme-based properties driven by tribal and emperor culture, respectively. The company is also benefited from the location as there are very few luxury properties within a radius of 20 km in Siddapura, Coorg (location of OCRHL's resort), to compete with. The property is ~100-200 km drive from cities such as Bengaluru, Mysore, and Mangalore. The resort at Kabini is ~200 km from Coorg, while the one in Hampi is 500 km away. Additionally, the company operates one luxury property in Kalahari (11 keys) which is on the northern border of the Central Kalahari Game Reserve in Botswana. It offers a range of unique tented accommodations and activities such as game drives, bush dinners, and stargazing. This is managed by OCRHCL's wholly owned subsidiary, Orange County Resorts & Hotels (Proprietary) Limited.

Experienced and resourceful promoters with recognised brand name
OCRHL is promoted by the Ramapuram Group based out of Kerala, having presence in plantation, food & beverages, hospitality, and recent diversification in the real estate business. The group has an established track record of the group of over three decades. The group is spearheaded by Emmanuel Thomas Ramapuram (Chairman), who is a chemical engineer, George Thomas Ramapuram (Managing Director), who looks after the operations and Jose Thomas Ramapuram (Executive director) is responsible for the overall marketing function and played a key role in re-branding 'Evolve Back Resorts' in past. The promoters are supported by qualified and experienced professionals.

Stable industry outlook
The Indian hospitality sector is currently experiencing an upcycle, driven by favourable demographics, robust domestic demand, increased investments, and ongoing improvements in infrastructure and connectivity. CARE Ratings estimates, for FY25, RevPAR is expected to grow by ~8-9%, building on the high base set in FY24.

Key weaknesses
Moderate capital structure although expected to improve in FY25
OCRHL has a moderate capital structure as on March 31, 2024, marked by overall gearing of 1.73x against 0.25x as on March 31, 2023. The deterioration was considering increase in total debt from ₹35.81 crore as on March 31, 2023, to ₹279.25 crore. The debt largely consisted of a term loan taken for purchasing 2,491 acres of coffee plantation land, which resulted in deterioration of capital structure. The company had planned to prepay term loans by liquidating land parcels in FY24. However, due to delay in sale of land (only a small portion of land sale in FY24), capital structure remained leveraged as at the end of FY24. The company has been able to monetise considerable land area in FY25, which helped it to prepay the term loan and unsecured loan of ~₹105 crore cumulatively in FY24 and 8MFY25. Hence, capital structure for FY25 and going forth is expected to be at comfortable levels marked by gearing of below unity levels. There are no external debts in the books of subsidiaries. The company's debt levels, being a key rating driver, will be closely monitored.

Project risk associated with planned debt-funded capex
The company is in the process of setting up a resort with 45 keys in Mandu (Madhya Pradesh) for which required land have been acquired from M.P. State Tourism Development Corporation Limited (MPSTDC) under a 90-year lease and construction was proposed to commence by FY23, however, due to water availability issues, the project was delayed. However, after resolution of issues, the construction activity has started in FY25. The project has total cost of ₹95 crore, which is planned to be funded by term loan of ₹63 crore and ₹32 crore from promoter margin. The company has expended ~₹8 crore till December 15, 2024, from internal accruals. The capex is expected to complete by the end of FY27.

Moderate scale and geographical concentration
At present, OCRHL has three operational resorts in Karnataka state with moderate total inventory of 142 keys and a 11-key luxury resort in Botswana, Africa, representing a medium scale of operations. OCRHL's presence majorly in single state exposes the company to region-specific event risks. The risk is expected to reduce going ahead factoring the upcoming properties, which are outside Karnataka; though, the operational commencement of new project is expected to begin before FY27 ends.

Macro-economic factors and seasonal uncertainty
The company remains exposed to macroeconomic fluctuations, industrial growth trends, tourist arrivals, demand-supply dynamics, industry competition, regulatory changes, and socio-economic factors, which contribute to the inherent cyclicality of the hospitality sector. These risks may affect occupancy rates and consequently, the company's profitability.

Liquidity: Adequate
The company's liquidity is marked adequate with a scheduled debt repayment obligation of ~₹6.39 crore for FY25 against an expected GCA in the range of ₹80-90 crore (includes profit on sale of land). Hence, from FY26 onwards the repayment is expected to stay ~₹10 crore against expected GCA of over ₹35 crore. Per the lender, the average working capital utilisation for last 12 months remained below 60% with no instances of overutilisation and the cash flow from operations remained positive at ₹26.27 crore in FY24. Also, as on December 20, 2024, the company has ~₹25 crore invested in mutual funds, exhibiting sufficient liquidity.

Assumptions/Covenants - Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hotels & Resorts
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Leisure services	Hotels & resorts

Incorporated in 2001, OCRHL provides boutique luxury hospitality services wherein it currently owns and manages three luxury resorts in Karnataka, India (Coorg resort-59 keys, Kabini resort-37 keys, and Hampi resort-46 keys). The company rebranded its properties to 'Evolve Back' in FY18 from 'Orange County'. The company has an 11-cottage luxury resorts in Botswana, Africa, operational under a wholly owned subsidiary, named 'Orange County Resorts & Hotels Pty. Ltd., incorporated in FY20. The company is also into real estate and renewal energy (windmill) business which jointly contribute less than 10% of the annual total income of the company. The real restate business is carried out through its subsidiaries, named Earthetics LLC in US and Earthetics Private Limited in India, which are incorporated in FY21 and FY22, respectively.

Brief Financials - Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	148.31	141.77
PBILDT	47.13	46.41
PAT	21.85	21.85
Overall gearing (times)	0.25	1.73
Interest coverage (times)	16.31	1.94

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials - Standalone (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	148.03	138.42	83.87
PBILDT	51.84	53.18	NA
PAT	36.59	32.30	NA
Overall gearing (times)	0.30	1.45	NA
Interest coverage (times)	21.33	2.17	NA

A: Audited UA: Unaudited, NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facility	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	5.00	CARE A-; Stable
Fund-based - LT-Term loan		-	-	March 2036	204.73	CARE A-; Stable
Non-fund-based - ST-Bank guarantee		-	-	-	1.00	CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	204.73	CARE A-; Stable	-	1)CARE A-; Stable (06-Oct-23)	1)CARE A-; Stable (06-Mar-23)	1)CARE A-; Stable (28-Feb-22) 2)CARE A-; Stable (08-Feb-22)
2	Fund-based - LT-Cash credit	LT	5.00	CARE A-; Stable	-	1)CARE A-; Stable (06-Oct-23)	1)CARE A-; Stable (06-Mar-23)	1)CARE A-; Stable (28-Feb-22) 2)CARE A-; Stable (08-Feb-22)
3	Non-fund-based - ST-Bank guarantee	ST	1.00	CARE A2+	-	1)CARE A2+ (06-Oct-23)	1)CARE A2+ (06-Mar-23)	1)CARE A2+ (28-Feb-22)

								2)CARE A2+ (08-Feb-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-Bank guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Keystone Global DMCC	Full	Wholly Owned Subsidiary
2	Orange County Resorts & Hotels (Proprietary) Limited	Full	Wholly Owned Subsidiary
3	Serene Himalayas Private Limited	Full	Wholly Owned Subsidiary
4	Earthitects Private Limited	Full	Subsidiary
5	Earthitects LLC	Full	Step-down Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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