



Press Release

Swift Financial Results Limited

July 14, 2022

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	24.50	IVR BB-/Stable (IVR Double B Minus with Stable outlook)	Revised from IVR B+ (IVR Single B Plus) and removed from Issuer Not Cooperating*	Simple
Short Term Bank Facilities	0.50	IVR A4 (A Four)	Reaffirmed and removed from Issuer Not Cooperating	Simple
Total	25.00 (Rupees Twenty-five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics has moved the rating assigned to the bank facilities Swift Financial Results Ltd. (SFRL) into issuer not cooperating category due to non-submission of information by the company. Now the company has duly submitted all the required information for a detailed review. In review of the information, the ratings take cognisance of the experienced and resourceful promoters, strong support of established brand, locational advantage, satisfactory occupancy ratio with improvement in yield, entitlement for subsidy, improvement in financial performance in FY22, satisfactory capital structure. These rating strengths are, however, remain constrained by limited track record with small scale of operation, longer gestation period associated with hospitality sector, geographical concentration in revenue, inherently seasonal and fragmented nature associated with the hotel Industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of operations with improvement in profitability and cash accruals on a sustained basis driven by improvement in occupancy, RevPar and consequent improvement in liquidity on a sustained basis
- Improvement in debt protection metrics

Downward Factors



Press Release

- More than expected moderation in scale of operations and/or profitability on a sustained basis
- Withdrawal of subordinated unsecured loans amounting to Rs.14.55 crore and/or moderation in the capital structure with deterioration in overall gearing to below 2x and interest coverage below 1.5x
- Significant delay in receipt of subsidy

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters**

Mr. Pawan Kumar Agarwal, promoter cum director, has over three decades of business experience in diverse fields of business. This apart, other directors, Mr. Sushil Kumar Agarwal and Mr. Amit Agarwal, are also having adequate business experience. The promoters of the company are engaged in real estate like commercial & residential projects, road construction, warehousing, cement industry, road equipment manufacturing, logistics, rural electrification and education related business in and around North Bengal and are quite resourceful. Further, the promoters have supported the company by infusing subordinated unsecured loans as and when required and are committed to support going forward.

- **Strong support of established brand**

The company has a tie-up with International servicing and marketing agreement with Wyndham hotel group through Wyndham Hotel Asia Pacific CO Ltd. of Hong Kong to run its hotel under the brand name "Ramada". Wyndham hotel group is one of the largest hotel groups in the world with branded properties located in 75 countries with approx 7,00,000 rooms under 20 hotel brands under its fold. The licensing agreement is of 20 years. Infomerics believes that the strong support of the established brand name of Wyndham Group will help the company in acquiring long term customers and suppliers in the market.

- **Locational advantage**

The hotel, "Ramada Darjeeling" is located at heart of Darjeeling in West Bengal. Darjeeling is well known in the world as a hill station since long and is called Queen of Hills. It is well connected through North – East Frontier Railway with nearest railway station being Jalpaiguri. The site is also well connected through airways with the nearest airport being Bagdogra (which is about 80 Kms from Darjeeling). Furthermore, the hotel is also located at a very strategic place in Darjeeling and is nearby to all the major tourist attractions of the place.



Press Release

- **Satisfactory occupancy ratio with improvement in yield**

The hotel despite its short track record witnessed steady increase in its occupancy rates from ~50.37% in FY22 to ~27.51% in FY21. Further, there was a steady increase in RevPAR from Rs.2220 in FY21 to Rs.2687 in FY22.

- **Entitlement for subsidy**

The hotel unit is entitled to get a subsidy from West Bengal Tourism Development Corporation Limited under “West Bengal Incentive Scheme 2008” (vide letter dated, February 05, 2020). Under the said scheme the company is entitled to receive state capital subsidy of Rs.2.75 crore and interest subsidy - Rs.1.75 crore (50% of annual liability subject to a maximum of Rs.25 lacs annually). Out of the total subsidy the company is expecting to receive ~Rs.3 crore within FY21 (Capital subsidy of Rs.2.75 crore + annual interest subsidy of Rs.0.25 crore). Timely receipt of subsidy is a key rating monitorable.

- **Improvement in financial performance in FY22**

The total operating income (TOI) of the company has witnessed an erratic trend as the TOI has declined in FY21 as compared to FY20 on account of sudden outbreak covid pandemic resulted into shutdown of operation for 6 months during FY21. However, with improvement in operating scenarios in FY22, the occupancy in Hotel was increased and the TOI has improved and stood at Rs.8.30 crore in FY22 (Prov.) with post normalization of covid19, amid relaxation provided by the Government after COVID lockdown. The EBITDA level of the company has improved to Rs.4.51 crore in FY22 as compared to Rs.0.96 crore in FY21 driven by increase in occupancy rate and RevPar. Increase in share of revenue from banquets, foods and beverage segment also boost its operating profit level and margin in FY22. The EBITDA margin of the company has also improved in FY22 to 54.39% as compared to 27.13% in FY21. Furthermore, the company has also posted cash profit of Rs.2.34 crore in FY22 (Prov.) [cash loss of Rs.0.93 was there in FY21]

- **Satisfactory capital structure**

The capital structure of the company is moderate marked by debt-equity ratio and overall gearing ratio of 1.59x and 1.64x, respectively, (after considering the subordinated unsecured loan of Rs.14.55 crore) as on March 31, 2022 as compared to 1.41x and 1.49x, respectively, (after considering the subordinated unsecured loan of Rs.14.25 crore) as on March 31, 2021. Further, the total indebtedness of the company marked by TOL/TNW also stood comfortable



Press Release

at 1.67x as on March 31,2022 (prov.) [1.59x as on March 31,2021]. Moreover, the interest coverage ratio was at 1.64x during FY22, improved from 1.45x in FY21 on the back of rise in EBITDA.

Key Rating Weaknesses

- **Limited track record with small scale of operation**

The hotel unit started operations in April 2018, hence FY19 was the first full year of operation and accordingly its ability to ramp up scale and occupancy is yet to be seen. The scale of operation of the company is small with a revenue of Rs.8.30 crore in FY22 (prov.) though improved from Rs.3.55 crore in FY21. Small scale of operations restricts the financial risk profile of the company.

- **Longer gestation period associated with hospitality sector**

Hotel projects have long gestation period as construction of a premium hotel takes up to three to four years while stabilization of operations may take another two to three years. Luxury Hotels call for a huge investment and have longer gestation periods as compared to mid-scale budget hotels, given the investments involved in the project. Given that the gestation period for setting up hotels in India is significantly more when compared to global peers, in the initial few years the costs are high, and the returns are low. However, the industry demand in the near term is expected to stem largely from domestic leisure travel, although there will be gradual recovery in business travel and free trade agreement.

- **Geographical concentration in revenue**

SFRL derives its entire revenue from a single hotel in Darjeeling and is highly reliant on growth of the tourism industry in Darjeeling. However, association with the Whyndham International group and the Ramada brand will benefit the hotel.

- **Inherently seasonal and fragmented nature associated with the Hotel Industry**

The hotel industry is cyclical and inherently seasonal in nature as the demand for the hotel rooms varies with the business cycle. The most significant aspect of tourism seasonality is that it involves the concentration of tourist inflows during particular months. The Indian hotel industry normally experiences high demand during October-May, followed which the monsoon entails low demand. During the lean period, hotels offer lucrative packages to improve occupancy. The hotel industry is highly fragmented with a large no. of organized and



Press Release

unorganized players as well as many local and international players operate across different hotel segments. Further, SFRL faces intense competition as Darjeeling, in West Bengal is a major tourist destination and has many hotels and resorts. Further, presence of many small & medium players in the vicinity of the tourist places intensifies the already prevailing competition in the industry.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near term marked by expected sufficient gross cash accruals as against its debt repayment obligations in the near term. The company has generated a cash accrual of Rs.2.34 crore in FY22 and is expected to generate cash accruals in the range of Rs.3.80-5.90 crore as compared to its debt repayment obligations in the range of Rs.1.40-2.60 crore during FY23-25. Further, the company is having cash and bank balance of Rs.0.61 crore as on March 31, 2022.

About the Company

Swift Financial Results Ltd (SFRL) incorporated in 1992 by one Agarwal family of Darjeeling. After incorporation, the company was defunct for many a year since 2014. During 2014, the company made a licensing agreement with Wyndham Hotel Asia Pacific CO Ltd. of Hong Kong, a renowned and one of the largest hotel chains in the world, for setting up a deluxe hotel in Darjeeling. Subsequently, during March 2018, a 62-room deluxe hotel, under the brand name of RAMADA Darjeeling, has started operation with other related facilities like banquet, Tea lounge, restaurant and bar, pool, etc. The licensing agreement is of 20 years.

Day to day affairs of the company is look after by Mr. Pawan Kumar Agarwal, Director, along with other two directors and a team of experienced personnel.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	3.55	8.30
EBITDA	0.96	4.51



Press Release

For the year ended* / As On	31-03-2021	31-03-2022
PAT	-3.29	-0.04
Total Debt	21.91	25.30
Tangible Net worth	15.16	15.42
EBITDA Margin (%)	27.13	54.39
PAT Margin (%)	-90.70	-0.51
Overall Gearing Ratio (x)	1.45	1.64

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	14.25	IVR BB-/ Stable	IVR B+; ISSUER NOT COOPERATING* (Oct 29, 2021)	IVR BB- / Stable (Aug 05, 2020)	-
2.	GECL	Long Term	7.09	IVR BB-/ Stable	-	-	-
3.	Cash Credit	Long Term	0.80	IVR BB-/ Stable	IVR B+; ISSUER NOT COOPERATING* (Oct 29, 2021)	IVR BB- / Stable (Aug 05, 2020)	-
4.	FITL	Long Term	0.01	IVR BB-/ Stable	IVR B+; ISSUER NOT COOPERATING* (Oct 29, 2021)	IVR BB- / Stable (Aug 05, 2020)	-
5.	WCTL	Long Term	0.65	IVR BB-/ Stable	IVR B+; ISSUER NOT COOPERATING* (Oct 29, 2021)	IVR BB- / Stable (Aug 05, 2020)	-
6.	Bank Guarantee	Short Term	0.50	IVR A4	IVR A4; ISSUER NOT COOPERATING* (Oct 29, 2021)	IVR A4 (Aug 05, 2020)	-
7.	Proposed	Long Term	1.70	IVR BB-/ Stable	-	-	-

* Issuer did not cooperate; based on best available information



Press Release

Name and Contact Details of the Rating Analyst:

Name: Poulami Ghosh Tel: (033) 46022266 Email: Poulami.ghosh@infomerics.com	Name: Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	Various	-	Dec, 2027	14.25	IVR BB-/ Stable
GECL	Various	-	June, 2026	7.09	IVR BB-/ Stable
Cash Credit	-	-	-	0.80	IVR BB-/ Stable
FITL	Jan, 2020	-	Aug, 2022	0.01	IVR BB-/ Stable



Press Release

WCTL	Jan,2020	-	Dec, 2025	0.65	IVR BB-/ Stable
Bank Guarantee	-	-	-	0.50	IVR A4
Proposed	-	-	-	1.70	IVR BB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Swift-Financial-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.