

Silver Sands Holiday Village: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Term Loan	15.00	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+ (read as SMERA B plus)**' to the Rs.15.00 crore bank facility of Silver Sands Holiday Village (SSHV). The outlook is '**Stable**'.

The rating draws support from the firm's long track record of operations, comfortable occupancy resulting in healthy profitability, locational advantage and moderate financial risk profile. However, the rating is constrained by the small scale of operations and risks related to geographic concentration.

SMERA has consolidated the business and financial risk profiles of SSHV and its sister concern, Silver Sands Hideaway (SSH), together referred to as the 'Silver Group'. The firms derive significant business synergies from each other.

The hotel, promoted by Proprietor, Mr. Agnelo Fernandes was established in 1996. The promoter possesses around two decades of experience in the hospitality industry. SSHV and SSH are premium properties located at close proximity to the Candolim Beach. The hotel enjoys 85 per cent occupancy during peak season (Oct-March), 55 per cent in Monsoon (Jul-Sep) and 35 per cent at other times. As a result, the EBITDA margins stood strong at 36.77 per cent for FY2015-16 (Provisional) as against 32.70 per cent for FY2014-15.

The rating also notes the moderate financial risk profile marked by networth of Rs.8.88 crore as on March 31, 2016 (Provisional) as compared to Rs.7.76 crore as on March 31, 2015. The gearing (debt-equity) has been moderate at 1.83 times as on March 31, 2016 (Provisional) while interest coverage ratio (ICR) stood at 7.84 times for FY2015-16. Further, the group has given advances of around Rs.16.00 crore to Silver Sands Serenity, another hotel which is under construction and is expected to be operational in January, 2017.

However, the rating is constrained by the small scale of operations as reflected in the stagnant revenue of Rs.6.40 crore, Rs.5.97 crore and Rs.6.01 crore for FY2016 (Provisional), FY2015 and FY2014, respectively. The Silver Group has been in the hotel business for the last two decades. With no expansion to other locations, the firm is exposed to geographic concentration risk.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Timely execution of the current project

Outlook-Stable

SMERA believes SSHV will maintain a stable outlook in the medium term owing to the moderate occupancy and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected revenue with sustainable profitability. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates further.

About the Firm

The Goa-based SSHV, part of the Silver Group of hotels was established in 1996 by Mr. Agnelo Fernandes. The hotel has 74 rooms with two in-house restaurants.

About the Group

The Silver Group, promoted by Mr. Agnelo Fernandes, Proprietor, manages two hotels, Silver Sands Holiday Village and Silver Sands Hideaway located at Candolim, Goa. The third hotel, Silver Sands Serenity is under construction and is expected to be operational in January, 2017.

For FY2015-16, the group reported net profit of Rs.1.14 crore on operating income of Rs.6.40 crore, as compared with net profit of Rs.1.22 crore on operating income of Rs.5.97 crore in FY2014-15. The group's net worth stood at Rs.8.88 crore as on March 31, 2016 as against Rs.7.76 crore a year earlier.

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ABOUT SMERA

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