

Press Release

Arvind Realtors Private Limited

09 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.90 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the long term rating to '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 6.90 crore bank facilities of Arvind Realtors Private Limited. The outlook is '**Stable**'.

Arvind Realtors Private Limited (ARPL), incorporated in 1991, is a Goa-based company promoted by Mr. Arvind Desai and Mrs. Neha Desai. ARPL is engaged in undertaking business of operating resort (Rivasa) and a restaurant (Bay Leaf). The resort is located in Goa on Calangute beach. Rivasa has total 84 rooms and the seating capacity of Bay Leaf, which is the in house restaurant, is 56.

Key rating drivers

Strengths

Established track record of operation and experienced management: The company was incorporated in 1991 and the resort was operational in the same year. Mr. Arvind Desai and Mrs. Neha Desai, the promoters of the company has experience of more than two decades in hospitality sector.

Location Advantage: The resort is located on Calangute beach which one amongst the prime beaches in Goa. The resort generates its revenue from online aggregators as well as from walk-in clients. It registered healthy occupancy averaging ~80 per cent in FY2016-17. The company plans to revamp all its existing rooms and expand the capacity of the resort as well in current year through internal accruals, promoter's contribution and bank borrowings.

SMERA believes that ARPL will continue to benefit from its experienced management and locational advantage.

Improvement in profit margins: The operating margins improved to 42.15 percent in FY2017 from 39.94 percent in the previous year on account of effective cost management. Further, the PAT margins increased from 23.70 per cent in FY2015-16 to 28.98 per cent in FY2016-17 mainly on account of increase in EBITDA margins and other income which consists of agricultural income, tower rent and property lease income.

Above average financial risk profile: The financial risk profile is above average marked by tangible network of Rs. 4.30 crore as on 31, March, 2017 as against Rs. 3.45 crore as on 31, March 2016. The gearing remained comfortable at 0.97 times as on 31 March, 2017 and 0.38 times in the previous year. The total debt of Rs.4.19 crore as on 31 March, 2017 comprises mainly term loan of Rs. 4.12 crore, unsecured loan of Rs. 0.07 crore. The Interest Coverage Ratio (ICR) stood at 7.57 times in FY2017 over 6.10 times in FY2016. The DSCR stood at 6.45 times as on 31 March, 2017 as against 4.89 times in the previous year. The TOL/TNW has been around 1.25 times and NCA/TD at 0.26 times for FY2016-17. The Net cash accruals stood at Rs.1.08 crore for FY2017.

Weaknesses

Stagnant revenue: The revenue growth has been stagnant at a CAGR of 2 per cent in the last three years ended FY2017. The company reported operating income of Rs.2.94 crore for FY2017 as against Rs. 2.65 crore for FY2016. Further, it registered revenue of Rs. 2.30 crore from April, 2017 to Dec, 2017. Going forward, higher revenues are expected with the increase in number of rooms.

Competition from existing and upcoming hotels: The Company faces intense competition from resorts and hotels in and around Goa. Besides, the company is also exposed to geographic concentration risk with one resort in Goa.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Arvind Realtors Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that ARPL will maintain a stable outlook in the medium term on the back of moderate occupancy rate at hotels and extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case of higher than expected revenue, sustainable profitability and healthy growth in cash accruals while curtailing exposure to other entities and managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of decline in cash accruals or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	2.94	2.65	2.76
EBITDA	Rs. Cr.	1.24	1.06	1.09
PAT	Rs. Cr.	0.85	0.63	0.59
EBITDA Margin	(%)	42.15	39.94	39.41
PAT Margin	(%)	28.98	23.70	21.51
ROCE	(%)	18.83	21.99	44.78
Total Debt/Tangible Net Worth	Times	0.97	0.38	0.73
PBDIT/Interest	Times	7.57	6.10	4.62
Total Debt/PBDIT	Times	2.80	1.04	1.63
Gross Current Assets (Days)	Days	214	123	161

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Entities - <https://www.smera.in/criteria-service.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.90	SMERA BB-/ Stable (Assigned)

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ABOUT SMERA

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