

Press Release

Raffles Square Development Private Limited

03 May, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA BBB/ Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (read as SMERA triple B) and short term rating of '**SMERA A3+**' (read as SMERA A three plus) on the Rs.50.00 crore bank facilities of Raffles Square Development Private Limited. The outlook is '**Stable**'.

Raffles Square Development Private Limited (RSDL) incorporated in 2005 is a Pune-based company promoted by Mr. Anirudha Seolekar, Mr. Ashok Kothari and Mr. Promod Dhadiwal. RSDL is in business of operating hotels in Pune and Goa under "O" brand name. The hotel located in Koregaon Park Road (Pune) has 111 rooms and the hotel located in Candolim beach (Goa) has 75 rooms.

Key rating drivers

Strengths

Experienced management and reputed brand name

The company was incorporated in 2005, while the Pune hotel started in May, 2008 and the Goa hotel in October, 2009. The Promoters, Mr. Anirudha Seolekar, Mr. Ashok Kothari and Mr. Promod Dhadiwal have over a decade of experience in the hospitality industry. The promoters backed by their experience have been able to create a reputation for "O" brand name.

Location advantage

The Pune hotel is located in Koregaon Park Road and the Goa hotel is located in Candolim beach both are prime locations. The hotels generate their revenue from online aggregators as well as from walk-in clients. Both the hotels have corporate tie-ups with various reputed companies. The Pune hotel registered healthy occupancy at 77 percent, while the Goa hotel registered occupancy of 83 percent for FY2016-17.

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

Above average financial risk profile

RSDL has above average financial risk profile marked by tangible net worth of Rs.43.64 crore as on 31 March, 2017 as against Rs.43.90 crore as on 31 March, 2016. This includes unsecured loan

of Rs.37.55 crore as on 31 March, 2017 which is considered as quasi equity as same is subordinated to bank debt. The adjusted gearing stood at 1.09 times as on 31 March, 2017 as against 1.18 times as on 31 March, 2016. The debt of Rs.47.35 crore mainly consists of term loan of Rs.28.60 crore, unsecured loan of Rs.8.04 crore and working capital borrowing of Rs.10.71 crore as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.68 times in FY2017 as against 1.23 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.95 times as on 31 March, 2017 as against 1.05 times as on 31 March, 2016.

Going forward, SMERA expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

Weaknesses

Net losses in the past albeit positive cash accruals

RSDL has registered net losses during the period under study which was mainly on account of high interest and depreciation costs. However, the losses have come down to Rs.0.27 crore in FY2017 from Rs.2.89 crore in FY2016. Despite of losses, the company has positive cash accruals of Rs.5.99 crore in FY2017 as against Rs.3.43 crore in FY2016.

Competition from existing and upcoming hotels and resorts

RSDL faces intense competition from existing and upcoming resorts and hotels in and around Pune and Goa.

Inherent cyclical in the hotel industry

The hospitality sector is sensitive to business cycles and level of discretionary spending in the economy.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of RSDL to arrive at the rating.

Outlook – Stable

SMERA believes that RSDL 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 substantial growth in revenue and profitability, aided by improved average room rent and occupancy levels across hotels while managing the 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.	41.28	40.21	36.81
EBITDA	Rs. Cr.	14.50	11.34	9.34
PAT	Rs. Cr.	(0.27)	(2.89)	(0.24)
EBITDA Margin	(%)	35.14	28.20	25.37
PAT Margin	(%)	(0.65)	(7.19)	(0.66)
ROCE	(%)	10.35	5.88	7.53
Total Debt/Tangible Net Worth	Times	1.09	1.18	1.10
PBDIT/Interest	Times	1.68	1.23	1.01
Total Debt/PBDIT	Times	3.18	4.50	5.27
Gross Current Assets (Days)	Days	85	75	67

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in Service Sector - <https://www.smera.in/criteria-services.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>

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
Overdraft	Not Applicable	Not Applicable	Not Applicable	21.00	SMERA BBB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.72	SMERA BBB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.52	SMERA BBB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BBB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB/Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3+
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	2.26	SMERA BBB/Stable

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ABOUT SMERA

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