

## Press Release

**Raffles Square Development Private Limited**

**January 31, 2022**



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	63.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable	-
<b>Bank Loan Ratings</b>	1.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	64.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuité has reaffirmed its long term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) on the Rs. 63.00 crore long term bank facilities and its short term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs.1.00 crore short term bank facilities of Raffles Square Development Private Limited (RSDPL). The outlook has been revised to 'Stable' from 'Negative'

### Rationale for Rating Reaffirmation and Revision in Outlook

The rating reaffirmation and revision in outlook takes into account the improvement in the liquidity profile and financial risk profile on account of support from promoters in the form of unsecured loans and reduction in debt. Further the operating performance has improved to some to some extent on the back of gradual reduction in lockdowns and travel restrictions. However the further scale up of operating performance over the medium term will remain a key rating sensitivity factor. The rating also draws comfort from the experience of the management along with favourable location of its hotels which is expected to give the company advantage of quick turnaround in occupancy levels and average room rents as operating environment normalizes. However continued support from promoters till the operating performance stabilizes will remain a key rating monitorable.

### About the Company

Raffles Square Development Private Limited (RSDPL) was incorporated in 2005 and is primarily involved in the hospitality business. The company currently owns two properties i.e. a five star hotel in Pune located at Koregaon Park area started in 2008 and a five star resort in Candolim, Goa started in 2009. Both the properties are under "O" hotel brand. RSDPL belongs to the Oxford Group which has successfully developed about 3 million square feet of commercial and residential developments in Pune.

### Analytical Approach

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

### Key Rating Drivers

## **Strengths**

### **Established track record of operations along with experienced management**

RSDPL was established in 2005 by Mr. Anirudha Seolekar, Mr. Ashok Kothari and Mr. Pramod Dhadiwal. The company owns two five star hotel located in Pune and Goa under the brandname 'The O Hotel'. The promoters have more than a decade experience in the hospitality industry apart from the real estate industry. The company is a group company of the Oxford Group which is one of the leaders in real estate sector in Pune. The group has successfully developed about 3 million square feet of commercial and residential developments in Pune.

Acuité believes that RSDPL will sustain its existing business profile on the back of established track record of operations and experienced management.

### **Moderate financial risk profile supported by promoter's infusion of funds**

The financial risk profile of the company stood moderate marked by moderate net worth and capital structure on back of fund infusion from promoters. However debt coverage indicators remain weak as the operating performance was adversely impacted by the spread of COVID 19 and subsequent lockdowns. The net worth of the company stood at Rs.35.78 crore (includes quasi equity of Rs.31.69 crore) as on 31 March, 2021 as against Rs.30.75 crore (includes Rs.19.17 crore of quasi equity) as on 31 March, 2020. Company experienced dip in the top line numbers which stood at Rs.9.04 crore for FY21 as against Rs.38.40 crore for FY2020. RSDPL has also been able to reduce its total debt which stood at around 46.38 Cr. as on March 31, 2021 against Rs. 57.83 crore as on March 31, 2020. This has helped it improve its gearing which stood at 1.30 times as on March 31, 2021 against 1.88 times as on March 31, 2020. However coverage indicators remain weak. The Interest coverage stood at (0.07) times as on 31 March, 2021 as against 1.43 times as on 31 March, 2020 & DSCR stood at 0.24 times as on 31 March, 2021 and 0.77 times as on 31 March, 2020 . In the current FY22, company has also closed its outside loans to the tune of Rs. 10 crore through promoter's infusion of funds.

Acuité expects that RSDPL's ability maintain its financial risk profile through fund infusion by promoters will continue to remain a key rating sensitivity factor

## **Weaknesses**

### **Decline in operating performance in FY2021 albeit some improvement in H1 FY2022**

The revenue from operations of the company has declined which stood at Rs.9.04 crore in FY2021 against Rs.38.40 crore in FY2020. The decline was majorly on account of spread Covid-19 in FY2021 and subsequent lockdowns. This also had an adverse impact on profitability and has incurred operating loss of Rs. (7.49) crore in FY2021 as against Rs. (0.11) crore in FY2020. However, as the lockdowns and travel restrictions have gradually opened up RSDPL's operating performance has seen a gradual improvement. For YTD FY2022 ended November 21, operating revenues stood at Rs. 12.13 Cr along with significant improvement in operating margins which stood at around 14.5 per cent

Acuite expects given the favourable location of RSDPL's property's operating performance is expected to improve over the medium term as the operating environment move towards normality.

## **Highly competitive industry**

The Indian subcontinent and the state of Goa with vast opportunities and potential for high growth has become the focus area of major international chains. Several of these chains have established and others have their plans to establish hotels to take advantage of these opportunities. These entrants are expected to intensify the competitive environment.

Acuité believes the success of the company will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, service level and also the quality and scope of other amenities, including food and beverage facilities.

## **Rating Sensitivities**

- Slower than expected growth in the revenue & profitability margins
- Discontinuation of USL support from RSDL's promoters

## **Material covenants**

None

### **Liquidity Position: Stretched**

RSDL's liquidity in FY21 is stretched marked by low net cash accruals to its maturing debt obligations. The company generated negative cash accruals of Rs.(4.53 crore) for FY2021. However, overall financial profile of the company is not adversely affected owing to the fact that promoters have infused funding in the form of USL that has helped company to close many of its outside liabilities, easing the burden for repayment in the near future. The gearing improved from 1.88 times as on 31st March 2020, to 1.30 times as on 31st March 2021. The current ratio stood at 0.57 times as on 31 March, 2021.

Acuité believes that the liquidity of the company is likely to improve over the medium term on account of closure of long term borrowings and improved revenues as visible from its YTD numbers

### **Outlook: Stable**

The Outlook has been revised from 'Negative' to 'Stable' taking into account gradually improving operating environment for the hospitality segment as lockdown & travel restrictions have been relaxed and consequential improvement observed in RSDL's performance. It also takes into account infusion of funds by promoters in the form of USL which has mitigated any adverse effect on the company's financial risk profile. Further, the Outlook may be revised to positive in case of faster than expected growth in the revenue and overall operating & profitability margins. Conversely, the outlook may be revised to Negative in case of slower than expected scale of operations or lower profitability and any discontinuation of support from the promoters leading to an adverse impact on RSDL's liquidity and financial risk profile.

### **Other Factors affecting Rating**

Not Applicable

### **Key Financials**

<b>Particulars</b>	<b>Unit</b>	<b>FY 21 (Actual)</b>	<b>FY 20 (Actual)</b>
Operating Income	Rs. Cr.	9.04	38.40
PAT	Rs. Cr.	(7.49)	(0.11)
PAT Margin	(%)	(82.92)	(0.28)
Total Debt/Tangible Net Worth	Times	1.30	1.88
PBDIT/Interest	Times	(0.07)	1.43

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

Not Applicable

### **Any other information**

Not Applicable

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### **Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Oct 2020	Proposed Bank Facility	Long Term	8.73	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
	Secured Overdraft	Long Term	21.00	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	1.15	ACUITE BBB- (Downgraded and Withdrawn)
	Term Loan	Long Term	9.31	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Term Loan	Long Term	19.61	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
	Term Loan	Long Term	3.20	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
29 Jul 2019	Term Loan	Long Term	20.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short term	1.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.06	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	9.88	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BBB (Withdrawn)
	Term Loan	Long Term	5.87	ACUITE BBB   Stable (Reaffirmed)
	Secured Overdraft	Long Term	21.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	6.19	ACUITE BBB   Stable (Reaffirmed)
03 May 2018	Secured Overdraft	Long Term	21.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	7.72	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	7.52	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	0.50	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	2.26	ACUITE BBB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Saraswat Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3   Reaffirmed
Saraswat Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	23.55	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Saraswat Bank	Not Applicable	Term Loan	Not available	Not available	Not available	18.45	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable

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### About Acuité Ratings & Research

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