

Press Release

Raffles Square Development Private Limited

March 20, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	63.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	1.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	64.00	-	-

Rating Rationale

Acuite 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 is '**Stable**'

Rationale for reaffirmation

The rating reaffirmation takes into account the improvement in operational and financial risk profile of the company. RSDPL saw a robust recovery in its revenues with a Y-o-Y growth of 125% in FY2022 at the back of relaxation in lockdown restrictions. Revenue of the company stood at Rs.20.35 crore in FY2022 as against Rs.9.04 crore in FY2021. Further, for 10MFY2023, RSDPL generated a revenue of Rs.38.77 crore. The improvement in financial risk profile of the company is on account of support from promoters in the form of unsecured loans. Going ahead, the company's ability to maintain the stability in operations on account of improved occupancy levels leading to an improvement in the liquidity profile 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

Acuite has considered the standalone view of business and financial risk profiles of RSDPL 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

RSDPL has a moderate financial risk profile marked by moderate tangible net worth, gearing level and debt protection metrics. The tangible net worth of the company stood at Rs. 36.96 crore as on 31st March, 2022 as against Rs. 40.69 crore as on 31st March, 2021. The company follows a moderate leverage policy and is supported by unsecured loans from promoters of Rs. 36.60 crore which are subordinated by bank debt. The moderate leverage policy is reflected in its peak gearing level of the company which stood moderate at 1.22 times as on 31st March, 2022 as against 1.02 times as on 31st March 2021. The total debt of the company stood at Rs. 45.13 crore as on 31st March 2022 which comprises of term loan borrowings of Rs. 18.16 crore, unsecured loans from promoters and directors of Rs. 6.00 crore and short-term borrowings of Rs. 20.97 crore.

The debt protection metrics of the company are weak as DSCR stood at 0.37 times in FY2022 as against 0.24 times in FY2021. Interest coverage ratio stood at 0.76 times in FY2022 as against (0.07) times in FY2021. The cash and bank balance of the company stood at Rs. 1.25 crore as on March 31, 2022. However, consistent infusion of funds through unsecured loans from promoters provides the support.

Acuité believes that the financial risk profile of the company is expected to remain moderate on the back of funds infused by promoters.

Improvement in operating performance

The operating performance of the company improved as it saw a robust recovery in its revenues with a Y-o-Y growth of 125% in FY2022 at the back of relaxation in lockdown restrictions. Revenues of the company stood at Rs. 20.35 crore in FY2022 as against Rs. 9.04 crore in FY2021. EBITDA margins recovered and stood at 24.83% in FY2022 from (13.73)% in FY2021 on account of improvement in operations. The company however continued to register losses after tax. Further, for 10MFY2023, RSDPL generated a revenue of Rs. 38.77 crore and EBITDA margin stood at 28.79%.

Acuite believes that the company is expected to maintain stable operating performance on account of improved occupancy levels.

Weaknesses

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 RSDPL's promoters

Material covenants

None

Liquidity Position Stretched

The liquidity position of RSDPL is stretched marked by low net cash accruals as against its maturing debt obligations. The company generated negative cash accruals of Rs.(0.77) crore for FY2022. 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. Going ahead, the net cash accrual is the expected to be in the range of Rs. 4.35-5.61 crore as against the debt obligations in the range of Rs.1.35-1.77 crore. The current ratio stood at 0.35 times as on 31 March, 2022.

Acuite believes that the liquidity of the company is likely to improve during the period FY2023-2024 on account of improved revenues as visible from its year-to-date performance for 10MFY2023.

Outlook: Stable

The Outlook is 'Stable' on account of gradually improving operating environment for the hospitality segment as lockdown & travel restrictions have been relaxed and consequential improvement observed in RSDPL'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 RSDPL's liquidity and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	20.35	9.04
PAT	Rs. Cr.	(3.73)	(7.49)
PAT Margin	(%)	(18.33)	(82.92)
Total Debt/Tangible Net Worth	Times	1.26	1.30
PBDIT/Interest	Times	0.76	(0.07)

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

None

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Jan 2022	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	18.45	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	23.55	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	21.00	ACUITE BBB- Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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