

Press Release

RAFFLES SQUARE DEVELOPMENT PRIVATE LIMITED

June 17, 2024

Rating Upgraded



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

Rating Rationale

Acuite has upgraded its long-term rating to 'ACUITE BBB' (read as ACUITE Triple B) from 'ACUITE BBB-' (read as ACUITE triple B minus) and its short-term rating to 'ACUITE A3+' (read as ACUITE A three plus) from 'ACUITE A3' (read as ACUITE A three) on the Rs. 64.00 crore bank facilities of Raffles Square Development Private Limited (RSDPL). The outlook is 'Stable'

Rationale for Upgrade

The rating upgrade takes into account, the improvement in the business, liquidity and financial risk profile of RSDPL. The company's revenue has recorded a consistent improvement over the last few years as its revenue improved from Rs.9.04 Cr. in FY2021 to Rs.48.05 Cr. in FY2023 with a CAGR of 166% from FY2021-FY2023. The company has generated revenue of ~Rs. 54 Cr. in FY2024E. The company has demonstrated improvement in the operational efficiency as the EBITDA margins reflected an upward trend and reached 39.86% in FY2023 from 24.83% in FY2022 from a loss of (13.73)% in FY2021. In FY2024E, the operating margin range between ~40-42%. The net profitability levels have also recorded a similar trend as the it improved from a loss of (18.33) percentage in FY2022 to a Profit of 12.52 percentage in FY2023. The company's operational metrics also improved as the occupancy level for Pune hotel increased from 23 percentage in FY2022 to 73 percentage in FY2023 and for Goa hotel, the occupancy levels have increased from 55 percentage in FY2022 to 71 percentage in FY2023.

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.

Unsupported Rating

Not Applicable

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.42.97 crore as on 31st March, 2023 as against Rs.36.96 crore as on 31st March, 2022. The company follows a moderate leverage policy and is supported by unsecured loans from promoters of Rs.30 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 1.37 times as on 31st March, 2023 as against 1.22 times as on 31st March 2022. The total debt of the company stood at Rs.58.92 crore as on 31st March 2023 which comprises of term loan borrowings of Rs.33.13 crore, unsecured loans from promoters and directors of Rs.8.08 crore and short-term borrowings of Rs.17.71 crore. In FY24 the company has repaid term loan of Rs.16.82 crore, the outstanding of term loan as on 31 March 2024 stood at Rs.16.30 crore.

The debt protection metrics of the company are improved as DSCR stood at 1.78 times in FY2023 as against 0.37 times in FY2022. Interest coverage ratio stood at 2.35 times in FY2023 as against 0.76 times in FY2022. The cash and bank balance of the company stood at Rs. 1.20 crore as on March 31, 2023.

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 recorded CAGR of 166% from FY2021-FY2023 at the back of relaxation in lockdown restrictions. Revenues of the company stood at Rs.48.05 crore in FY2023 as against Rs.20.35 crore in FY2022. EBITDA margins improved and stood at 39.86% in FY2023 from 24.83% in FY2022 on account of improvement in operations. Further, for FY2024, RSDPL generated an estimated revenue of ~Rs.54 crore and EBITDA margin ranging between 40-42%.

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
- Deterioration in financial risk profile and liquidity position of the company

Liquidity Position

Adequate

The liquidity position of RSDPL is adequate marked by moderate net cash accruals as against its maturing debt obligations. The company generated net cash accruals of Rs.9.08 crore for FY2023 against maturing debt obligation of Rs.1.35 crore during the same period. The company is estimated to generate net cash accruals in the range of Rs.11.00 - Rs.16.00 crore in FY2024-FY2026 against repayment obligations of Rs. 4.5-5 Cr. for the same period. The company maintains unencumbered cash and bank balance of Rs.1.20 crore as on March 31, 2023. The current ratio stood at 1.37 times as on March 31, 2023. The average bank utilization of the company is approximately 68% for ten months period ended March, 2024.

Outlook: Stable

The Outlook is 'Stable' on account of improved operating performance and moderate financial risk profile of the company. The Outlook may be revised to 'Positive' in case of higher 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 or deterioration in RSDPL's liquidity and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	48.05	20.35
PAT	Rs. Cr.	6.02	(3.73)
PAT Margin	(%)	12.52	(18.33)
Total Debt/Tangible Net Worth	Times	1.37	1.22
PBDIT/Interest	Times	2.35	0.76

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

Not Applicable

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
20 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	23.55	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	21.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.45	ACUITE BBB- Stable (Reaffirmed)
31 Jan 2022	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	23.55	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	21.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.45	ACUITE BBB- Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.70	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Saraswat Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Saraswat Bank	Not avl. / Not appl.	Term Loan	28 Jun 2022	Not avl. / Not appl.	31 May 2028	Simple	16.30	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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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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