

## Press Release

Michael Lobo

August 24, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 7.82 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 7.82 crore bank facilities of Michael Lobo. The outlook is '**Stable**'.

### Analytical Approach

While assigning the rating, Acuité has considered consolidated business and financial risk profile of Michael Lobo and its sister concerns' hereinafter referred to as 'Michael Lobo and Group'. The consolidation is on the account of common management and financial linkages between the entities.

The Goa-based, Michael Lobo and Group (MLG) established in 2004 by Mr. Michael Vincent Lobo. MLG has diversified business profile includes running three star resorts, restaurants & bars and development of resorts & bungalows.

### Key Rating Drivers

#### Strengths

- **Experienced promoter and diversified business profile**

Michael Lobo and Group was established in 2004 by Mr. Michael Vincent Lobo who is well-known entrepreneur and possesses over a decade experience. The group has diversified business streams - construction, operates resorts and restaurants. Acuité believes that promoter's extensive experience will provide strength to business risk profile of the group.

- **Location advantage**

The Resort Terra Paraiso is located at Calangute beach, Goa. Goa is ultimate attraction for Indian as well as international tourists. The hotels generate their revenue from online aggregators as well as from walk-in clients. The Resort registered an average occupancy level of 90 percent for FY2017.

- **Comfortable financial risk profile**

The group has comfortable financial risk profile marked by healthy net worth, low gearing and comfortable debt protection metrics. The net worth of group stood healthy at Rs.21.23 crore as on March 31, 2017 as compared to Rs.13.77 crore in the previous year. The gearing stood low at 0.26 times in FY2017 as against 0.44 times in FY2016. The total debt of Rs.5.52 crore comprises of term loan of Rs.4.96 crore and working capital borrowings of Rs. 0.39 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) and net cash accruals to total debt are comfortable at 9.82 times and 1.01 times respectively in FY2017. The TOL/TNW stood at 0.71 times as on March 31, 2017 as against 1.10 times as on March 31, 2017. Acuité believes that the financial risk profile of the group will remain comfortable backed by healthy net cash accruals.

#### Weaknesses

- **Capital withdrawal risk**

MLG is exposed to risk of capital withdrawal considering its proprietorship constitution. However, no such instances have been observed during the period under study.

- **Competition and inherent cyclical in the hotel industry**

MLG faces intense competition from resorts and hotels in and around Goa. The hospitality sector is sensitive to business cycles and level of discretionary spending in the economy.

### Outlook: Stable

Acuité believes that group will maintain a 'Stable' outlook in the medium term on the back of experience promoter and diversified revenue streams. 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.	20.92	15.87	11.65
EBITDA	Rs. Cr.	5.99	5.01	3.68
PAT	Rs. Cr.	4.46	3.21	2.19
EBITDA Margin (%)	(%)	28.64	31.56	31.63
PAT Margin (%)	(%)	21.34	20.26	18.81
ROCE (%)	(%)	21.79	21.88	34.48
Total Debt/Tangible Net Worth	Times	0.26	0.44	0.48
PBDIT/Interest	Times	9.82	6.30	5.21
Total Debt/PBDIT	Times	0.89	1.19	1.46
Gross Current Assets (Days)	Days	144	185	220

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.81	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.01	ACUITE BB / Stable

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### About Acuité Ratings & Research:

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