

Press Release

Trishul Buildtech And Infrastructure Private Limited

January 23, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 192.00 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable
Short Term Rating	ACUITE A2+

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 192.00 crore bank facilities of Trishul Buildtech and Infrastructure Private Limited (TBIPL). The outlook is '**Stable**'.

About the company

TBIPL is promoted by Mr. K. Prakash Shetty along with his family members Mrs. Asha P. Shetty, Mr. Gaurav P. Shetty and Mrs. Anushka Shetty. The company is engaged in land pooling and/or outright sale to real estate developers and hospitality business since 2010. The company has the following two verticals-

- Hospitality Business- The group operates a total of 8 hotels under various companies with a total of 692 rooms across various cities such as Mumbai, Bengaluru, Mangalore and Goa among others. The group operates these hotels under brand such as Goldfinch, Marriott and Hilton through its subsidiaries.
- Land Pooling and outright sales to real estate – The company acquires and monetizes land parcels through various avenues like Revenue Sharing and Joint Development Agreement (JDA) with real estate developers.

Currently, TBIPL has entered into Revenue Sharing Agreement with Prestige Habitat Ventures (PHV) to develop a large residential township called 'Prestige Lakeside Habitat' located in Varthur in Bangalore. As part of the agreement, TBIPL has offered 102-acre land to PHV to develop 3,210 apartments and 272 villas.

About the Group

MRG group is promoted by Mr. K. Prakash Shetty along with his family members and is in the business for almost three decades. TBIPL is a flagship company of the MRG Group. The group has the following two verticals-

- Hospitality Business- Running hotel at Bangalore under brand Marriott. The group also operates hotels under three brands- Goldfinch, Marriott and Hilton through its subsidiaries.
- Acquiring and monetizing land parcels through various avenues like Revenue Sharing and Joint Development Agreement (JDA) among others.

Currently, the group's one of the hotels is managed by Marriott with the brand 'Courtyard by Marriott' in Bangalore (188 rooms) under TBIPL and other hotels are under its subsidiaries-

- APPL holds a 94-room hotel under the brand Goldfinch in Andheri, Mumbai.
- EIPL holds a 70-room hotel under the brand Goldfinch in Faridabad.
- GHPL operates 5 hotels – 3 under Goldfinch brand in Bangalore (under GHPL), 56-room hotel under Goldfinch brand in Mangalore (under MIPL, a subsidiary of GHPL) and 160-room hotel as 'Double Tree' under Hilton brand in Goa (under GRPL, a subsidiary of GHPL).

Further, the group is coming up with a 136-room hotel in Navi Mumbai under the brand Marriott. The total project cost is ~Rs. 208 crore, funded through equity of Rs. 108 crore (~Rs. 80 crore already infused as on 31 December, 2019) and balance Rs. 100 crore of bank loan for which the company is yet to achieve financial closure. The hotel is expected to be operational by the end of FY2021.

Analytical Approach

The team has consolidated the business and financial risk profile of Trishul Buildtech and Infrastructure Private Limited (TBIPL), its holding company, subsidiaries and associates mentioned below together referred to as the 'MRG Group'. The consolidation is in view of the similar line of business, operational and financial synergies and common management. Extent of Consolidation: Full.

S. No.	Company Name	Subsidiary/ Associate	Holding Company	% of holding as on 31 st March 2019
1	MRG Hospitality and Infrastructure Private Limited (MRG-HIPL)	Holding Company	-	-
2	Trishul Buildtech and Infrastructure Private Limited (TBIPL)	Subsidiary Company	MRG-HIPL	71.67
3	Goldfinch Hotels Private Limited (GHPL)	Subsidiary Company	TBIPL	76.92
4	Annakoot Properties Private Limited (APPL)	Subsidiary Company	TBIPL	100.00
5	Express Infocom Private Limited (EIPL)	Subsidiary Company	TBIPL	100.00
6	Motels and Infrastructure India Private Limited (MIPL)	Subsidiary Company	GHPL	80.18
7	Goldfinch Resorts Private Limited (GRPL)	Subsidiary Company	GHPL	79.50
8	Hebbal Projects Private Limited (HPPL)	Subsidiary Company	GHPL	100.00
9	Hospitality Link Private Limited (HLPL)	Subsidiary Company	GHPL	56.50
10	Banjara Sarhand Foods Private Limited (BSFPL)	Subsidiary Company	GHPL	99.00
11	Sri Raghavendra Hotel Enterprises Private Limited (SRHEPL)	Subsidiary Company	GHPL	60.00
12	Bean Berry Resorts Private Limited (BBRPL)	Associate Company	TBIPL	49.00

Key Rating Drivers

Strengths

- **Established track record of operations along with association with reputed clientele**

MRG Group, founded by Mr. K. Prakash Shetty, is a well-established group having an operational track record of more than three decades in the hospitality and land aggregation business. The promoters of the group have an experience of almost three decades in the aforementioned line of business. Mr. Gaurav Shetty is the Managing Director of TBIPL. He is a Hotel Management Graduate from the Swiss Hotel Management School, Caux, Switzerland and he has also worked with Taj Lands End in Mumbai thereby having a healthy experience in hospitality sector. The long track record of operations and experience of the management have helped the group to develop healthy relationships with large developers such as Prestige Group. Acuite believes that the group will sustain its existing business profile on the back of established track record of operations and experienced management.

Further, the company is engaged in land aggregation and hospitality business. The group has land bank of over Rs. 350 crore as on November 2019. The group has entered in a Revenue Sharing Model with Prestige Group in 2013. For hospitality sector, the group has its own brand named 'Goldfinch' and has tie-ups with reputed international brands such as 'Marriott International Inc.' and 'Hilton Worldwide Holdings Inc.'. The group operates through 8 hotels with 692 rooms - 6 under Goldfinch brand and 1 each under Marriott and Hilton brand. Courtyard by Marriott, Bangalore was started in February 2018 and 'Double Tree' by Hilton, Goa in October 2018. Acuite believes, working with such brands has helped the group in generating healthy revenues in the past.

• **Expected improvement in cashflows**

The group has entered into a revenue sharing agreement with Prestige Habitat Venture (PHV) for one of its land parcels of 102 acres at Varthur Gunjur, Bangalore with the revenue share of 30 percent of total expected inflows to TBIPL through escrow mechanism for any inflows that will be received from the said project by Prestige. 'Prestige Lakeside Habitat' project comprises of 3210 residential units and 272 Villas with a total expected inflow of ~Rs.1200 crore to TBIPL. The project is ~95 per cent complete with booking levels of ~89 per cent as on December, 2019.

As on 31 March 2019, the group has received total inflow of ~Rs. 800 crores and ~Rs. 910 crore as on December 2019. The company has prepaid its existing loans from the proceeds of these inflows.

Further, the group also operates 8 hotels tied up with various reputed names such as Goldfinch, Marriott and Hilton with a total room capacity of 692 rooms. The occupancy levels for these hotels stood at ~73 per cent in FY2019 as against ~77 per cent in the previous year. RevPAR (Revenue per available room) stood at ~Rs. 3218 in FY2019 as against ~Rs. 3368 in FY2018. Further, the group has achieved revenues for hospitality sector of Rs. 138.39 crore for FY2019 as against Rs. 81.95 crore in the previous year.

The group has also entered into agreement with Prestige Group for outright sale of land of 12 acre for a total consideration of Rs. 166 crore of which ~ Rs.100 crore is received as on 10 January, 2020. Also, ~Rs. 35 crore of advance received from Prestige group under JDA for 28 acre land in Palya. Further, the group is also expecting more deals with Prestige, D'Mart and other reputed groups for land sale or JDA agreement which will help in generating future cashflows coupled with inflows from PHV project and hospitality sector.

Acuite believes that the group's liquidity is expected to improve on account of various deals under consideration as well as from the expected cash flows from PHV and outright sale of land to Prestige Group. Further, Acuite has not factored in any further support from TBIPL to its subsidiaries and/or associate companies for its repayments.

Weaknesses

• **High competition in real estate segment**

The group is engaged in land development and hospitality industry. The group has total land parcels of ~600 acres. The group is primarily a land aggregator and generates sufficient cash inflows through various avenues like outright sale of land or JDA or revenue sharing agreement with large and reputed developers like Prestige Group. The future cash flows of the group will be highly dependent on the group's ability to close deals for land pooling and timely inflows from the customer will also remain a key monitorable. Further, in case of significant deterioration in the credit profile of the clients the group deals with will impart a negative bias towards the credit profile of the group. The group also has management tie-ups with established brands such as Marriott and Hilton with mitigates the risk from other players in the industry.

Rating Sensitivities

- Timely cashflows from deals.
- Conversion of new deals for future substantial cashflows to support its liquidity and capex plans.
- Sufficient cash inflows against its debt obligation.

Material Covenants

None

Liquidity Position: Strong

The liquidity position of MRG Group is strong marked by healthy inflows from PHV project of ~Rs. 9 10 crore till December 2019 against the debt repayment, purchase of land parcels and capex of hotel in Vashi, Navi Mumbai. Further, the group's cash flow from operations stood at ~Rs. 142 crore in FY2019 as against its repayment obligation were Rs. 100.93 crore for the same period. The group has prepaid some of the loans from the cash received from PHV and outright sale of land to Prestige Group. Acuite believes the group's liquidity is likely to remain strong on account of significant inflows expected from PHV project and conversion of other deals over near to medium term. Thus, the servicing of debt obligation will be highly dependent on timely cash flows received by the group.

Outlook: Stable

Acuite believes that the group will maintain 'Stable' business and financial risk profile in the medium term on the back of established presence of the group, promotor experience in land aggregation and established relations with reputed groups in the real estate and hospitality industry. The outlook may be revised to 'Positive' if the group generates higher-than-expected cash flows from customer advances from current as well as new projects coupled with significant decrease in the debt levels. Conversely, the outlook may be revised to 'Negative' in case of stretch in the group's liquidity position in case of lower-than-expected cash generated by the group and/or significant increase in debt levels.

About the Rated Entity - Key Financials (Standalone-TBIPL)

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	391.60	3.47
PAT	Rs. Cr.	134.02	-42.58
PAT Margin	(%)	34.22	-1226.23
Total Debt/Tangible Net Worth	Times	3.95	-4.26
PBDIT/Interest	Times	6.75	-0.75

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	486.29	82.19
PAT	Rs. Cr.	113.51	-47.61
PAT Margin	(%)	23.34	-57.92
Total Debt/Tangible Net Worth	Times	11.50	-8.70
PBDIT/Interest	Times	4.52	-0.20

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>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>
- Entities in Service Sector- <https://www.acuite.in/view-rating-criteria-50.htm>
- Consolidation of Companies- <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios and Adjustment- <https://www.acuite.in/view-rating-criteria-53.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
Term loan	Not Applicable	Not Applicable	Not Applicable	91.42	ACUITE A- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.92	ACUITE A- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	24.18	ACUITE A- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	25.17	ACUITE A- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	18.33	ACUITE A- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.98*	ACUITE A2+ (Assigned)

*Includes sublimit of Bank Guarantee to the extent of Rs. 2.65 crore to GRPL, a step-down subsidiary of the company.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Priyal Jain Analyst - Rating Operations Tel: 022-49294043 priyal.jain@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.