

Press Release

Trishul Buildtech and Infrastructure Private Limited

April 26, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	230.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	240.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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. 240.00 Cr bank facilities of Trishul Buildtech and Infrastructure Private Limited (TBIPL). The outlook is '**Stable**'.

The reaffirmation of TBIPL's ratings take into account its experienced management, established track record of operations, its association with reputed developers and presence in hospitality segment through strong brands, steady cashflows from real estate, moderate project risk associated with Vashi project and above-average financial risk profile. The rating is constrained by the vulnerability of the real estate sector to an economic slowdown and geographical concentration of its projects.

About the Company and the Group

TBIPL, a flagship company of the MRG Group, is promoted by Mr. K. Prakash Shetty along with his family members - Mrs. Asha P. Shetty, Mr. Gaurav P. Shetty and Mrs. Anushka Shetty based out of Bangalore (Karnataka). The company is engaged in land pooling and/or outright sale to real estate developers and hospitality business since 2010. The group has the following two verticals:

Hospitality Business - The group operates a total of 8 hotels under various companies with a total of 656 rooms across various cities such as Mumbai, Bengaluru, Mangalore and Goa amongst 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 group acquires and monetizes land parcels through various avenues like Revenue Sharing and Joint Development Agreement (JDA) with real estate developers.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of TBIPL, its holding company, subsidiaries and associates mentioned below (Annexure 2) together referred to as the 'MRG Group'. The consolidation is in view of the similar line of business, operational and financial synergies, cross corporate guarantees and common management.

Key Rating Drivers

Strengths

- **Experienced Management and established track record of operations**

MRG Group, founded by Mr. K. Prakash Shetty, is a well-established group having an operational track record of more than 3 decades in the hospitality and land aggregation 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 providing a well rounded 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. Acuité believes that the group will sustain its existing business position on the back of established track record of operations and experienced management.

- **Association with reputed developers and presence in hospitality segment through strong brands**

The group is engaged in land aggregation and hospitality business. The group has land bank which had an approx. cost value of over Rs.321 Cr at TBIPL level and Rs.361.3 Cr at consolidated level as on December 31, 2021. This is against 565 acres of land holdings at TBIPL level and 725 acres at consolidated level as on December 31, 2021. The market value of these land holdings at consolidated levels are almost 3-4 times higher as on December 31, 2021. The group had entered in a Revenue Sharing Model with Prestige Group in 2013 and has been associated with them over various projects. 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 656 rooms - 5 under Goldfinch brand and 1 each under Marriott and Hilton brand. The group is constructing an additional hotel for the Marriott brand in Vashi, Mumbai which is expected to operational by mid of FY2023 (post pre-opening period of 6 months). Acuité believes that partnership with strong international brands should lead to a healthy recovery over the medium term.

- **Steady cashflows seen from JDA though hospitality segment performed modest**

MRG group derived around 77 percent of its total operating income from its real estate segment and remaining from hospitality in FY2021. This mix remained almost similar in the past few years as well. Majority of real estate business takes place at TBIPL level. TBIPL (under the MRG group which contributes around 80 percent to consolidated total operating income) had in the past entered into JDA with Prestige Habitat Ventures for construction of Prestige Lakeside habitat in which TBIPL received 30 percent of the cash flows through an escrow mechanism for a consideration of ~Rs.1,150 Cr. The project is completed and the majority of the units have already been sold by the developer. TBIPL, accordingly has already received Rs.227.2 Cr in FY2021 and Rs.118.8 Cr until December 31, 2021. Almost, 100 percent of amount

stands realized from this project as on March 31, 2022. Further, the group had entered into JDA with Yamuna Homes and Designs for plotted development of 35 acres of land in Mangalore against receivable of ~Rs.55 Cr. TBIPL also had entered into JDA with Prestige for its property in Palya, Bangalore against receivables of ~Rs.65 Cr. The group is also in negotiation with various other buyers for its existing land holdings and expects to conclude transactions of ~Rs.300-350 Cr each in FY2023 and FY2024. Under hospitality segment, the lock downs and containment measures announced in the wake of the Covid pandemic in FY2021 and also in the initial part of FY22 have impacted the hospitality business adversely resulting in a decline in occupancy from 70 percent in FY2020 to 25-28 percent in FY2021. The occupancy levels through improved to 39-40 percent in H1FY2022 (provisional) and reached the pre-covid levels of 65-70 percent in H2FY2022. The operating income halved in FY2021 to Rs.65.97 Cr from Rs. 159.36 Cr in FY2020. This has resulted in the segment reporting operating losses in FY2021, yet marginal operating profit in FY2022.

- **Moderate Project risk associated with Marriot project (Vashi, Mumbai)**

TBIPL is constructing a 5 star category hotel consisting of 152 standard rooms with 9 suites; 500 Pax banqueting facility, 2 restaurants, 1 Bar and a Lounge along with meeting and business conference rooms located at Vashi, Maharashtra. The aggregate cost of the project is at Rs. 215.18 Cr and is financed by Rs.100 Cr of term loan from UBI and remaining through equity/internal accruals. As per the TEV report dated Feb'20, the company had incurred Rs.63 Cr which was completely financed by promoters' contribution/internal accruals. The progress on the hotel has been delayed due to Covid-19. The capex incurred as on March 31, 2022 is approx. Rs.115 Cr (54 percent) which is majorly funded by promoters' equity/internal accruals (Rs.95 Cr) and term loan of Rs.19.98 Cr. The capex incurred up till now is majorly on land and its development along with building and civil structures. The balance capex is majorly the interiors, MEP and equipments. The company had taken extension in repayments up to July 2023 via-a-vis April 2022 (19 moratorium earlier vs 31 months now). Acuité believes that project holds moderate risk as funding risk is low with major promoter contribution in place, moderate implementation risk with ~54 percent of project completion and low demand risk.

- **Strong operating margins persists; above-average financial risk profile**

Despite the Covid-19 impact which had led to lower operating income of Rs.357.57 Cr in FY2021 (vis-à-vis Rs.668.08 Cr in FY2020), the group's operating margins remained strong at 58.55 percent in FY2021 (62.61 percent in FY2020); estimated to remain at ~60 percent in FY2022. The accrual of net profits to reserves resulted in increase of net worth from Rs.234.20 Cr as on March 31, 2020 to Rs.311.75 Cr as on March 31, 2021. Continuous prepayments of few term loans with no major debt loaded (except for GECL loans) resulted in improvement gearing from 2.05 times to 1.39 times. Despite the addition of debt for the Vashi project in FY2023, the gearing is expected to improve basis its increasing net cash accruals. The coverage indicators though deteriorated in FY2021 on account of lower cashflows. DSCR stood at 1.87 times in FY2021 vis-a-vis 3.49 times in FY2020 and Interest Coverage Ratio deteriorated from 6.15 times in FY2020 to 4.03 times in FY2021. NCA/TD stood at 0.29 times vis-à-vis 0.56 times in previous year. Acuité believes, the group's financial risk profile is likely to remain improve in FY2022 and beyond on account of inflows expected from JDA projects, conversion of other expected deals and recovery of hospitality segment over medium term.

Weaknesses

- **Revenue stream from real estate and trend in hospitality segment to be remain key monitorable over the near to medium term**

TBIPL had entered in to a JDA with prestige group wherein it had received ~Rs.1,150 Cr in staggered manner over the last 3-4 years until FY2022. The project is now over and entire receivables have been realized. It is observed that this project has been the key source of revenue for TBIPL on standalone as well as group level. With no major JDAs in hand for the near to medium term, TBIPL is expected to rely on income from outright sale of land or plotted development in the near to medium term. Timely sale and monetization of land parcels and

re-bounce in hospitality segment would remain a key credit monitorable over the medium term.

- **High competition in real estate segment, impact of pandemic on hospitality sector**

The group is engaged in land development and hospitality industry. The group has total land parcels of ~361 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 land pool transactions and obtain timely cash flows from the developers. The group is also vulnerable to the intensity and duration of the pandemic since it directly impacts the hospitality business. Nevertheless, the group has management tie-ups with established brands such as Marriott and Hilton with partly mitigates such risks.

- **Geographic concentration of projects**

Majority of the projects executed by the company are based out of Bengaluru which is responsible for a large portion of the revenue in FY2021 resulting in exposure to significant geographical and political risk. The company however, has diversified to an extent to different cities in Karnataka such as Mangalore and Mysuru along with the hospitality segment which has presence in other states too.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Improvement in scale of operations and financial risk profile
- Timely sale of land/plots and income from JDA and subsequent cash inflows.

Material Covenants

None

Liquidity: Adequate

The liquidity position of MRG Group is adequate marked by healthy inflows from various JDAs and outright sale of land. The group generated net cash accruals of Rs.125.71 Cr in FY2021 vis-à-vis its obligation of Rs.44.18 Cr. The net cash accruals are estimated to marginally increase in FY2022 against its debt obligations of Rs.37.56 Cr. The group has prepaid some of the loans in FY2021 and FY2022. Further to this, TBIPL does not avail any working capital facilities. Absence of escrow mechanism/TRA in place for routing cashflows/prioritization of withdrawals for hospitality segment to meet the debt obligations. Almost 80-90 percent of long term loans are towards the hospitality segment. Acuité believes that incase of income from hospitality segment being insufficient to repay the segment's obligations, cashflows from real estate/promoter's fund support are the sources of meeting such obligations. Acuité believes, the group's liquidity is likely to remain adequate on account of inflows expected from few small JDA projects with Prestige and Yamuna Homes and conversion of other expected deals over near to medium term.

Outlook: Stable

Acuité believes that MRG Group will maintain stable credit profile on account of its stable operating performance. The outlook may be revised to 'Positive' in case of significant improvement in the scale of operations along with an improvement in the financial profile. Conversely the outlook may be revised to 'Negative' in case of any significant delay in monetization of the land parcels or adverse performance in hospitality segment.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	327.57	668.08
PAT	Rs. Cr.	72.84	208.34
PAT Margin	(%)	22.24	31.18
Total Debt/Tangible Net Worth	Times	1.39	2.05
PBDIT/Interest	Times	4.03	6.15

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.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
16 Apr 2021	Term Loan	Long Term	19.84	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	21.45	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.98	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.92	ACUITE A- (Withdrawn)
	Term Loan	Long Term	22.20	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	17.63	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	39.08	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	15.82	ACUITE A- Stable (Assigned)
23 Jan 2020	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	24.18	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	3.98	ACUITE A2+ (Assigned)
	Term Loan	Long Term	91.42	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	18.33	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.17	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.92	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.54	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	12.01	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	100.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	16.27	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	17.84	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	15.93	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	15.41	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	17.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	17.00	ACUITE A- Stable Reaffirmed

#Axis Bank (refers to Axis Finance Limited)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

Company Name	Subsidiary/ Associate	Holding Company	% of holding as on 31st March 2022
MRG Hospitality and Infrastructure Private Limited (MRG-HIPL)	Holding Company	-	
Trishul Buildtech and Infrastructure Private Limited	Subsidiary Company	MRG-HIPL	71.67

(TBIPL)				
Goldfinch Hotels Private Limited (GHPL)	Subsidiary Company	TBIPL	76.92	
Annakoot Properties Private Limited (APPL)	Subsidiary Company	TBIPL	100.00	
Express Private Infocom Limited (EIPL)	Subsidiary Company	TBIPL	99.99	
Motels and Infrastructure India Private Limited (MIPL)	Subsidiary Company	GHPL	80.18	
Goldfinch Resorts Private Limited (GRPL)	Subsidiary Company	GHPL	79.30	
Hebbal Projects Private Limited (HPPL)	Subsidiary Company	GHPL	100.00	
Hospitality Link Private Limited (HLPL)	Subsidiary Company	GHPL	56.50	
Sri Raghavendra Hotel Enterprises Private Limited (SRHEPL)	Subsidiary Company	GHPL	60.00	
Bean Berry Resorts Private Limited (BBRPL)	Associate Company	TBIPL	49.00	
Goldfinch Real estate Pvt Ltd	Subsidiary Company	TBIPL	100.00	
Present Infra Private Limited	Associate Company	TBIPL	50.00	

Goldfinch Buildtech Private Limited	Subsidiary Company	TBIPL	100.00
Goldfinch Warehouse Private Limited	Subsidiary Company	TBIPL	100.00

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About Acuité Ratings & Research

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