



Press Release
TRISHUL BUILDTECH AND INFRA STRUCTURE PRIVATE LIMITED
June 16, 2023
Rating Reaffirmed

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

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'.

Rationale for Rating Reaffirmation

The reaffirmation of the rating takes into account the stable operating and financial performance of the group, marked by improved operating income, stable operating margins, and an above-average financial risk profile. The rating also derives strength from the steady cash flow generation from ongoing JDA projects for the group. The group's revenue stood at Rs. 459.10 crore in FY2022 as against Rs. 327.57 crore in FY2021. In FY23 (estimates), the operating income is estimated to be Rs. 395 crore. The group's operating margins remained strong at 57.16 percent in FY2022 (58.55 percent in FY2021); they are estimated to remain at 53 percent in FY2023. The accrual of net profits to reserves resulted in an increase in net worth from Rs. 311.75 crore as of March 31, 2021, to Rs. 485.84 crore as of March 31, 2022. Further, due to prepayments of certain term loans by the group in FY2022, the overall gearing of the group improved to 0.76 times as of March 31, 2022, as against 1.39 times as of March 2021. In FY2023, despite the addition of new debt availed for the Vashi project, the gearing is expected to improve based on the higher accretion of profits to reserve.

The rating is, however, constrained by the geographical concentration risk of the group's projects and the inherent vulnerability of the real estate segment to economic slowdowns. The group is primarily engaged in land development and held 565 acres of land as of March 31, 2023. The susceptibility of cash flows to the group's ability to close land pool transactions and obtain timely cash flows from the developers is a key rating sensitivity.

About Company

Trishul Buildtech and Infrastructure Private Limited (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, based out of Bangalore. The company has been engaged in land pooling and/or outright sale to real estate developers and hospitality businesses since 2010.

About the Group

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

Hospitality Business: Running a hotel in Bangalore under the brand Marriott. The group also operates hotels under three brands—Goldfinch, Marriott, and Hilton—through its subsidiaries. In addition to the hotels, the group also operates 15 restaurants in different cities under the names and styles of "Kabab Studio", "Banjara Melting Pot", "Sana-Di-Ge", "Kudla", "Café Mojo", "g77 Café," and "Banjara," either as stand-alone restaurants (4) or part of the hotels under operation (11).

Acquiring and monetizing land parcels through various avenues like revenue sharing and joint development agreements (JDA), among others.

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 an established track record of operations**

MRG Group, founded by Mr. K. Prakash Shetty, is a well-established group with an operational track record of more than three 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 in Caux, Switzerland, and he has also worked with Taj Lands End in Mumbai, thereby providing a well-rounded experience in the hospitality sector. The long track record of operations and experience of the management have helped the group 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 an established track record of operations and experienced management.

- **Association with a reputed developer and presence in the hospitality segment through strong brands**

The group is engaged in land aggregation and hospitality businesses. The group has a land bank that had an estimated market value of over Rs. 386 crore as of December 31st, 2021. The group entered into a revenue sharing model with Prestige Group in 2013 and has been associated with them on various projects. For the 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 seven hotels with 656 rooms: five under the Goldfinch brand and one each under the Marriott and Hilton brands. The group is constructing an additional hotel for the Marriott brand in Vashi, Mumbai, which is expected to be operational by Q2 FY 2024. Acuité believes that partnerships with strong international brands should lead to a healthy recovery over the medium term.

- **Steady cash flow from ongoing JDA agreements, deals, and the hospitality segment**

MRG Group derived around 72 percent of its total operating income from its real estate segment and the remainder from hospitality in FY2022. This mix has remained almost similar in the past few years as well. The majority of real estate business takes place at the TBIPL level. The JDA with Prestige Group for Palya land is coming to an end in Q1 FY2024, and the company has entered into another four JDAs with Prestige Group for Tirupalya Maragondan

Halli land, Gunjur/VVarthur-TTrishul land, Bidlur land, and Navilahalli land. The group expects to receive a total of Rs 100–165 crore in the next two years, ending March 31, 2025, from the new JDAs. MRG Group is also in negotiation with various other buyers for its existing land holdings and expects to conclude transactions of Rs. 180–230 crore in FY 2024. In the hospitality segment, occupancy rates improved to 84 percent in FY23 (estimates) and 59 percent in FY22, as compared to 39 percent in FY21, with the gradual uplift of lockdown and recovery in economic activities. The group has completed 90 percent of the construction of its hotel in Vashi, Mumbai, and operations are expected to begin from Q2FY2024 onwards.

- **Above-average financial risk profile**

The group's financial risk profile is above average, marked by healthy net worth, low gearing, and healthy debt protection metrics. The net worth of the group is healthy at around Rs. 485.84 crore as of March 31, 2022, as against Rs. 311.75 crore as of March 31, 2021. The gearing of the company stood at 0.76 times as of March 31, 2022, as against 1.39 times as of March 31, 2021. TOL/TNW stood at 1.27 times and 2.48 times as of March 31, 2022 and 2021, respectively. The debt protection metrics were healthy as observed from the Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR), which stood at 8.56 times and 3.41 times as of March 31, 2022, respectively, as compared to 4.03 times and 1.87 times as of March 31, 2021. Acuité believes that the financial risk profile is expected to be at similar levels over the medium term, considering no debt-funded expansion is planned in the near future.

Weaknesses

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

The group is engaged in land development and the hospitality industry. The group has a total of 565 land parcels. The group is primarily a land aggregator and generates sufficient cash inflows through various avenues like the outright sale of land, JDAs, or revenue sharing agreements 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.

- **Geographic concentration of projects**

The majority of the projects executed by the company are based out of Bengaluru, resulting in significant exposure to 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 a presence in other states too.

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 Position Adequate

The liquidity position of MRG Group is adequate, marked by healthy inflows from various JDAs and the outright sale of land. The group has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs. 217.05 crore in FY2022 as against the repayment of Rs. 37.56 crore for the same period and are expected to generate cash accruals in the range of Rs. 169–206 crore against repayment obligations of Rs. 47–51 crore over the medium term. Unencumbered cash and bank balances stood at Rs. 0.26 crore as of March 31, 2022. The current ratio of the company stood at 1.71 times as of March 31,

2022. Acuité believes the group's liquidity is likely to remain adequate on account of inflows expected from JDA projects and the conversion of other expected deals over the 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	459.10	327.57
PAT	Rs. Cr.	173.68	72.84
PAT Margin	(%)	37.83	22.24
Total Debt/Tangible Net Worth	Times	0.76	1.39
PBDIT/Interest	Times	8.56	4.03

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

None

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>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
26 Apr 2022	Term Loan	Long Term	17.84	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	17.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	17.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	16.27	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	15.93	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	15.41	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	12.01	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	8.54	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	100.00	ACUITE A- Stable (Reaffirmed)
16 Apr 2021	Term Loan	Long Term	39.08	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	15.82	ACUITE A- Stable (Assigned)
	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)
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)
		Long		ACUITE A- Stable

	Term Loan	Term	8.92	(Assigned)
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Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE A- Stable Reaffirmed
Axis Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.54	ACUITE A- Stable Reaffirmed
Axis Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.09	ACUITE A- Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	100.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.93	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.33	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.83	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.18	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	17.00	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	13.10	ACUITE A- Stable Reaffirmed

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

Company Name	Subsidiary/ Associate	Holding Company	% holding as on March 31st 2022
MRG Hospitality and Infrastructure Private Limited (MRG-HIPL)	Holding Company	-	-
Trishul Buildtech and Infrastructure Private Limited (TBIPL)	Subsidiary Company	MRG-HIPL	71.67
Goldfinch Hotels Private Limited (GHPL)	Subsidiary Company	TBIPL	76.92

Annakoot Properties Private Limited (APPL)	Subsidiary Company	TBIPL	100.00
Express Private (EIPL)	Infocom Limited Subsidiary Company	TBIPL	99.99
Motels and Infrastructure Private Limited (MIPL)	Subsidiary Company	GHPL	80.18
Goldfinch Resorts Private Limited (GRPL)	Subsidiary Company	GHPL	79.30
Hebbal Private (HPPL)	Projects Limited Subsidiary Company	GHPL	100.00
Hospitality Private (HLPL)	Link Limited 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
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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