

Press Release

Goldfinch Resorts Private Limited

May 27, 2021



Rating Reaffirmed, Rating Assigned

Total Bank Facilities Rated*	Rs. 134.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE Triple B Minus**) and assigned the short term rating of '**ACUITE A3**' (**read as ACUITE A Three**) to the Rs. 134.00 Cr bank facilities of Goldfinch Resorts Private Limited (GRPL). The outlook is '**Stable**'.

The reaffirmation of GRPL's ratings take into account the established track record of the promoters, committed cash flows from casino operations, Hilton brand which operates the hotel and support from promoter entities. The rating is also constrained by the average financial risk profile of GRPL and the COVID 19 pandemic which has impacted the business of hospitality industry.

About the company

Goldfinch Resorts Private Limited (GRPL) is engaged in hospitality business and owns a hotel in Goa managed by 'Hilton Worldwide'. GRPL is a part of MRG Group and Trishul Buildtech and Infrastructure Private Limited (TBIPL) is the flagship company of the group. GRPL is a step-down subsidiary of TBIPL.

About 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.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of GRPL and has also factored in the support from MRG Group.

Key Rating Drivers

Strengths

• Experienced promoters 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 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. Acuité believes that the group will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Committed cash flows from Casino Operator**

GRPL has entered into an agreement with 'Royal Royce Entertainment Private Limited' to run the casino in the hotel with a brand name- 'Cadillac Casino'. The operations started from 01 Feb 2021. Based on the agreement, the Casino Operator will be paying Rs. 0.35 crore per month with escalation in rent every year. Also, Casino Operator has blocked 20 rooms at the rate of Rs. 6000 per day from 01 Feb 2021 to 31 Dec 2021, which will be renewed every year at negotiated rates. The occupancy level stood at ~37 percent for FY21. RevPAR (Revenue per available room) stood at ~Rs. 1,878 for FY21. The group has achieved revenues of ~Rs. 15 Cr for FY21 (Provisionals). Acuité believes that scale of operations is expected to improve on account of committed cash flow from casino operator. The future cash flows of the company will be highly dependent on the commencement of casino in the hotel.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company stood average marked by average net worth, debt protection metrics and coverage indicators. The net worth of the company stood at Rs. 79.74 Cr as on 31 March, 2020 as against Rs. 93.03 Cr as on 31 March, 2019. The gearing (debt-equity) stood at 1.53 times as on 31 March, 2020 as against 1.28 times as on 31 March, 2019. The total debt of Rs. 121.68 Cr as on 31 March, 2020 is long term debt. Acuité believes that the financial risk profile of the company will continue to be average on account of the ongoing pandemic impacting the business.

- **Impact of COVID 19 Pandemic**

The pandemic resulted in disruption in tourism business. The lockdowns resulted in restriction in travel and as a result, discretionary travel decreased. With the onset of a second wave and an impending third wave, the industry is expected to witness muted business in FY22 too.

Liquidity Position: Adequate

The liquidity position of GRPL is stretched with the pandemic impacting the operations of the company. The company is supported in the form of unsecured debt from TBIPL. As on 31 March 2021, the company had Rs 126.69 of debt from related parties. Further the liquidity profile of the group is strong marked by healthy inflows from various JDAs and outright sale of land. In FY21 (Provisional) the cash inflow was Rs 203.16 Cr (post tax) against Rs 145.00 Cr in FY20. The group has prepaid some of the loans in the past. we believe, the group's liquidity is likely to remain strong on account of inflows expected from various JDA projects with Prestige and conversion of other expected deals over near to medium term. The servicing of debt obligation is highly dependent on support from parent for GRPL.

Rating Sensitivities

- Improvement in occupancy rate along with increase in RevPAR.
- Stable operations of casino.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' business and financial risk profile in the medium term on the back of established presence of the group and promotor experience in hospitality and established relations with reputed groups in the hospitality industry. The outlook may be revised to 'Positive' if the company generates higher-than-expected cash flows from booking levels from current coupled with significant decrease in the debt levels. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's liquidity position due to lower-than-expected cash generated by the company and/or significant increase in debt levels and delay in start of casino operations.

About the Rated Entity - Key Financials*

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	31.41	13.45
PAT	Rs. Cr.	-31.37	-14.20
PAT Margin	(percent)	-99.90	-105.61
Total Debt/Tangible Net Worth	Times	1.53	1.28
PBDIT/Interest	Times	0.44	0.28

* On a stand-alone basis

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Feb-2020	Term Loan	Long Term	100.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	34.00	ACUITE BBB- / Stable (Reaffirmed)

***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	105.22 (Enhanced from Rs 100.00 Cr)	ACUITE BBB- / Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	22.37	ACUITE BBB- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE BBB- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.41	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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