

## Press Release

### Goldfinch Resorts Private Limited

August 25, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.59	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	6.41	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	134.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and 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 its below-average financial risk profile and continued net losses being generated by the company despite improvement in the scale.

### About the Company

Incorporated in 2011, 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. GRPL has recently entered in to real estate business to acquire and monetize land parcels as well as develop residential/commercial property.

#### 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 by way of unsecured loans, corporate guarantee amongst others. The unsecured loans have been treated as debt as the same are interest bearing, not subordinated to bank debt and are repayable in nature.

## Key Rating Drivers

### Strengths

#### **Experienced promoters, established track record of operations and continuous support from TBIPL**

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. 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. GRPL's liquidity has been continuously been supported by financial support from its parent company – TBIPL. TBIPL has been infusing unsecured loans in GRPL which has been utilized towards repayment obligations and loss funding. TBIPL has unsecured loans worth Rs.97.71 Cr towards GRPL as on 31 March, 2022 (Provisional) vis-à-vis Rs.131.54 Cr as on previous year. 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 had 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 has been paying Rs. 0.35 crore per month with escalation in rent every year. In January 2022, GRPL entered into expansion cum supplemental agreement with Casino Operator (Royal Royce Entertainment Pvt Ltd) for leasing out additional space. Accordingly, the license fees has been revised to Rs. 0.80 Cr per month for the period from 01.04.2022 to 31.03.2023 with further increase of Rs. 0.10 Cr every FY. Acuité believes that scale of operations is expected to improve on account of committed cash flow from casino operator

### Weaknesses

#### **Below-average financial risk profile**

The financial risk profile of the company stood below-average marked by negative net worth, weak debt protection metrics and coverage indicators. The net worth of the company stood negative at Rs. 17.45 Cr as on 31 March, 2022 (Provisional) as against negative networth of Rs.50.48 Cr as on 31 March, 2021. The networth is negative basis the continuous losses generated by the company (unsecured loans from Trishul buildtech and Infrastructure Pvt Ltd worth Rs.97.71 Cr as on 31 March, 2022 have been treated as debt). The gearing (debt-equity) stood negative at 11.29 times as on 31 March, 2022 (Provisional) as against 4.69 times as on 31 March, 2021. The total debt of Rs. 196.92 Cr as on 31 March, 2022 (Provisional) is long term debt which includes Rs.92.87 Cr of term loan, Rs.97.71 Cr of unsecured loan and from TBIPL and Rs.6.33 Cr of current portion of long term debt). Acuité believes that the financial risk profile of the company will continue to be below-average on account until the company's hospitality profitability improves.

#### **Improved scale to pre-covid levels; continued net losses from hospitality segment**

The total operating income from hospitality segment improved to Rs.34.72 Cr in FY2022 (Provisional) from Rs.19.58 in FY2021 and Rs.31.41 Cr in FY2020. The growth has been supported

by way of improved average room rates (ARRs) and occupancy levels at an average of around 60-65 percent vis-à-vis 30-40 percent in the Covid affected FY. The scale has been well supported from the income from Casino which contributed roughly Rs.4-5 Cr. The operating profit (EBITDA) excluding the purchase and sale of land parcel was around Rs.14 Cr in FY2022 (Provisional) vis-à-vis Rs.8.27 Cr in FY2021 and Rs.8.33 Cr in FY2020. However, the company continued to report adjusted net losses (excluding the income from sale of the land parcel worth Rs.84 Cr) of around Rs.18-19 Cr in FY2022 (Provisional) vis-à-vis net loss of Rs.28.48 Cr in FY2021 and Rs.31.37 Cr in FY2020. Including the extraordinary income from sale of land, the company is estimated to report net profit of Rs.32.87 Cr in FY2022 (Provisional). Acuité believes that improvement in the net profitability from the hospitality segment will remain key rating sensitivity factor over the medium term.

### ESG Factors Relevant for Rating

Not Applicable

### Rating Sensitivities

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

### Material covenants

None

### Outlook: Adequate

The liquidity position of GRPL continues to remain stretched especially due to the hospitality segment. The company is supported in the form of unsecured debt from TBIPL. As on 31 March 2022, the company had Rs. 97.71 Cr of debt from related parties. Further, the liquidity profile of the group is adequate marked by continuous inflows from various JDAs and outright sale of land. The group has prepaid some of the loans in the past. Acuité believes, the group's liquidity is likely to remain adequate on account of inflows expected from JDA projects 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

### 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

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	34.72	19.58
PAT	Rs. Cr.	32.87	(28.48)
PAT Margin	(%)	94.65	(145.50)
Total Debt/Tangible Net Worth	Times	(11.29)	(4.69)
PBDIT/Interest	Times	4.21	0.38

### 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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
27 May 2021	Proposed Term Loan	Long Term	22.37	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	34.00	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	105.22	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.41	ACUITE A3 (Assigned)
26 Feb 2020	Term Loan	Long Term	100.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	34.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.41	ACUITE A3   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	22.37	ACUITE BBB-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	105.22	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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