

March 28, 2024

Annakoot Properties Private Limited: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	68.68	[ICRA]BBB- (Stable); assigned
Long-term – Unallocated	1.32	[ICRA]BBB- (Stable); assigned
Total	70.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to the bank lines of Annakoot Properties Private Limited (APPL/ 'the company') factors in its strong parentage by virtue of it being a wholly owned subsidiary of Trishul Buildtech & Infrastructure Private Limited (TBIPL/parent) and part of the larger, Bangalore-based MRG Group. The Group has been in existence for over three decades and is engaged in hospitality and real estate businesses. The ratings also draw comfort from the favourable location and well-established position of the property, in the Mumbai market. APPL's credit profile is expected to remain supported by the favourable demand outlook for the hospitality industry, the hotel's strategic location and timely and adequate financial support from TBIPL, as and when required, going forward.

The property has been operational for close to a decade, and its well-established nature along with its central location has aided in attracting corporate travellers, meetings, incentives, conferences and exhibitions (MICE), and other transient passengers. APPL reported revenues of Rs. 42.0 crore in FY2023, significantly higher than the pre-Covid levels, and the momentum was sustained in 9M FY2024 as well. The benefits from operating leverage and sustenance of a large part of the cost optimisation measures undertaken during the Covid-19 pandemic resulted in an improvement in the operating profit margins to 41.0% in FY2023 and 38.9% in 9M FY2024, compared to 35.4% in FY2020. Notwithstanding exogenous shocks if any, ICRA expects the healthy demand outlook to augur well for the company in the near to medium term.

The rating is, however, constrained by the company's modest scale of operations and asset/geographic concentration and its moderate financial profile stemming from its relatively higher debt levels for its scale of operations and accruals. Its asset and geographic concentration could expose the company to property-specific and region-specific exogenous shocks and risks while its modest revenues limit benefits arising from scale economies. APPL's Total Debt/OPBDITA stood at 4.2 times in 9M FY2024 while its debt service coverage ratio (DSCR) stood at 1.3 times in 9M FY2024. ICRA expects the capitalisation and coverage metrics to remain moderate over the medium term, albeit improvement with anticipated healthy accruals.

Key rating drivers and their description

Credit strengths

Strong parentage – The company is a wholly-owned subsidiary of TBIPL (parent) and is part of the larger, Bangalore-based MRG Group, which has been in existence for over three decades and is engaged in hospitality and real estate businesses. The Group had turnover of over Rs. 350 crore in FY2023. The Group has eight hotels across various cities including Bangalore, Mumbai, Mangalore and Faridabad; of this, six operate under the 'Goldfinch' brand. The MRG Group also develops residential projects through joint development arrangements (JDAs) with real estate developers. APPL is a strategically important for the Group and TBIPL is expected to provide timely and adequate financial support to APPL for meetings its operational and financial commitments, as and when required. APPL also enjoys healthy financial flexibility and lender comfort by virtue of its parentage.

Favourable location of the property – APPL owns and operates a four-star hotel under the name, ‘Goldfinch Mumbai’ in Andheri East, Mumbai. The property has been operational for several years, and its well-established nature along with its central location, in proximity to an industrial area and the domestic/international airports in Mumbai, has aided in attracting corporate travellers, MICE and other transient passengers. The hotel has reported strong occupancy of 95% in YTD January 2024, and this is expected to continue going forward as well.

Healthy improvement in revenues and margins in FY2023 and 9M FY2024; favourable demand outlook - APPL reported revenues of Rs. 42.0 crore in FY2023, 69% higher than the pre-Covid revenues of Rs. 24.9 crore in FY2020, supported by an uptick in demand including business travel and MICE. In 9M FY2024, the company posted revenues of Rs. 32.2 crore (YoY growth of 2.1%). The benefits from operating leverage and sustenance of a large part of the cost optimisation measures undertaken during the pandemic resulted in an improvement in operating profit margins to 41.0% in FY2023 and 38.9% in 9M FY2024, compared to 35.4% in FY2020. Notwithstanding exogenous shocks if any, ICRA expects the healthy demand outlook and the demand-supply gap in the micro-market to augur well for the company in the near to medium term.

Credit challenges

Modest scale of operations; geographical concentration in Mumbai - The company has modest scale of operations with an operating income of Rs. 42.0 crore in FY2023 and Rs. 32.2 crore in 9M FY2024, limiting the benefits arising from economies of scale. This is despite the healthy revenue growth compared to the pre-Covid levels. Also, the company owns only a single property with an inventory of 96 keys in Mumbai. Owing to its single asset and high geographic concentration in Mumbai, the company could be exposed to property-specific and region-specific exogenous shocks and risks.

Moderate financial profile – The company has relatively high debt levels for its scale of operations, which has resulted in moderate capital structure and coverage metrics. APPL’s Total Debt/OPBDITA stood at 4.2 times in 9M FY2024 while its debt service coverage ratio (DSCR) stood at 1.3 times in 9M FY2024. ICRA expects the capitalisation and coverage metrics to remain moderate over the medium term, albeit improvement with anticipated healthy accruals. ICRA notes that the company has extended loans to the tune of Rs. 55.2 crore (as on December 31, 2023) to its Group company, Goldfinch Resorts Private Limited and the receipt of the same could reduce debt levels significantly going forward.

Revenues vulnerable to exogenous shocks – Akin to other players in the industry, the company is exposed to industry cyclicity/seasonality, macroeconomic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc). This was witnessed in FY2021 and FY2022, wherein APPL’s performance was significantly impacted by the pandemic. Moreover, the hotel witnesses competition from other hotels in the vicinity. However, it benefits from the established position and healthy brand equity of its property, which would mitigate the competitive risks to an extent.

Liquidity position: Adequate

APPL’s liquidity is adequate, supported by its anticipated healthy accruals, free cash balances of Rs. 8.1 crore and undrawn working capital lines of Rs. 1.5 crore (as on December 31, 2023). Against these sources of cash, the company has debt repayment obligations of Rs. 12.8 crore per annum in FY2025 and FY2026 on its existing term loans. The company has minimal capex plans going forward. Further, TBIPL is committed to extending timely and adequate financial support to the company for its operating and financial commitments, as and when required.

Rating sensitivities

Positive factors – Sustained improvement in revenues and profitability indicators leading to improvement in debt coverage indicators on a sustained basis or strengthening of linkages/improvement in credit profile of the parent could lead to a rating upgrade. A specific trigger that could lead to an upgrade could be DSCR greater than 1.4 times on a sustained basis.

Negative factors – Negative pressure on APPL’s ratings could arise from demand slowdown and weakening of operating metrics leading to sustained pressure on its earnings and profitability, or any significant capex leading to weakening of debt

coverage metrics and liquidity position. Further, weakening in the parent’s credit profile/APPL’s linkages with TBIPL, or absence of timely and adequate financial support from TBIPL, as and when required, would also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Parent company – Trishul Buildtech & Infrastructure Private Limited, which owns 100% stake in APPL. ICRA expects TBIPL to extend timely and adequate financial support to APPL, as and when required.
Consolidation/Standalone	Standalone

About the company

Annakoot Properties Private Limited (APPL/ the company) owns and operates a 96-key four-star hotel under the name, ‘Goldfinch Mumbai’ in Andheri East, Mumbai. The property has been operational for close to a decade, and is centrally located in proximity to an industrial area and the domestic/international airports in Mumbai. The company is wholly-owned by Trishul Buildtech & Infrastructure Private Limited, and is part of the larger, Bangalore-based MRG Group, which has been in existence for over three decades and is engaged in hospitality and real estate businesses.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	142.9	42.0
PAT	68.3	6.5
OPBDIT/OI	70.0%	41.0%
PAT/OI	47.8%	15.5%
Total outside liabilities/Tangible net worth (times)	2.2	1.6
Total debt/OPBDIT (times)	0.9	4.4
Interest coverage (times)	13.2	2.3

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; FY2022 operating income includes sale of land of Rs. 118.5 crore and related OPBDITA of Rs. 91.5 crore

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
CRISIL	CRISIL/BB+/Stable/CRISIL A4+; ISSUER NOT COOPERATING	June 27, 2023

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024 March 28, 2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
1	Term loans	Long term	68.68	68.68	[ICRA]BBB-(Stable)	-	-	-
2	Unallocated	Long term	1.32	-	[ICRA]BBB-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loans	Simple
Long-term - Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2024	8.25%	FY2031	68.68	[ICRA]BBB- (Stable)
NA	Unallocated	NA	NA	NA	1.32	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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