

October 22, 2024

Sparsh Infratech Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	142.00	142.00	[ICRA]BBB(CE)(Stable); Reaffirmed
Total	142.00	142.00	

Rating Without Explicit Credit Enhancement

[ICRA]BB+

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The rating of [ICRA]BBB (CE) is based on the strength of the corporate guarantee provided by Bramhacorp Limited (BCL/the guarantor). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, BCL.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by BCL in favour of the said facility. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facility, and has the other relevant attributes specified in ICRA's methodology for considering a credit enhancement, the payment mechanism is post-default in nature. Yet, ICRA has assigned a rating of [ICRA]BBB (CE) (Stable) to the said facility against the unsupported rating of [ICRA]BB+. If the rating of the guarantor or the unsupported rating of Sparsh Infratech Pvt. Ltd (SIPL) were to undergo a change in future, the same would have a bearing on the CE rating of the aforesaid facility. The rating of this facility may also undergo a change in a scenario whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

The rating considers SIPL's healthy operating performance with a 31% YoY increase in operating income in FY2024, supported by 17% rise in average room rent (ARR)/daily package rate. The occupancy improved to 56% in FY2024 (PY: 51%), driven by increase in the average stay of domestic customers post-Covid to around 11 nights from 6 nights. The occupancy levels are expected to sustain in FY2025 (53% occupancy in 5M FY2025), which along with the advance received from the annual subscription package, is likely to support revenues in FY2025. The operating margins remained healthy at 50% in FY2024 (PY:50%) and are estimated to be maintained at similar levels in FY2025. Notwithstanding the increase, the company's scale of operations remains moderate with 97 operational rooms and an operating income of Rs. 63.6 crore in FY2024, which is expected to remain range-bound in the near to medium term. Ramp-up in the occupancy levels, along with a healthy ARR will remain critical from the credit perspective. The rating takes into account the high leverage and moderate debt coverage indicators for the company. It also faces geographical, and asset concentration risks inherent to single project entities.

Salient covenants of the rated facility

- BCL intends to utilise the surplus cash flows from Le Meridien Mahabaleshwar towards meeting any debt servicing shortfall in SIPL.
- No further indebtedness without the consent of the lender.
- No encumbrance on issuer's shares without prior consent of the lender.
- All shareholder/promoter loans (present and future) to be subordinated to the debt. No repayment of any shareholder loans till the maturity date.

Key rating drivers and their description

Credit strengths

Corporate guarantee from BCL – The rated bank facilities of SIPL are backed by the strength of the corporate guarantee provided by BCL, a Pune-based group with presence in hospitality, leisure clubs and real estate development. The guarantee is legally enforceable, irrevocable, unconditional and has a well-defined invocation and post-default payment mechanism.

Favourable location of wellness centre – Atmantan Wellness Centre, an integrated luxury wellness destination and spa resort run by SIPL, is favourably located near Pune, adjoining the scenic Mulshi Lake and surrounding the Sahyadri mountains.

Healthy operating performance – The company reported a healthy operating performance with 31% YoY increase in operating income in FY2024, supported by 17% growth in ARR/daily package rate. The occupancy improved to 56% in FY2024 (PY: 51%), driven by rise in the average stay of domestic customers post-Covid to around 11 nights from 6 nights. The occupancy levels are expected to sustain in FY2025 (53% occupancy in 5M FY2025), which along with the advance received from the annual subscription package, is likely to support revenues in FY2025. The operating margins remained healthy at 50% in FY2024 (PY:50%) and are estimated to be maintained at similar levels in FY2025.

Credit challenges

Moderate scale of operation – Notwithstanding the increase, the company's scale of operations remains moderate with 97 operational rooms and an operating income Rs. 63.6 crore in FY2024, which is expected to remain range-bound in the near to medium term. The occupancy levels remain moderate at 56% for FY2024 despite improving from 51% in FY2023. A ramp-up in the same, along with a healthy ARR will remain critical from the credit perspective.

Asset and geographical concentration risks – The company is exposed to high geographical and asset concentration risks inherent in single project entities.

High leverage and moderate debt coverage indicators – The company's total debt stood high at Rs. 194.2 crore as of March 2024, of which Rs. 138.1 crore of debt is external debt, while Rs. 46.7 crore is interest-free unsecured loans, which are subordinated to external debt, and Rs. 9.4 crore are preference shares. The leverage measured by Total External Debt/OPBITDA is expected to remain high at 4.3 times as on March 31, 2025 (PY: 5.8 times), while the debt coverage indicators are likely to be moderate with interest coverage of 2.4-2.5 times and DSCR of 1.40-1.50 times in FY2025.

Liquidity position

For the guarantor (Bramhacorp Limited): Adequate

ICRA expects BCL's liquidity position to be adequate with unencumbered cash and liquid balances of Rs. 15.6 crore, undrawn overdraft limits of Rs. 8.8 crore and undrawn CF loan of Rs. 98 crore as of June 2024. It has committed receivables of around Rs. 622 crore against Rs. 859 crore of pending cost and Rs. 543 crore of outstanding construction finance (CF) debt as on March 31, 2024. The company maintains DSRA equivalent to 3 months' interest obligation for most of the debt for residential segment and 2 months' repayment obligation for the term loan availed for Le Meridien hotel.

For the rated entity (Sparsh Infratech Pvt. Ltd.): Adequate

ICRA expects SIPL’s liquidity position to remain adequate with unencumbered cash and liquid balances of around Rs. 10.1 crore as on July 15, 2024. The company’s debt servicing obligations for FY2025 are Rs. 7.6 crore, which are expected to be adequately met from the cash flow from operations. It has maintained DSRA of around Rs. 10 crore, which is equivalent to 6 months’ of debt servicing (principal + interest) obligations. ICRA expects the guarantor, BCL, to provide timely funding support, in case of any requirement.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a sustained improvement in RevPAR, along with a material reduction in debt levels resulting in significant improvement in leverage and coverage metrics along with an improvement in the credit profile of the guarantor, BCL.

Negative factors – The rating could be downgraded in case of any deterioration in the credit profile of the guarantor, BCL. Additionally, the rating could witness a downward revision in case of decline in RevPAR or any large debt-funded capex leading to moderation of coverage metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Hotels
Parent/Group support	Group Company – Bramhacorp Limited For arriving at the ratings, ICRA has taken into account the unconditional and irrevocable corporate guarantee extended by BCL. ICRA expects BCL to provide timely financial support to the company, for funding any shortfall, given their close financial linkages.
Consolidation/Standalone	The rating is based on standalone financials of SIPL

About the company

Sparsh Infratech Pvt. Ltd. (SIPL) operates Atmantan Wellness Center, a health and wellness resort located in Mulshi, near Pune. Atmantan is operational since April 2016 and is South Asia’s first truly integrated luxury wellness destination and spa resort. The resort is spread in 42 acres adjoining the scenic Mulshi Lake and it is surrounded by the Sahyadri mountains. It is situated at a distance of about 50 kms from Pune and about 150 km from Mumbai. The resort has a 123-room eco-friendly luxurious spa destination, of which 97 rooms are operational at present. Mr. Nikhil Kapur and Mrs. Sharmilee Kapur, each have 45.01% shareholding, while the balance 9.98% is held by Bramhacorp Limited.

About the guarantor

Bramhacorp Limited was earlier registered as a partnership firm in 1982 as M/s Bramha Builders. In 2013, the company’s name was changed to Bramhacorp Limited. It is a closely-held company with the entire shareholding held by the members of Agrawal family. BCL operates two divisions – real estate and hospitality. It has developed residential and commercial projects in Pune with a total area of 9.7 million square feet (msf) and is currently developing projects with total area of 4.2 msf. Under the hospitality division, the company operates two five-star deluxe hotels – Le Meridien, in Mahabaleshwar and Sheraton Grand, in Pune. Le Meridien has 122 rooms, while Sheraton Grand has 179 rooms. The Bramhacorp Group operates an international, integrated wellness destination and spa named Atmantan, under SIPL, in Mulshi, near Pune.

Key financial indicators (audited)

Consolidated (Sparsh Infratech Pvt. Ltd.)	FY2023	FY2024*
Operating income	48.4	63.6
PAT	4.0	9.4
OPBDIT/OI	50.2%	50.9%
PAT/OI	8.3%	14.7%
Total outside liabilities/Tangible net worth (times)	11.5	7.3
Total debt/OPBDIT (times)	8.2	6.0
Interest coverage (times)	1.9	2.3

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Oct 22, 2024	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	142.0	[ICRA]BBB (CE) (Stable)	03-Aug-23	[ICRA]BBB (CE) (Stable)	-	-	-	-
				24-Jul-23	[ICRA]BBB (CE) (Stable)	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	Simple

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	30-04-2022	NA	30-04-2034	142.0	[ICRA]BBB (CE) (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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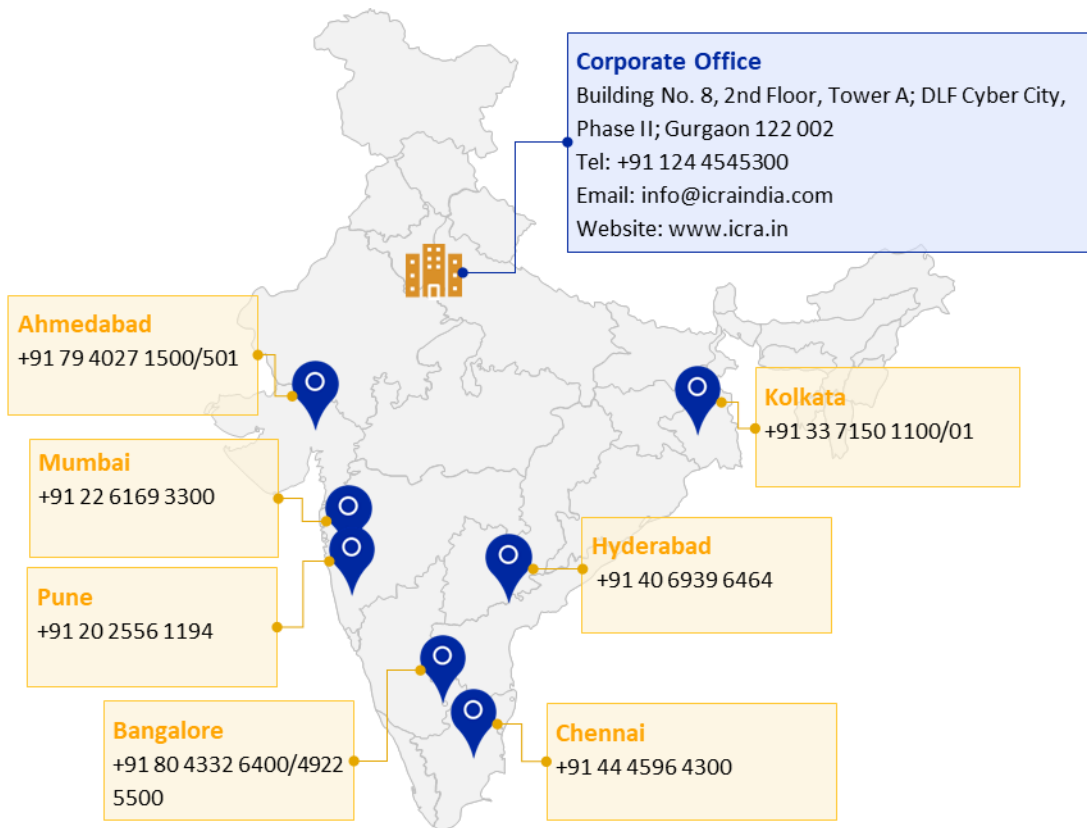
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