

March 21, 2024

Mayfair Hotels & Resorts Limited: [ICRA]BBB(Stable)/[ICRA]A3+ reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Term loan	600.06	600.06	[ICRA]BBB (Stable); reaffirmed
Fund based – Cash Credit	10.00	10.00	[ICRA]BBB (Stable); reaffirmed
Non-fund based - BG	5.00	5.00	[ICRA]A3+; reaffirmed
Issuer rating	-	-	[ICRA]BBB (Stable); reaffirmed
Total	615.06	615.06	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings of Mayfair Hotels and Resorts Limited (MHRL) considers ICRA's expectation of a sustained financial performance in the near to medium term, aided by MHRL's strong presence in East India, the well-established nature of its properties, recent property additions and favourable demand outlook for the hospitality industry. The company's 'Mayfair' brand has strong equity in East India. Also, its four flagship properties, which contributed to ~61% of revenues in 9M FY2024, are well-established properties in Bhubaneswar, Gangtok, Raipur and Siliguri. These properties have been operational for more than two decades and command an ARR premium compared to its competitors. Further, MHRL has seven other well-established properties spread across various locations in East India, and it has opened three properties in Q4 FY2024 in Jharsuguda and Rourkela.

MHRL's consolidated operating income has witnessed healthy growth in FY2023 and YTD FY2024 compared to pre-Covid levels, supported by healthy demand and addition of new properties. The company reported revenues of Rs. 432.3 crore in FY2023 vis-à-vis Rs. 288.3 crore in FY2020. For 9M FY2024, MHRL's revenues stood at Rs. 317.1 crore. The improved operating leverage and sustenance of cost-optimisation initiatives undertaken in the last two-three years have resulted in healthy improvement in operating margins and accruals. MHRL has reported operating profit margins of 34.5% in 9M FY2024 and 32.5% in FY2023 vis-à-vis 21.8% in FY2020. However, it has relatively high debt levels for its scale of operations (total debt of Rs. 604.1 crore as on December 31, 2023, including unsecured loan of Rs. 105.8 crore from the promoters) primarily due to debt-funded capex incurred in the last few years. MHRL's adjusted debt¹/OPBDITA stood at 3.4 times as on December 31, 2023 while its interest coverage was 3.6 times in 9M FY2024. The company's liquidity is adequate, supported by healthy cash flow from operations and unencumbered cash & cash equivalents of Rs. 25.3 crore as on December 31, 2023. ICRA also expects the promoters to extend adequate and timely financial support going forward as well, as and when required, for meeting MHRL's operating and financial commitments. The healthy demand outlook, recent property additions and demand-supply gap would augur well for the company over the medium term; albeit vulnerability to exogenous shocks or localised downturn/region-specific risks given its geographic concentration, if any. However, its coverage metrics are likely to remain moderate over the medium term.

The stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile and debt metrics going forward, supported by the healthy demand outlook and cash accruals, adequate liquidity position and minimal capex.

¹ Adjusted debt is calculated as total debt excluding unsecured loans from promoters

Key rating drivers and their description

Credit strengths

Well-established position of properties in respective cities – The company has a strong presence in East India under the ‘Mayfair’ brand and its properties are well established, with longstanding presence. Also, its four flagship properties, which contributed to ~61% of revenues in 9M FY2024, are well-established properties in Bhubaneswar, Gangtok, Raipur and Siliguri. These properties have been operational for more than two decades and command an ARR premium compared to their competitors. Apart from these four properties, MHRL has seven other well-established properties spread across various locations in East India. The company has also opened three properties in Q4 FY2024 in Jharsuguda and Rourkela.

Healthy performance in YTD FY2024; favourable demand outlook – MHRL’s consolidated operating income has witnessed healthy growth in FY2023 and YTD FY2024 compared to pre-Covid levels, supported by healthy demand and addition of new properties. The company reported revenues of Rs. 432.3 crore in FY2023 vis-à-vis Rs. 288.3 crore in FY2020. For 9M FY2024, MHRL’s revenues stood at Rs. 317.1 crore. The improved operating leverage and sustenance of cost-optimisation initiatives undertaken in the last two-three years have resulted in healthy improvement in operating margins and accruals. MHRL has reported operating profit margins of 34.5% in 9M FY2024 and 32.5% in FY2023 vis-à-vis 21.8% in FY2020. ICRA expects the healthy demand outlook, recent property additions and demand-supply gap to augur well for the company over the medium term; albeit vulnerability to further Covid-19 waves and exogenous shocks, if any.

Credit challenges

Moderate coverage metrics – The company has relatively high debt levels for its scale of operations (total debt of Rs. 604.1 crore as on December 31, 2023, including unsecured loan of Rs. 105.8 crore from the promoters) primarily due to debt-funded capex incurred in the last few years. MHRL’s adjusted debt² /OPBDITA stood at 3.4 times as on December 31, 2023, while its interest coverage was 3.6 times in 9M FY2024. ICRA expects the coverage metrics to remain moderate over the medium term.

Relatively high geographic concentration– MHRL has significant geographical concentration with its entire revenues derived from East India. Around 64% of its inventory is in Odisha (Bhubaneswar, Puri, Gopalpur, Jharsuguda and Rourkela), followed by 22% in West Bengal (Darjeeling, Kalimpong and Siliguri). The remaining inventory is in Chhattisgarh (Raipur) and Sikkim (Gangtok). The relatively high geographic concentration with East India exposes the company’s revenues and accruals to any localised downturn/unforeseen events or region-specific risks. However, the well-established position of MHRL’s properties mitigates the risk to an extent.

Moderate scale of operations; revenues exposed to exogenous shocks – MHRL is a moderate player in the Indian hospitality industry with an inventory of 1,243 keys as on February 29, 2024, and operations across ten locations in East India. Akin to other players in the industry, the company is exposed to industry cyclicality and exogenous shocks (geopolitical crises, terrorist attacks, disease outbreaks, etc). This was witnessed in FY2021 and FY2022, when MHRL’s performance was significantly impacted by the pandemic.

Liquidity position: Adequate

The company’s liquidity is adequate, supported by healthy cash flow from operations stemming from uptick in hotel demand. The company had minimal working capital utilisation in the last 12 months ending December 31, 2023, against sanction of Rs. 10.0 crore. Further, the company had unencumbered cash & cash equivalents of Rs. 25.3 crore as on December 31, 2023. ICRA also expects the promoters to extend adequate and timely financial support going forward as well, as and when required, for meeting MHRL’s operating and financial commitments. As against these sources of cash, the company has capex plans of ~Rs. 20-30 crore during Q4 FY2024 for expansion of its Gopalpur property and constructing new hotels at Jharsuguda, Odisha. The

² Adjusted debt is calculated as total debt excluding unsecured loans from promoters

capex is likely to be funded through a combination of term loans and internal accruals; the company had undrawn term loans of Rs. 28.7 crore as on December 31, 2023. The company only has minimal maintenance capex of Rs. 10-15 crore each in FY2025 and FY2026. MHRL has term loan repayments of Rs. 19.3 crores in Q4 FY2024, Rs. 83.4 crore in FY2025 and Rs. 93 crore in FY2026, respectively on its existing and sanctioned loans.

Rating sensitivities

Positive factors – A sustained improvement in the company's scale and earnings resulting in reduction in debt and improvement of credit metrics could lead to an upgrade. Specific debt metrics include adjusted debt/OPBDITA less than 2.5 times on a sustained basis.

Negative factors – Negative pressure on MHRL's ratings could arise from weakening operating performance leading to sustained pressure on its earnings. Additionally, pressure on ratings could also arise from significant debt-funded capex and withdrawal of unsecured loans from promoters, leading to weakening of debt coverage metrics and liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology -Hotels
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the company's consolidated financial profile

About the company

Mayfair Hotels & Resorts Limited currently has 14 properties with a cumulative inventory of 1,243 keys as on February 29, 2024 vis-à-vis 841 in FY2023, under the 'Mayfair' brand. Around 697 keys are in Odisha (Bhubaneswar, Jharsuguda, Puri, Gopalpur and Rourkela), followed 275 keys in West Bengal (Darjeeling, Kalimpong and Siliguri). Chhattisgarh (Raipur) and Sikkim (Gangtok) have 178 keys and 93 keys respectively. In Q4 FY2024, the company has started commercial operations for three new properties (Jharsuguda Hotel, Jharsuguda Convention, World club village Rourkela) in Central Business Districts (CBDs) of respective cities and expanded its Mayfair Palm Beach Resorts, Gopalpur property. All the hotels are in the standalone entity, except Mayfair Spa Resorts & Casino, Gangtok (which is part of Mayfair Hotels & Resorts (Sikkim) Private Limited (MHRSP), MHRL's subsidiary) and Mayfair Tea Resorts, Siliguri (which is part of Lotus Projects (P) Ltd (LPPL), MHRL's associate).

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	279.9	432.3
PAT	11.7	53.9
OPBDIT/OI	28.3%	32.5%
PAT/OI	4.2%	12.5%
Total outside liabilities/Tangible net worth (times)	4.3	2.9
Total debt/OPBDIT (times)	6.9	3.7
Adjusted debt ³ /OPBDIT (times)	5.3	3.2
Interest coverage (times)	1.9	3.4

³ Adjusted debt is calculated as total debt excluding unsecured loans from promoters

Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances.

Status of non-cooperation with previous CRA: Not applicable

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 (Rs. crore) as on December 31, 2023	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Mar 21, 2024	Jan 30, 2023	Jan 17, 2023	-	-
1 Issuer rating	Long term	-	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-
2 Fund based – Term loan	Long term	600.06	495.7	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-	-
3 Fund based – Cash Credit	Long term	10.00	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-	-
4 Non-fund based - BG	Short term	5.00	-	[ICRA]A3+	[ICRA]A3+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	NA
Fund based – Term loan	Simple
Fund based – Cash Credit	Simple
Non-fund based – BG	Very 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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BBB (Stable)
NA	Fund based – Term loan	FY2016	8.5%	FY2031	600.06	[ICRA]BBB (Stable)
NA	Fund based – Cash Credit	NA	NA	NA	10.00	[ICRA]BBB (Stable)
NA	Non-fund based – BG	NA	NA	NA	5.00	[ICRA]A3+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Mayfair Hotels and Resorts Ltd	100.00%	Full Consolidation
Mayfair Hotels and Resorts (Sikkim) Pvt Ltd	100.00%	Full Consolidation
Lotus Projects (P) Ltd (LPPL)	50.00%	Equity method

Source: MHRL's Annual Report

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