

May 24, 2024

## Moonburg Power Private Limited: Rating upgraded to [ICRA]A- (Stable)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible bonds programme	425.00	425.00	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Stable)
<b>Total</b>	<b>425.00</b>	<b>425.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

For arriving at the rating, ICRA has taken a consolidated view of Tulsi Palace Resort Private Limited (TPRPL) and Moonburg Power Private Limited (MPPL), given that MPPL was created only to acquire 50% of stake in TPRPL (acquisition done in May 2023). The balance 50% stake in TPRPL is owned by BSREP III Joy Two Holdings (DIFC) Limited, which is the parent company of MPPL. Further, there are no operations under MPPL, and both the entities are expected to be amalgamated in the near term.

The rating upgrade for TPRPL factors in the healthy improvement in REVPARs, driven by the continued strong demand in the domestic hotel industry. The company's sole hotel property operates under the five-star luxury brand, 'Leela', in Jaipur. Aided by healthy demand in the wedding business and significant pick up in leisure travel to drive to destinations (MICE<sup>1</sup>), TPRPL was able to improve its average room rate (ARR) by ~11.2% YoY in FY2023 and ~7.6% YoY in FY2024. The same is expected to sustain at healthy levels, supported by the strong brand/location pull and healthy demand environment. The entity was able to sustain its healthy occupancy of 62% in FY2024 (PY: 60%), which is likely to improve in the medium term. The company's debt coverage metrics are adequate as Rs. 425 crore of debt (out of Rs. 475 crore of total debt) has no interest and principal obligations till May 2026. The rating takes comfort from the strong sponsor profile - Brookfield Asset Management, which owns and manages twelve Leela hotels across India with strong brand recognition and an experienced professional management team.

The rating, however, is constrained by TPRPL's limited geographical and segment diversification. Moreover, its presence in a single location (i.e., Jaipur), exposes it to adversities in its region of operations and competition from other existing and upcoming properties. Further, the rating considers the cyclical nature of the hospitality industry, with revenue generation exposed to seasonality, exogeneous shocks and to overall macro-economic performance. The company's leverage metric as measured by debt/EBITDA is expected to remain elevated in the medium term. On a consolidated basis, the company remains exposed to refinancing risk as the acquisition debt (Rs. 425 crore raised in MPPL) has a three-year bullet repayment in May 2026. However, comfort can be drawn from the strong financial flexibility by being a part of the Brookfield Group and healthy operating performance of the asset, which mitigates the risk.

The Stable outlook on the rating reflects ICRA's expectation that the strong brand and market position of the property, healthy improvement in REVPARs will continue to support the credit profile.

### Key rating drivers and their description

#### Credit strengths

**Healthy operational profile and favourable demand outlook** – Aided by healthy revenues from the wedding business and significant pick up in leisure travel to drive to destinations (MICE), TPRPL was able to improve its ARR by ~11.2% YoY in FY2023 and ~7.6% YoY in FY2024. The same is expected to sustain at healthy levels, supported by the strong brand/location pull and

<sup>1</sup> MICE: Meetings, Incentives, Conferences and Exhibition business

healthy demand environment. The entity was able to sustain its healthy occupancy of 62% in FY2024 (PY: 60%), which is likely to improve in the medium term. The company's debt coverage metrics are adequate as Rs. 425 crore of debt (out of Rs. 475 crore of total debt) has no interest and principal obligations till May 2026.

**Favourable location of hotel and strong brand** – TPRPL owns a 200-room hotel, which is operated under a well-established five-star brand, 'Leela'. It benefits from its location in Kukas near Jaipur, a busy holiday destination in northern India. Further, its proximity to the densely populated Delhi NCR ensures healthy tourist traffic throughout the year, while proximity to the international airport in Jaipur improves its accessibility.

**Strong financial flexibility and sponsor group** – TPRPL enjoys strong financial flexibility by virtue of being part of the Brookfield Group. The Group owns five and manages seven Leela hotels across India, with more than 3,000 keys under its umbrella as on March 31, 2024. The sponsor has proven experience in scaling its owned hotel properties and lends healthy financial flexibility to TPRPL.

### Credit challenges

**Moderate scale of operations and asset concentration risk** – The scale of operation of the entity remains moderate. With no expansion plans, the revenue growth is expected to remain rangebound and will be driven by movement in occupancy and ARR. Moreover, its presence in a single location (i.e., Jaipur), exposes it to adversities in its region of operations and competition from other existing and upcoming properties.

**Exposure to refinancing risk** – The company's leverage as measured by debt/EBITDA is expected to remain elevated in the medium term. On a consolidated basis, the company remains exposed to refinancing risk as the acquisition debt (Rs. 425 crore raised in MPPL) has a three-year bullet repayment in May 2026. Its ability to refinance the debt in a timely manner remains important. However, comfort can be drawn from the strong financial flexibility by being a part of the Brookfield Group and healthy operating performance of the asset, which mitigates the risk.

**Vulnerability of revenues to inherent cyclicity in industry** – Given the discretionary nature of spending, the rating considers the cyclical nature of the hospitality industry, with revenue generation exposed to seasonality, exogenous shocks and to overall macro-economic performance. Further, the hotel continues to remain exposed to competition from other luxury hotels in Jaipur.

### Liquidity position: Adequate

The liquidity profile at a consolidated level is expected to remain adequate with cash balance of Rs. 117.1 crore as on March 31, 2024, which includes the deferred interest payment on NCD of MPPL. It has limited scheduled repayments during FY2025 and FY2026 for the consolidated entity and no major capex plans.

### Rating sensitivities

**Positive Factors** – A sustained improvement in operational performance of the hotel and reduction in debt leading to significant improvement in debt protection metrics, could be a trigger for an upgrade. Specific credit metric include total debt/EBITDA of less than 3.5 times on a sustained basis.

**Negative factors** – Negative pressure on the rating could arise from material deterioration in operating metrics resulting in weakening of debt protection metrics and liquidity position of the company.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology -Hotels</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has consolidated the financials of Tulsi Palace Resort Private Limited (TPRPL) with Moonburg Power Private Limited (MPPL), given that MPPL does not have any operations and was only created to acquire 50% stake in TPRPL.

## About the company

MPPL was incorporated in June 2022, to acquire 50% shareholding in TPRPL, which was held by the Sukhani family and its sponsor, Brookfield Group, through BSREP III Joy Two Holdings (DIFC) Limited. MPPL raised Rs. 425-crore NCD and Rs. 50-crore CCDs to acquire 50% shares in TPRPL from the Sukhani family. Incorporated in 2012, by Mr. Mohan Sukhani and Mr. Vikram Sukhani, TPRPL owns a five-star hotel in Kukas, Rajasthan. It earlier operated under Marriott Hotels India Private Limited. However, in 2020, TPRPL and Marriott mutually agreed to terminate the agreement and the company entered into an operation and management service agreement with Schloss HMA Private Limited to operate the hotel under the Leela brand. In May 2021, 50% of TPRPL was acquired by BSREP III Joy Two Holdings (DIFC) Limited. The property has 200 rooms and offers facilities like meeting rooms, banquets, swimming pool, fitness centre and dining options at five restaurants.

## Key financial indicators

Consolidated (TPRPL+MPPL)	FY2023	FY2024*
	Audited	Provisional
Operating income	176.8	185.8
PAT	57.1	12.3
OPBDIT/OI	48.5%	43.5%
PAT/OI	32.3%	6.6%
Total outside liabilities/Tangible net worth (times)	1.4	7.1
Total debt/OPBDIT (times)	0.5	6.5
Interest coverage (times)	19.7	1.8

Source: Company, ICRA Research; 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:

The company faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial covenants and rating-linked covenants. Upon a failure to meet the covenants, if the company is not able to get waivers from the lenders/investors or the lenders/investors do not provide adequate time to the company to arrange for alternative funding to pay-off the accelerated loans, the rating would face a downward pressure.

## Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the past 3 years				
		Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2024 (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				May 24, 2024	Aug 22, 2023	May 3, 2023	-	-
<b>Non-convertible 1 bonds programme</b>	Long-term	425.00	424.14	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	Provisional [ICRA]BBB+(Stable)		

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible bonds programme	Moderately Complex

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
INE0PKY07014	Non-convertible bonds	May 24, 2023	NA	May 23, 2026	425.00	[ICRA]A-(Stable)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Moonburg Power Private Limited	Parent Entity (holds 50% in TPRPL)	Full consolidation
Tulsi Palace Resort Private Limited	Rated Entity	Full consolidation

Note: ICRA has taken the consolidation approach given that MPPL holds 50% stake in TPRPL, and both the entities are expected to be merged in the near term

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