

March 11, 2025<sup>(Revised)</sup>

## Mfar Hotels & Resorts Private Limited: Ratings upgraded

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term term loan	206.16	145.20	[ICRA]BB(Stable); upgraded from [ICRA]BB-(Stable)
Long-term fund-based	10.00	10.00	[ICRA]BB(Stable); upgraded from [ICRA]BB-(Stable)
Short-term non-fund based limits	3.00	3.00	[ICRA]A4+; upgraded from [ICRA]A4
Long-term/short-term non-fund based	1.50	1.50	[ICRA]BB(Stable)/[ICRA]A4+; upgraded from [ICRA]BB-(Stable)/[ICRA]A4
Long-term unallocated	6.56	-	
<b>Total</b>	<b>227.22</b>	<b>159.70</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The upgrade in the ratings for the bank lines of Mfar Hotels & Resorts Private Limited ('MHRPL' / 'the company') factors in the improvement in MHRPL's credit profile backed by healthy performance in FY2024 and 9M FY2025 and reduction in external debt following infusion of unsecured loans in FY2024 and YTD FY2025, and the expectation that the profile could continue to sustain going forward supported by favourable demand outlook and absence of debt-funded capex plans. The company's operating income grew by 19.3% YoY to Rs. 165.7 crore in FY2024, and by another 10.6% YoY to Rs. 131.1 in 9M FY2025. The revenue growth, along with strong margins, has resulted in healthy accruals for the scale of operations, at Rs. 21.3 crore in FY2024 and Rs. 24.6 crore in 9M FY2025. Further, the promoters have infused unsecured loans to the tune of Rs. 22.1 crore in FY2024 and Rs. 27.6 crore in 9M FY2025, resulting in Rs. 118.3 crore of promoter loans/preference capital as on December 31, 2024. The improvement in accruals and reduction in external debt to Rs. 137.8 crore as on December 31, 2024, from the peak of Rs. 230.4 crore as on March 31, 2022, have resulted in improvement in debt metrics. The external debt/OPBIDTA improved to 3.8 times as on December 31, 2024 from 6.9 times as on March 31, 2023, while its interest coverage has improved to 2.5 times for 9M FY2025 as against 1.3 times in FY2023. ICRA also understands that the promoters are likely to infuse another ~Rs. 20 crore in the form of unsecured loans in the next few months. ICRA expects the promoters to extend adequate and timely financial support to the company going forward, as and when required, for meeting its operating and financial commitments in a timely manner. The favourable demand outlook, management tie-up with Marriott International, Inc and favourable location of properties are likely to drive accruals going forward. This, along with absence of debt-funded capex plans over the medium term, is likely to support MHRPL's credit profile.

The ratings, however, remain constrained by the company's moderate scale of operations and moderate debt metrics, albeit improvement from earlier levels. Also, the company has relatively high geographic concentration, exposing it to any localised downturn/unforeseen events or region-specific risks. Further, akin to other players in the industry, the company's revenues and margins are exposed to industry cyclicity/seasonality, macroeconomic cycles and exogenous factors (geopolitical crisis, terrorist attacks, disease outbreaks, etc.).

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company's credit profile will sustain, supported by its healthy cash accruals, adequate liquidity position and need-based fund infusion by the promoters, amid favourable outlook for the industry and absence of debt-funded capex.

## Key rating drivers and their description

### Credit strengths

**Periodic fund infusion by promoters on a need basis; trend likely to continue going forward** – MHRPL is promoted by Dr. P. Mohamad Ali, the founder of the Mfar Group, with over 30 years of experience in the engineering and construction industry. The promoters have sizeable net worth and have been periodically infusing funds into the company through unsecured loans with no fixed repayment schedule or interest, directly or through Group companies, for funding MHRPL's operating and financial commitments. The promoters have infused unsecured loans to the tune of Rs. 22.1 crore in FY2024 and Rs. 27.6 crore in 9M FY2025, resulting in Rs. 118.3 crore of promoter loans/preference capital as on December 31, 2024. ICRA expects the promoters to extend adequate and timely financial support going forward, as and when required, for meeting MHRPL's operating and financial commitments in a timely manner.

**Management tie-up with well-known international hospitality group; favourable location of properties** – The company operates two hotels under the established brands, Le Meridien in Kochi and The Westin in Chennai, of the Marriott Group. MHRPL benefits from the tie-up with the Marriott International, Inc. for management and marketing of the hotel properties, which imparts brand recognition, management expertise and access to the Group's global reservation system.

### Credit challenges

**Moderate coverage metrics** – Despite demand uptick and improvement in revenues and operating profits/accruals in FY2024 and 9M FY2025, the company's debt metrics remain moderate because of the relatively higher external borrowings (Rs. 137.8 crore as on December 31, 2024) for its scale of operations. ICRA, however, notes that there has been improvement in the same from FY2023 levels. The company's external debt/OPBDITA has improved to 3.8 times as on December 31, 2024 from 6.9 times as on March 31, 2023, while its interest coverage has improved to 2.5 times for 9M FY2025 as against 1.3 times in FY2023. ICRA expects MHRPL's debt metrics to improve over the medium term, aided by its accruals, promoter fund infusion of ~Rs. 20.0 crore over the next few months, and absence of debt-funded capex plans. However, the extent of improvement remains to be seen.

**Moderate scale of operations; revenues exposed to exogenous shocks** – MHRPL has a moderate scale of operations with revenues of Rs. 165.7 crore in FY2024 and Rs. 131.1 crore in 9M FY2025 and an inventory of 438 keys as on December 31, 2024. Also, like other players, the company's revenues and accruals are exposed to industry cyclicity/seasonality, macroeconomic cycles and exogenous factors (geopolitical crisis, terrorist attacks, disease outbreaks, etc.). This was witnessed in FY2021 and FY2022, when MHRPL's performance was significantly impacted by the pandemic.

**Exposed to high geographical concentration** – MHRPL owns two hotels, The Westin in Chennai and Le Meridien in Kochi. Presence in only two cities exposes the company's revenues and accruals to any localised downturn/unforeseen events or region-specific risks. However, the well-established position of both the properties mitigates the risk to an extent.

### Liquidity position: Adequate

MHRPL's liquidity position is adequate, supported by its healthy anticipated cash flows from operations, free cash and bank balances of Rs. 22.6 crore as on December 31, 2024, and unutilised overdraft limit of ~Rs. 10.0 crore as on the same date. Also, the promoters are expected to infuse unsecured loans of ~Rs. 20.0 crore over the next few months. ICRA expects the promoters to extend adequate and timely financial support going forward, as and when required, for meeting MHRPL's operating and financial commitments in a timely manner. As against these sources of cash, the company has principal repayment obligations of Rs. 42.0 crore in FY2026 and Rs. 29.3 crore in FY2027 on its existing loans. It has capex plans of Rs. 10.0 crore p.a. in FY2026 and FY2027, to be funded through internal accruals.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if the company demonstrates a significant improvement in debt metrics and liquidity position on a sustained basis.

**Negative factors** – MHRPL's ratings may be revised downward if the company witnesses sustained pressure on its earnings and profitability, or if there is a material increase in external debt levels, leading to weakening of its debt coverage indicators and a deterioration in its liquidity position. Also, absence of timely and adequate fund infusion from the promoters would be a negative trigger. Specific credit metric that could lead to ratings downgrade include DSCR of 1.1 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Hotel Industry</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of MHRPL.

## About the company

MHRPL owns two hotels, The Westin in Chennai and Le Meridian in Kochi with an aggregate inventory of 438 keys. The company has been promoted by Dr. P Mohamad Ali and is a part of the Mfar Group, which has interests in the engineering and construction industry in India, Oman and the Middle East, apart from hospitality.

## Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	138.9	165.7
PAT	0.0	10.6
OPBDIT/OI	22.4%	27.2%
PAT/OI	0.0%	6.4%
Total outside liabilities/Tangible net worth (times)	5.2	4.4
Total debt/OPBDIT (times)	9.1	6.1
Interest coverage (times)	1.3	1.9

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

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. Crore)	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
			Mar 11, 2025	May 17, 2024		Mar 31, 2023	Dec 28, 2022	
<b>1 Term Loan</b>	Long term	145.20	[ICRA]BB (Stable)	[ICRA]BB- (Stable)	-	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Negative)
<b>2 Fund-Based facilities</b>	Long term	10.00	[ICRA]BB (Stable)	[ICRA]BB- (Stable)	-	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Negative)
<b>3 Non fund based limits</b>	Short term	3.00	[ICRA]A4+	[ICRA]A4	-	[ICRA]A4	[ICRA]A4	-
<b>4 Non fund based</b>	Long term /Short term	1.50	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB- (Stable)/ [ICRA]A4	-	[ICRA]BB- (Stable)/ [ICRA]A4	[ICRA]BB- (Stable)/ [ICRA]A4	[ICRA]BB- (Negative)/ [ICRA]A4
<b>5 Unallocated</b>	Long term	-		[ICRA]BB- (Stable)	-	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Term Loan	Simple
Long-term Fund-Based	Simple
Short-term non fund-based limits	Simple
Long-term/Short-term Non-fund Based	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	Long-Term loan	FY2018	8.00%-11.15%	FY2031	145.20	[ICRA]BB(Stable)
NA	Long-term fund-based	NA	10.20%	NA	10.00	[ICRA]BB(Stable)
NA	Short-term non fund based limits	NA	NA	NA	3.00	[ICRA]A4+
NA	Long-term/short-term Non fund based facilities	NA	NA	NA	1.50	[ICRA]BB(Stable)/ [ICRA]A4+

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

### Corrigendum

Rationale dated March 11, 2025 has been revised with changes as below:

In the Key Financial Indicators table, PAT for FY2023 was erroneously mentioned as Rs. 9.9 crore, which has now been corrected.

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