

July 24, 2023

## Sparsh Infratech Pvt. Ltd.: Rating assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term loans	50.00	[ICRA]BBB (CE) (Stable); assigned
<b>Total</b>	<b>50.00</b>	

#### Rating Without Explicit Credit Enhancement

[ICRA]BB+

\*Instrument details are provided in Annexure I

Note: The (CE) suffix mentioned alongside the (provisional) rating symbol indicates that the rated instrument/facility is to be 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) assigned to the term loans of Sparsh Infratech Pvt. Ltd. (SIPL) 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 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.

### 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 the 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.

**Improved occupancy levels and average package rate in FY2023; expected to sustain in FY2024** – The occupancy has improved significantly in FY2023 to 51% (PY: 36%), driven by increased awareness towards wellness centres and increase in the average stay of domestic customers post-Covid to around 11 nights from 6 nights. The average daily package rate increased by around 8% in FY2023 to Rs. 26,948 (PY: Rs. 24,967). Consequently, revenues grew by 56% to Rs. 48.2 crore in FY2023. The improved occupancy is expected to sustain in FY2024 (April-May 2023 reported average occupancy of 53%), which along with annual subscription of Rs. 7.5 crore as of May 2023, is likely to support the revenues in FY2024. The operating margins improved to 50% in FY2023 (PY:46%), aided by higher RevPAR and are estimated to be in the range of 45-50% in FY2024.

### Credit challenges

**Moderate scale of operation and absence of track record of healthy occupancy levels** – Notwithstanding the improved occupancy levels in FY2023, the company's scale of operations remains moderate with 97 operational rooms at Rs. 48 crore in FY2023. The rating is constrained by the absence of a track record of healthy occupancy levels. Historically, the occupancy levels for the centre have been low (below 30%) since its inception in 2016 till FY2021. However, the occupancy levels have improved to 51% in FY2023.

**Geographic concentration risk of customers** – The rating factors in the geographical concentration risk with more than 50% of domestic customers coming from Maharashtra.

**High leverage levels; debt coverage metrics remain vulnerable to decline in occupancy** – The total outstanding debt stood at Rs. 139.7 crore as of March 2023 and the leverage, as measured by Total Debt/OPBITDA is estimated to remain high at 5.6 times as on March 31, 2024 (PY: 5.9 times). Its debt coverage metrics are moderate with projected DSCR of 1.16-1.18 times over the medium term. The company's debt coverage indicators also remain vulnerable to decline in occupancy levels.

### Liquidity position

#### Bramhacorp Limited: Adequate

ICRA expects BCL's liquidity position to be adequate with unencumbered cash and liquid balances of Rs. 23 crore as on March 31, 2023 and undrawn bank limits of Rs. 211 crore. It has healthy committed receivables of around Rs. 814 crore against Rs. 587 crore of pending cost and Rs. 508 crore of outstanding construction finance (CF) debt as on March 31, 2023. 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.

#### Sparsh Infratech Pvt. Ltd.: Adequate

ICRA expects SIPL's liquidity position to remain adequate with unencumbered cash and liquid balances of around Rs. 5.2 crore as on May 15, 2023. It has maintained DSRA of around Rs. 9 crore, which is equivalent to 6 months' of debt servicing (principal + interest) obligations. The company's debt servicing obligations for FY2024 are Rs. 5.9 crore, which are expected to be met

from the cash flow from operations. ICRA expects the guarantor, BCL, to provide timely funding support, in case of any requirement.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if there is 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	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for entities in the Hotel industry</a>
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.
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 9.5 million square feet (msf) and is currently developing projects with total area of 3.0 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.)	FY2022 (audited)	FY2023 (provisional)
Operating income	30.9	48.2
PAT	-6.5	4.9
OPBDIT/OI	46.1%	49.5%
PAT/OI	-21.0%	10.1%
Total outside liabilities/Tangible net worth (times)	8.6	6.9
Total debt/OPBDIT (times)	13.5	7.7
Interest coverage (times)	1.0	1.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxess and amortisation; Amount in Rs. crore.

## 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 past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jul 24, 2023			
1 Term loans	Long term	50.0	50.0	[ICRA]BBB (CE) (Stable)	-	-	-

## Complexity level of the rated instruments

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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	30-04-2022	NA	30-04-2034	50.0	[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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