



## Press Release

### Myrayash Hotels Private Limited

September 3<sup>rd</sup>, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Facility - Fund Based – Term Loan (Proposed)	180.00	IVR BBB- (CE)/ Stable Outlook (IVR Triple B Minus [Credit Enhancement] with stable outlook)	Assigned
	<b>Total</b>	<b>180.00</b>		

\*CE rating based on the unconditional and irrevocable corporate guarantee extended by Bharat Infrastructure & Engineering Private Limited (BIEPL).

#### Details of Facilities are in Annexure I

#### Detailed Rationale

The aforesaid ratings assigned to the proposed bank facilities of Myrayash Hotels Private Limited (MHPL) derives comfort from extensive experience of promoters in the real estate industry, unconditional and irrevocable corporate guarantee from the parent company (Bharat Infrastructure & Engineering Private Limited) for the proposed term loan facility of MHPL and benefits associated with economies of location (Goa) which is one of the prominent leisure destinations of the country.

However, the rating strengths are constrained by project completion risk, financial profile of guarantor, regulatory approvals and hospitality being new field for promoters. The project is at a nascent stage as regulatory approvals still awaited and delayed due to COVID19 pandemic. The outlook remains stable due to guarantor's (BIEPL) established position in the real estate industry over the long term, satisfactory cash flow projections of BIEPL supported by its promoter's extensive industry experience.



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### **Key Rating Sensitivities**

#### **Upward Rating Factors**

- Timely completion of the project and commencement of operations
- Ramp up in sales and cash accruals during initial phase of operations

#### **Downward Rating Factors**

- Any delay in time or cost overruns in implementation of the project
- Any delay in sales of guarantor company's inventory would put a stress on its financials

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Extensive experience of promoters in the Real Estate Industry**

Mr. Atul Barot has an extensive experience of four decades in real estate and infrastructure industry. Bharat Infrastructure & Engineering Pvt Ltd (BIEPL) has completed several projects under him. BIEPL which was only into infrastructure at the time of its formation (1977), Mr. Barot has been successful in diversify the business with various real estate projects. Till date, the company has completed more than dozen housing societies and another 7 are under execution. Mr. Dhaval Barot after completing his MS in constructions management from United States, joined the family business and has been working in the firm since past 13 years. MHPL stands to benefit from the industry experience of its promoters.

##### **Unconditional and Irrevocable Corporate Guarantee from the Parent Company**

The rating acknowledges the fact that BIEPL would be backing the debt with an unconditional and irrevocable corporate guarantee to MHPL indicating group support to the firm.

##### **Benefits associated with economies of location**

The proposed upscale hotel stands to benefit from its location - North Goa which is one of the prominent leisure destinations of the country. Dabolim Airport is at a distance of 42Kms from the proposed hotel. The fact that Goa is increasingly being promoted as MICE (Meetings, incentives, conferences and exhibitions) destination would also go in favour of the hotel.



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### **Key Rating Weaknesses**

#### **Project Completion Risk**

Currently, the project is at a nascent stage with the construction yet to begin due to approvals which are awaited. Following the planned timelines would be crucial for the project to avoid any substantial cost overruns in the long term. Also, having a vast experience in the residential segment of real estate, the promoters of BIEPL have successfully completed many re-development and new residential projects in suburbs of Mumbai, however, hospitality industry is a new field where the firm is venturing for the first time.

#### **Financial profile of Guarantor**

As around 43% of total capital required for the project is expected to be brought in by the promoters, it would put additional pressure on the financial profile of BIEPL as the remaining money is expected to be raised from company's cash accruals and unsold inventory. If the expected sales from the unsold inventory is not achieved, it will get difficult for BIEPL to cover debt obligations of both the entities as MHPL is not expected to generate any operating cash flow before FY2024.

**Analytical Approach:** Standalone

#### **Applicable Criteria**

Rating of Structure Debt Transactions (Non securitisation Transactions)

Rating Methodology for Service based companies

Financial Ratios & Interpretation (Non-Financial Sector)

#### **Liquidity – Adequate**

The liquidity position of the Guarantor Company (BIEPL) looks adequate with the cash flow cover above unity for almost all the years in the projected term but it is subject to company achieving the expected advances against the new sales and timely payments from the outstanding sales made, to avoid any stress in near future.



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### About the Company

Incorporated in October 2016, Myrayash Hotels Private Limited (MHPL), a subsidiary of M/s Bharat Infrastructure & Engineering Private Limited (BIEPL), is engaged in business of acquiring, obtaining on lease, building, developing and maintaining infrastructure projects like luxury hotels & resorts. The company was formed as a SPV for the purpose of building a five-star hotel in north Goa. Goa Tourism Development Corporation (GTDC) has entered into a concession agreement with MHPL giving it an exclusive right to construct, operate and maintain this upscale hotel on its property at Anjuna, Goa, for a period of 30 years extendable to further period of 30 years. It would be on revenue sharing basis with GTDC and after the contract period, the hotel will be transferred to GTDC

MHPL has no operations as of March 2020. The expected month of receiving all the required approvals and clearances is December 2020 and the construction would begin in March 2021. The targeted COD is March 2024. The five star hotel will be operated by Alila Hotels & Resorts, hotel Management Company (Now acquired by Hyatt)

The complete project cost is expected to be around Rs. 310 crores out of which the promoters are expected to infuse Rs. 130.00 crores, whereas the proposed term loan of Rs. 180.00 crore will cover the remaining part. BIEPL is a parent company owning 98.6% equity stake and balance 1.40% of equity is owned by Shree Naman Developers Pvt Ltd

As of 31st March, 2020, Total capital infused in the project by promoters is Rs. 48.3 Crores.

### Financials: Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	0.00	0.00
EBITDA	-0.12	-0.07
PAT	0.08	0.15
Total Debt	0.00	0.00
Tangible Net-worth	45.96	48.31
<b>Ratios</b>		
EBITDA Margin (%)	NA	NA
PAT Margin (%)	30.73	48.19
Overall Gearing Ratio (x)	0.00	0.00

\* Classification as per Infomerics' standards.



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### Status of non-cooperation with previous CRA:

CRISIL in their press release dated August 17<sup>th</sup>, 2020 has classified the case under issuer not cooperating status on account of non-submission of relevant information.

**Any other information: N.A.**

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility– Fund Based- Term Loan (Proposed)	Long Term	NA	IVR BBB- (CE)/ Stable Outlook (IVR Triple B Minus [Credit Enhancement] with stable outlook	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Term Loan (Proposed)	-	-	NA	180.00	IVR BBB- (CE)/ Stable Outlook