January 23, 2024

SRP Prosperita Hotel Ventures Limited: Rating upgraded to [ICRA]BBB+(Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	82.00	78.00	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Long-term Fund-based – Cash credit	8.00	8.00	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Long-term – Unallocated	-	4.00	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Total	**90.00**	**90.00**	

**Instrument details are provided in Annexure-I*

Rationale –

The rating upgrade factors in the improvement in SRP Prosperita Hotel Ventures Limited's (SPHVL) operating performance along with debt coverage metrics, driven by refinancing of its debt with a longer tenure. The operating performance of hotels witnessed an improvement in H1 FY2024, backed by the improved demand with pick up in business travel and MICE (Meeting, Incentives, Conferences and Exhibitions). The RevPAR increased by 14% to Rs 4,970 in H1 FY2024 from Rs 4,365 in FY2023 while the occupancy levels continued to be steady at 85% in H1 FY2024 against 84% in FY2023 (75% in FY2020). Post refinancing, the debt tenure increased by three years. Consequently, SPHVL's annual DSCR levels are estimated to improve to 1.25-1.30 times and 1.10-1.15 times in FY2024 and FY2025, respectively, against below pre-refinancing level of 1 times for these years. ICRA expects the revenues to grow by 12-15% in FY2024 (PY: Rs. 47.14 crore, higher by ~24% compared to pre-Covid levels in FY2020) with the estimated occupancy levels at 83-85%.

The rating continues to draw comfort from the strong parentage of SRP Prosperita Hotel Ventures Limited (SPHVL), a subsidiary of Brigade Hotel Ventures Limited (BHVL, rated [ICRA]A(Stable)/A2+). The Brigade Group has an established presence in the hospitality segment with 1,474 operational keys across eight hotels operated by global brands in geographically diversified locations across Bengaluru, Chennai, Mysore, Kochi and Ahmedabad, and one under-construction hotel in Mysore. The rating also positively factors in the established operational profile of SPHVL's sole asset, Holiday Inn Chennai OMR IT Expressway, favourably located in proximity to numerous IT companies and the management contract with the InterContinental Hotels Group (IHG) for operating the hotel under the Holiday Inn brand. ICRA expects the parent, BHVL, to provide timely financial support to SPHVL, for funding shortfall, if any, given their substantial financial linkages, SPHVL's strategic importance for the parent and parent's reputation sensitivity to default.

The rating is, however, constrained by the high leverage of the company with estimated Total Debt/OPBDITA of 4.4 times as of March 2024 and 3.8 times as of March 2025. The rating also considers the moderate scale of operations and high geographical and asset concentration risks inherent in a single project company. The rating is also constrained by vulnerability of debt coverage indicators to any changes in occupancy and interest rates. Further, given the discretionary nature of spending, the hospitality industry is susceptible to macroeconomic conditions and several exogenous factors, which leads to its inherent cyclicality in the sector.

The Stable outlook represents ICRA's expectation that SPHVL's earnings will increase supported by likely improvement in its operating performance. Further, the outlook reflects adequate debt coverage metrics and that the company will continue to benefit from strong parentage.

Key rating drivers and their description

Credit strengths

Track record of financial support extended by BHVL and BEL- SPHVL is a subsidiary of BHVL, which is a wholly-owned subsidiary of BEL (rated [ICRA]AA- (Stable)/A1+), one of the leading real-estate players in South India. BEL has established itself as one of the major diversified real estate developers in Bengaluru, generating revenue from three segments - sale of residential and commercial real-estate projects, lease income from the owned commercial property (office and retail) and income from hospitality projects. The hospitality segment remains one of the key strategic operating divisions of the Brigade Group. BHVL and BEL (the ultimate parent company), have extended financial support to SPHVL in the past. ICRA expects the parent, BHVL, to provide timely financial support to SPHVL, for funding any shortfall, given their substantial financial linkages, SPHVL's strategic importance to the Brigade Group and the Group's reputation sensitivity to default.

Healthy operating performance- SRP Prosperita Hotel Ventures Limited has one operational hotel with 202 keys. The operating performance of hotels has witnessed an improvement in H1 FY2024 backed by the improved demand with pick up in business travel and MICE (Meeting, Incentives, Conferences and Exhibitions. The RevPAR increased by 14% to Rs 4,970 in H1 FY2024 from Rs 4,365 in FY2023 while the occupancy levels remained steady at 85% in H1 FY2024 against 84% in FY2023 (75% in FY2020). ICRA expects the revenues to grow by 12-15% in FY2024 (PY: Rs. 47.14 crore, higher by 24.4% compared to pre-Covid levels in FY2020) with the estimated occupancy levels at 83-85%. The company's healthy occupancy levels are supported by the favourable location and tie-up with an established hotel operator. SPHVL has a management contract with the InterContinental Hotels Group (IHG) for operating the hotel under the Holiday Inn brand.

Improvement in debt coverage metrics — SPHVL refinanced Rs. 84-crore debt at favourable terms such as a lower interest rate and longer tenure, along with improved operating performance of the company's hotel portfolio. SPHVL's annual DSCR levels are estimated to improve to 1.25-1.30 times and 1.10-1.15 times in FY2024 and FY2025, respectively, against pre-refinancing level of below 1 times for these years. This, coupled with improved operating performance of the company's hotel portfolio, resulted in an improvement in the company's debt coverage metrics.

Credit challenges

High leverage - The company's debt levels remain high with estimated Total Debt/OPBDITA of 4.5 times as of March 2024 and 3.8 times as of March 2025. The company's total debt outstanding was Rs. 86.2 crore as of September 2023 (Rs. 88 crore as of March 2023). ICRA expects the parent, BEL, to provide timely financial support to BHVL for funding any deficit, given their substantial financial linkages, strategic importance, and parent's reputation sensitivity to default.

Cyclical industry, vulnerable to general economic slowdown and external threats - Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movements and several exogenous factors, leading to inherent cyclicality. As such, global and domestic economic conditions will remain the key monitorable for BHVL, as part of the industry.

Vulnerability of debt coverage indicators to changes in occupancy and interest rates - The company's debt coverage indicators remain exposed to any decline in occupancy levels or increase in interest rates.

Liquidity position: Adequate

The company's liquidity position is adequate. The company's cash flow from operations are adequate to meet the term loan repayments of Rs 5.2 crore and Rs 10.6 crore in H2 FY2024 and FY2025, respectively. Any shortfall in debt servicing is expected to be met from parent support. As on September 30, 2023, the company had free cash and liquid investments of Rs. 0.5 crore and undrawn working capital limits of Rs 0.6 crore.

Rating sensitivities

Positive factors – A sustained improvement in RevPAR along with a material reduction in debt levels resulting in significant improvement in leverage and coverage metrics, could trigger a rating upgrade. Ratings will be sensitive to the credit profile of the parent company (BHVL).

Negative factors – A sustained reduction in earnings and/or significant increase in indebtedness impacting the company's liquidity and debt protection metrics could result in a rating downgrade. Deterioration in the credit profile of the parent (BHVL) or weakening of business linkages or strategic importance of the company for the parent could also put pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Hotel Industry
Parent/Group support	Parent Company: Brigade Hotel Ventures Limited (BHVL). ICRA expects the parent, BHVL, to provide timely financial support to SPHVL, for funding any shortfall, given their substantial financial linkages, SPHVL's strategic importance to the Brigade Group and the Group's reputation sensitivity to default.
Consolidation/Standalone	Standalone

About the company

SRP Prosperita Hotel Ventures Limited (SPHVL) is a subsidiary of Brigade Hotel Ventures Limited (BHVL), which holds an equity stake of 50.01% in SPHVL. BHVL is a 100% subsidiary of Brigade Enterprises Limited. The remaining stake is held by the promoters of Subramanian Engineering Ltd (SEL). SPHVL operates a hotel in Chennai under the brand Holiday Inn on Old Mahabalipuram Road which became operational in June 2017.

Key financial indicators

Standalone	FY2022 (Audited)	FY2023 (Audited)	6MFY2024 (Provisional)
Operating income	20.8	47.1	27.0
PAT	-12.5	1.5	1.8
OPBDIT/OI	15.5%	33.5%	35.0%
PAT/OI	-59.9%	3.2%	6.8%
Total outside liabilities/Tangible net worth (times)	2.8	2.1	2.0
Total debt/OPBDITA (times)	32.7	5.6	9.1
Interest coverage (times)	0.4	1.6	2.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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: None

Rating history for past three years

	Instrument	Current rating (FY2024)					Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
					Jan 23, 2024	May 30, 2023	-	Feb 18, 2022	Jan 06, 2021	May 18, 2020
1	Term loans	Long term	78.0	74.2	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Cash Credit	Long term	8.0	7.3	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3	Unallocated	Long term	4.0	--	[ICRA]BBB+ (Stable)	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term fund-based – Cash Credit	Simple
Long-term - Unallocated	Not applicable

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**	FY2023	NA	FY2031	78.0	[ICRA]BBB+(Stable)
NA	**Cash Credit**	NA	NA	NA	8.0	[ICRA]BBB+(Stable)
NA	**Unallocated**	NA	NA	NA	4.0	[ICRA]BBB+(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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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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