

October 15, 2024

## Impresario Entertainment and Hospitality Private Limited: Ratings assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based - Proposed Term Loans	100.00	[ICRA]BBB (Stable); assigned
Long term / Short term – Unallocated Limits	50.00	[ICRA]BBB (Stable)/[ICRA]A3+; assigned
<b>Total</b>	<b>150.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings assigned to Impresario Entertainment and Hospitality Private Limited (IEHPL) favourably factor in the extensive experience of the promoters in the hospitality industry as well as the operational and managerial support which it receives from its investor, India Resurgence Fund (IRF). In December 2022, IRF acquired a 61.2% stake in IEHPL from the erstwhile private equity investor and infused Rs. 100 crore of fresh equity. IRF holds ~62.4% stake in IEHPL as on date. Since then, IRF has undertaken several measures to improve the store productivity and efficiency as well as various cost saving measures to improve profitability, which led to improvement in store Level EBITDA to ~15%-20% across the portfolio in FY2024. As on March 31, 2024, IEHPL had 88 outlets across its various brands. The ratings also favourably factor in IEHPL's established brand 'Social, which had 52 outlets as on March 31, 2024, largely spread across metro cities.

The ratings are, however, constrained by the company's moderate profitability indicators as evident by its low return on capital employed (RoCE). The company's RoCE (as per Ind AS, including lease liabilities) further declined to 4.7% in FY2024 on account of the adverse impact on the operating profit margin (OPM) due to the negative same-store sales growth (SSSG) for its stores owing to the slowdown in discretionary spends. The company's financial profile also remains moderate as characterised by modest net worth<sup>1</sup>, with a gearing of 7.0 times and total outside liabilities<sup>2</sup> (TOL)/tangible net worth (TNW) ratio of 9.9 times (as per Ind AS) as on March 31, 2024.

ICRA notes that the company is expected to increase its footprint by setting up new stores in FY2025 and FY2026. The ability to scale up these new stores profitably while maintaining growth momentum for existing outlets will be critical for improving the RoCE. The company has undertaken various cost optimisation measures in the current fiscal, which are expected to improve OPM from FY2025 onwards. This remains a key rating monitorable. The company also has sizeable debt-raising plans to fund its capital expenditure (capex) and other funding requirements in FY2025, which will keep its financial profile moderate despite the expected improvement in OPM.

The ratings also factor in the company's presence in a highly competitive market with a large number of players in both the organised and unorganised segments, restricting pricing flexibility. Furthermore, the food service industry remains vulnerable to discretionary consumer spending, inflationary pressures, and exogenous shocks.

<sup>1</sup> IEHPL transitioned to Ind AS in FY2024. The resultant accounting changes led to the reduction in networth to Rs. 43 crore as on March 31, 2024 (as per Ind AS; provisional estimates) vis-a-vis Rs. 89.2 crore (as per IGAAP; provisional estimates) as on March 31, 2024.

<sup>2</sup> Includes lease liabilities of Rs. 302.8 crore as on March 31, 2024

The Stable outlook on the ratings reflects ICRA's opinion that the company's credit profile will gradually improve in the medium term with increase in customer footfall, driven by the strong brand image of 'Social', and higher profitability from the levels led by implementation of various cost optimisation measures.

## Key rating drivers and their description

### Credit strengths

**Extensive promoter experience** – IEHPL is managed by experienced personnel. Mr. Riyaz Amlani, the promoter of IEHPL, has an extensive experience of two decades in the hospitality industry and has received several accolades. He also served as the President of the National Restaurant Association of India (NRAI) for two years. Further, IEHPL's operations are supported by an experienced management team.

**Benefits arising from strong investor** - In December 2022, India RF acquired a 61.2% stake in IEHPL from the erstwhile private equity investor and infused Rs. 100 crore in fresh equity. Presently, IRF holds ~62.4% stake in IEHPL. India RF is a 50:50 joint venture between Piramal Group and Bain Capital Credit. Following this investment, India RF has taken several measures to improve store productivity and efficiency as well as various cost-saving measures to improve profitability.

**Strong brand image of 'Social'** – IEHPL's Social brand is an established brand in the all-day café restaurant segment, with presence through 52 outlets as on March 31, 2024, predominantly located in metro cities. Social offers a diverse multi-cuisine product offerings. Revenues from Social outlets have grown at a compound annual growth rate (CAGR) of 18.6% (from FY2020 to FY2024) to Rs. 508 crore. The Social brand accounted for 80% of IEHPL's revenue in FY2024 and is expected to remain the company's key revenue driver as it continues to expand its presence across India, supporting future revenue growth.

### Credit challenges

**Low ROCE, ability to ramp up revenues and improve profitability remains critical** – The company's profit margins were impacted in FY2021 and FY2022 due to pandemic-related disruptions. While OPM improved in FY2023, it was again impacted in FY2024 due to a slowdown in discretionary spending, leading to negative same-store sales growth in existing outlets. This factor impacted its ROCE (as per Ind AS, including lease liabilities), which stood at 4.7% in FY2024. As IEHPL plans to open new outlets in FY2025 and FY2026, its ability to scale these stores profitably while maintaining the growth momentum for its existing outlets will be crucial. The company's ongoing cost optimisation efforts are expected to improve OPMs from FY2025 onwards. This remains a key rating monitorable.

**Moderate financial profile; sizeable debt-funded capex** – The company's financial profile is moderate, characterised by a modest net worth of Rs. 43 crore as on March 31, 2024, resulting in a high gearing of 7.0 times and TOL/TNW<sup>3</sup> of 9.9 times. The coverage indicators also remained moderate with total debt vis-à-vis operating profit of 3.7 times as on March 31, 2024. The company is undertaking a capex of ~Rs. 127-130 crore over FY2025 and FY2026. It is raising Rs. 150 crore in debt to refinance its existing term loans, partly fund this capex, and meet other funding requirements. The incremental debt after the refinance of existing term loans is expected to be Rs. 100-110 crore. This would keep its financial profile moderate, despite the expected pick up in OPMs.

**High competitive intensity, exposure to exogenous shocks and vulnerability to inflationary pressures**- IEHPL's presence in a highly competitive market restricts its pricing flexibility to a certain extent. It faces competition from regional and national

<sup>3</sup> IEHPL transitioned to Ind AS in FY2024. The resultant accounting changes led to the reduction in networth to Rs. 43 crore as on March 31, 2024 (as per Ind AS; provisional estimates) vis-a-vis Rs. 89.2 crore (as per IGAAP; provisional estimates) as on March 31, 2024.

players, including casual dining restaurant (CDR) chains. Moreover, IEHPL's sales are vulnerable to external factors like disease outbreaks, which may impact both supply and the consumption pattern of some of its products. The food industry is also sensitive to inflation, which can reduce consumer discretionary spending. However, the strong brand image of Social supports its customer footfall to some extent.

### Liquidity position: Adequate

The company's liquidity position remains adequate, with unencumbered cash and liquid investments of Rs. 22.5 crore and an undrawn overdraft facility of Rs. 2.17 crore as on March 31, 2024. The company's cash flows are expected to improve in FY2025, driven by increased revenues from existing and new stores, along with enhanced profit margins from cost-saving measures. The company has sizeable capex plans of ~Rs. 127-130 crore over FY2025 and FY2026 to open 13 new stores, which is proposed to be largely debt-funded. The company is in the process of securing additional term loans of Rs. 100 crore (partly for refinancing existing loans) and issuing NCDs of Rs. 50 crore to support its funding requirements. After the refinancing, scheduled repayment of term loan is Rs. 6 crore in the first year and Rs. 15.6 crore in the second year, post the 6 months moratorium. The proposed NCD of Rs. 50 crore has a moratorium of 24 months, post which 36% of the amount will fall due for repayment in the first 12 months, with 64% in the next 12 months.

### Rating sensitivities

**Positive factors** – ICRA could upgrade IEHPL's rating, if it demonstrates healthy growth in revenues and profit margins, translating into sustained improvement in its debt coverage indicators and liquidity position.

**Negative factors** – Pressure on IEHPL's ratings could arise if a sharp decline in its revenues and profits and/or a significant increase in debt levels for capex/inorganic investments lead to weakening of debt coverage indicators and/or a deterioration in liquidity position. Specific metric for a rating downgrade would be weakening in interest coverage ratio to less than 3.0 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IEHPL. As on March 31, 2024, the company had nine subsidiaries which are all enlisted in Annexure-II.

### About the company

IEHPL, incorporated in 2001, offers dining and food delivering and beverage services under its various brands across several locations in India. As on March 31, 2024, IEHPL operates 88 restaurants and cafes under the brands, 'Social', 'AntiSocial', 'Smoke House Deli', 'Prithvi café', 'Mocha', among others. The company has also launched several delivery brands like Boss Burger, Del Italia, Hung-Li, Lucknowee and others. The promoter group held 30.4% stake in the company. India Resurgence Fund (India RF) holds the majority stake (62.4%) in the company following the acquisition of shares held by Sensational Eatery Pte Ltd, Singapore. India RF is a joint venture between Piramal Enterprises Limited and Bain Capital Credit.

### Key financial indicators (Provisional)

Consolidated (Ind As)	FY2023*	FY2024*
Operating income	571.5	676.5
PAT	-6.9	-14.6
OPBDIT/OI	15.1%	14.3%
PAT/OI	-1.2%	-2.2%

<b>Total outside liabilities/Tangible net worth (times)</b>	6.6	9.9
<b>Total debt/OPBDIT (times)</b>	3.2	3.7
<b>Interest coverage (times)</b>	3.0	3.2

Source: Company, ICRA Research; \* Provisional numbers, all numbers are as per Ind AS; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

IEHPL transitioned to Ind AS in FY2024. The resultant accounting changes led to the reduction in net worth to Rs. 43 crore as on March 31, 2024 (as per Ind AS; provisional estimates) vis-a-vis Rs. 89.2 crore (as per IGAAP; provisional estimates) as on March 31, 2024.

Total debt and total outside liabilities include lease liabilities of Rs. 236.5 crore as on March 31, 2023 and Rs. 302.8 crore as on March 31, 2024

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

Any other information: None

### Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Date	Rating	FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating
Proposed Term Loans	Long-Term	100.00	Oct 15, 2024	[ICRA]BBB (Stable)	-	-	-	-	-	-
Unallocated Limits	Long-Term/Short-Term	50.00	Oct 15, 2024	[ICRA]BBB (Stable)/[ICRA]A3+	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based - Proposed Term Loans	Simple
Long term / Short term – Unallocated Limits	NA

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	Proposed Term Loans	NA	NA	NA	100.00	[ICRA]BBB (Stable)
NA	Unallocated Limits	NA	NA	NA	50.00	[ICRA]BBB (Stable)/[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

Company Name	Ownership	Consolidation Approach
Dam Good Restaurants Private Limited	100%	Full Consolidation
Epiphany Hospitality Private Limited	100%	Full Consolidation
Zuppa Hospitality Private Limited	100%	Full Consolidation
Holesome Foods Private Limited	100%	Full Consolidation
Aelius Entertainment & Hospitality LLP	51%	Full Consolidation
Social Indore LLP	51%	Full Consolidation
Doon Ghati Hospitality LLP	51%	Full Consolidation
Trios Hospitality LLP	99%	Full Consolidation
Beachbum Restaurants LLP	51%	Full Consolidation

Source: Company Data

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**  
+91 022 61143400  
[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sakshi Suneja**  
+91 22 6169 3349  
[sakshi.suneja@icraindia.com](mailto:sakshi.suneja@icraindia.com)

**Brinda Goradia**  
+91 22 6169 3327  
[brinda.goradia@icraindia.com](mailto:brinda.goradia@icraindia.com)

**Viren Jhunjhunwala**  
+91 9326585462  
[viren.jhunjhunwala@icraindia.com](mailto:viren.jhunjhunwala@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.