

December 17, 2024 ^(Revised)

Eros Resorts and Hotels Private Limited: Long-term rating upgraded to [ICRA]BB+ (Stable); short-term rating reaffirmed, and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	7.50	7.50	[ICRA]BB+ (Stable); Upgraded from [ICRA]BB (Stable)
Long-term – Fund-based – Term Loan	38.50	42.50	[ICRA]BB+ (Stable); Upgraded from [ICRA]BB (Stable)
Long-term/ Short-term Unallocated	4.00	0.0	[ICRA]BB+ (Stable)/ [ICRA] A4+; Long-term upgraded from [ICRA]BB (Stable) and short-term reaffirmed, and withdrawn
Total	50.00	50.00	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade factor in the healthy improvement in Eros Resorts and Hotels Private Limited’s (ERHPL) operating and financial performance, supported by strong demand for leisure and corporate travel, which is expected to sustain, going forward. Support by healthy demand, ERHPL’s revenue per available room (RevPAR) grew YoY by 16.4% in FY2024, translating into increased revenues and operating profit margins. Driven by healthy occupancy, the revenues and profits are expected to increase, going forward. The ratings also positively factor in the long track record of its promoters in the hospitality industry. ICRA also notes that the promoters have regularly infused funds to meet ERHPL’s funding requirements for debt servicing. The ratings also consider the favourable location of the hotel and the presence of a management tie-up with the reputed brand, InterContinental Hotels Group (IHG).

The ratings, however, remain constrained by the company’s continued modest, albeit improving, financial risk profile, primarily owing to the company’s eroded net worth from accumulated losses. The ratings further remain constrained by the single asset nature of ERHPL’s operations, the competitive intensity of the business, and the cyclical nature of revenue generation owing to economic or seasonal cycles.

The Stable outlook reflects ICRA’s expectation that ERHPL will exhibit steady improvement in debt coverage indicators led by sustained robust demand in the hospitality industry and absence of any large debt-funded capital expenditure (capex).

ICRA has also withdrawn the short-term rating as there is no amount outstanding against the said limit and as per ICRA’s policy of withdrawal.

Key rating drivers and their description

Credit strengths

Improved operating metrics supported by healthy demand in the hospitality industry – In FY2024, ERHPL posted 13% YoY revenue growth Rs. 80.1 crore against Rs. 71.1 crore in FY2023. The revenue was supported by continued healthy demand from the corporate and leisure segments. Despite the marginal decline in occupancy in FY2024, the average room rent (ARR)

increased 16% to Rs. 8,648 in FY2024 from Rs. 7,431 in FY2023, which supported the revenue growth of 13% in FY2024. Subsequently, the ARR increased by 6% in H1 FY2025 to Rs. 7,971 against Rs. 7,493 in H1 FY2024. The operating metrics are expected to remain healthy in the near-to-medium-term, given the sustained robust demand scenario and the second half of the year typically being the peak season.

Experienced promoters and management with a long track record in the hospitality industry; Demonstrated track record of funding support from promoters – The promoters have been involved in the hospitality and real estate businesses for more than three decades. Their long experience has helped the company in understanding the industry dynamics and establishing strong relationships with key service providers. The promoter group also owns a hotel property, Hotel Eros, in Nehru Place, New Delhi. The promoters have consistently supported the company by infusing funds over the years in the form of unsecured loans, convertible debentures, and preference shares. As on March 31, 2024, around 63% of the total debt comprised the promoters' unsecured loans and convertible debentures (interest free), which do not carry any repayment schedule.

Association with international hospitality chain and favourable location support guest footfalls – The company benefits from its management partnership with a leading global chain, IHG, which provides the brand, Crowne Plaza, for the hotel property, resulting in enhanced visibility. While the hotel has a favourable location, the association with IHG enables the five-star property to attract corporate customers from the nearby commercial hubs in Noida and Greater Noida, thus providing healthy occupancies and better pricing.

Credit challenges

High geographical and asset concentration risks – ERHPL's revenues are susceptible to adverse market conditions as its operations are limited to a single location (East Delhi) and a single asset. The hospitality industry is typically susceptible to a wide range of adverse market conditions like demand-supply dynamics, the health of the tourism industry, foreign tourist arrivals, etc. In addition, the company faces stiff competition from other five-star hotels in its vicinity, which compete for both corporate and leisure guests.

Moderate financial risk profile; low net worth – The company's net worth has been low, only starting to turn positive since it turned profitable in FY2023. However, it remains very modest. The coverage metrics improved with interest coverage of 2.7 times (2.2 time in FY2022) and DSCR of 1.6 times (1.3 time in FY2023) in FY2024. ICRA notes that the funds from promoters, in the form compulsorily convertible debentures, do not bear any fixed interest or repayment schedule, while the unsecured loans do not have any scheduled repayment.

Exposure to the competitive intensity of the business and the cyclical nature of revenue generation owing to economic or seasonal cycles – ERHPL is a modest player in the Indian hospitality industry with revenues of Rs. 80.1 crore in FY2024 and an inventory of 160 keys as on March 31, 2024. Akin to other players in the industry, the company is exposed to industry cyclicity/seasonality, macro-economic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc).

Liquidity position: Adequate

ERHPL's liquidity position is adequate with expected improvement in operating cash flows in FY2025; although it has substantial debt repayments of Rs. 13.98 crore in FY2025 and Rs. 13.45 crore in FY2026. ERHPL has a sanctioned working capital OD limit of Rs. 7.5 crore, whose utilisation stood at 64% in the last 12-month period ending in September 2024. Moreover, ERHPL has a modest cash and bank balance of Rs. 1.47 crore (as on March 31, 2024). The company has capex plans for building 14 additional rooms and a banquet hall, for which ~Rs. 12 crore will be incurred in FY2025, to be funded by a Rs. 7-crore term loan and the rest via internal accruals.

Rating sensitivities

Positive factors – Sustained improvement in earnings and/or infusion of equity leading to material strengthening of the network and improvement in coverage metrics, could be a trigger for a rating upgrade.

Negative factors – Any significant decline in operating metrics or any major debt-funded capital expenditure resulting in deterioration of debt coverage indicators, such as DSCR less than 1.25 times on a sustained basis, could trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Entities in Hotel Industry Corporate Credit Rating Methodology Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

ERHPL is promoted by the erstwhile Eros Group, a Delhi-based Group promoted by Mr. Satish Sood and family, who also own other commercial properties across New Delhi. ERHPL is a closely held company with its entire share capital held by the directors, their families, and the Group entities. It owns a premium five-star hotel property in Mayur Vihar, Delhi, under the brand name, Crowne Plaza. The hotel has been operational since October 2011 and has a management contract with IHG. The hotel is a five-star property with 160 rooms, and facilities that include a restaurant, a banquet hall and six meeting rooms. The management plans to add new rooms and another restaurant.

Key financial indicators (audited)

ERHPL standalone	FY2023	FY2024
Operating income	71.1	80.1
PAT	22.1	10.7
OPBDIT/OI	36.0%	37.7%
PAT/OI	31.1%	13.4%
Total outside liabilities/Tangible net worth (times)	(23.4)	226.8
Total debt/OPBDIT (times)	8.4	6.9
Interest coverage (times)	2.2	2.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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 (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Dec 17, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	42.50	[ICRA]BB+ (Stable)	-	-	26-Oct-23	[ICRA]BB (Stable)	20-Mar-23	[ICRA]BB- (Stable)	18-Jan-22	[ICRA]B+ (Stable)
Cash Credit	Long-term	7.50	[ICRA]BB+ (Stable)	-	-	26-Oct-23	[ICRA]BB (Stable)	20-Mar-23	[ICRA]BB- (Stable)	18-Jan-22	[ICRA]B+ (Stable)
Unallocated*	Long-term / Short-term	0.0	[ICRA]BB+ (Stable)/ [ICRA] A4+	-	-	26-Oct-23	[ICRA]BB (Stable)/ [ICRA] A4+	20-Mar-23	[ICRA]BB- (Stable)/ [ICRA] A4	18-Jan-22	[ICRA]B+ (Stable)/ [ICRA] A4

* Long term Upgraded, and short term reaffirmed, and withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term fund-based – Cash Credit	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	Cash Credit	NA	NA	NA	7.50	[ICRA]BB+ (Stable)
NA	Term Loans	FY2018	-	FY2028	42.50	[ICRA]BB+ (Stable)
NA	Unallocated*	NA	NA	NA	0.0	[ICRA]BB+ (Stable)/ [ICRA] A4+

Source: Company * Long term Upgraded, and short term reaffirmed, and withdrawn

Annexure II: List of entities considered for consolidated analysis – Not applicable
Corrigendum

Rationale dated December 17,2024 has been corrected with revision as detailed below:

Changes have been made in the rationale (page no. 1) – Following has been added – “ICRA has also withdrawn the short-term rating as there in no amount outstanding against the said limit and as per ICRA’s policy of withdrawal.”

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