

June 30, 2022

JOP Hotels Limited: Rating reaffirmed; outlook revised to Stable from Negative; Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loans	35.0	42.87	[ICRA]BBB- (Stable); reaffirmed and outlook revised to Stable from Negative
Total	35.0	42.87	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation and revision in outlook factor in the likely improvement in the operational metrics of the Group's hotel properties owing to the waning impact of the Covid-19 pandemic and timely funding support from the Bestech Group's real estate business, whose flagship company is Bestech India Private Limited (rated [ICRA]BBB+ (Stable)/A2).

The rating reaffirmation continues to favourably consider the extensive experience of the promoters in the hospitality and real estate industries, with a demonstrated track record of providing support to all the Group entities as and when required. The Group's asset base of existing properties and land bank, together with cash flows from the real estate business provide financial flexibility and funding options. ICRA notes the successful track record of JOP Hotels Limited's (JOP) single operating hotel property. The company has a tie-up with the Radisson Group, a well-known international hospitality group, and benefit from its global branding, marketing and advertising networks. The Group operates in the hospitality business through its subsidiaries across four properties with a total of 656 inventories.

The rating is, however, constrained by the elevated leverage of the Group's hospitality business leading to sizeable debt repayment obligations and modest debt protection metrics over the medium term. Any slowdown in the operations will expose the Group to heightened debt refinancing risk. Nonetheless, ICRA takes note of the proposed funding support from the Group's real estate division, which will meet the expected shortfalls (for high debt obligations or for the expansion). The rating also remains constrained by the exposure to the risks associated with a single property and the stiff competition in the Delhi–National Capital Region (NCR) hospitality sector. Further, most of the property's revenues are from corporate clients, leading to high exposure to business cycles.

The Stable outlook on the [ICRA]BBB- rating also reflects ICRA's opinion that the Group will continue to benefit from its experienced promoters, established track record in the hospitality industry and presence in diversified sectors, including the real estate business.

Key rating drivers and their description

Credit strengths

Successful track record of operations of the hotel – JOP has a demonstrated track record of successful operations at its single hotel property, i.e. Radisson in Noida (88 keys), which has a dominant market share in the upscale hospitality segment in the micro market. The property is at a mature stage, having been operational for more than thirteen years, and registered steady improvements in revenue per available rooms (RevPAR) over the years till FY2020. The operational performance witnessed recovery in FY2022, after the impact of the pandemic in FY2021, however remained short of pre-pandemic level.

Tie-up with Radisson Group – The company has a tie-up with the Radisson Group, a well-known international hospitality group. As a result, the assets are benefitted from the Group's global branding, marketing and advertising networks.

Experienced promoters with demonstrated track record of providing financial support – The ratings consider the extensive experience of the promoters in the hospitality industry, with a demonstrated track record of providing financial support as required. The Group’s asset base of existing properties and land banks, together with cash flows from the real estate business provide financial flexibility and funding options.

Credit challenges

Elevated leverage and modest debt coverage indicators – The consolidated debt of the Group’s hospitality business is elevated, with external debt (outstanding) worth Rs. 268 crore as on March 31, 2022 against Rs. 237 crore as on March 31, 2021. With sizeable medium-term debt obligations, any slowdown in operations will expose the Group to heightened debt refinancing risk. Further, the elevated leverage and sizeable debt obligations resulted in moderate debt coverage indicators for BHPL and its subsidiaries. Nonetheless, ICRA expects adequate and timely funding support from the Group’s real estate entities, as seen in the past.

Performance affected by pandemic; sustained recovery remains to be seen – The covid-19 pandemic has adversely impacted JOP’s revenues in FY2021 and FY2022. Despite a significant improvement in its scale in FY2022, driven by a sharp recovery post the second wave with easing of restrictions and improved vaccination coverage, the revenues remained lower than the pre-Covid level primarily owing to the heightened impact of the pandemic in Q1 FY2022. Going forward, a sustained recovery in operations will remain a key rating monitorable.

Exposure to risks associated with single property and high dependence on corporate clientele – Being the company’s only hotel property, its presence in a single micro market exposes the hotel to any adversities in the particular market. Additionally, JOP faces stiff competition from nearby hotels like Radisson Blu MBD (Sector 18, Noida), Radisson Blu (Sector 14, Ghaziabad), Park Inn (Delhi), and Lemon Tree (Delhi), among others. Moreover, given the favourable location of hotel in proximity to key commercial areas of Noida, the largest share of the revenues come from business travellers. This leads to high dependence on corporate clients, exposing the property to business cycles.

Liquidity position: Adequate

JOP’s liquidity is adequate, supported by the cash and equivalents of Rs. 3.5 crore as on March 31, 2022. The elevated debt obligations and capex plans in BHPL and its subsidiaries in the medium term are expected to be met by the timely funding support from the Group’s real estate business, as seen in the past. Additionally, the liquidity will be supported by the likely improvement in operational cash flows going forward due to the waning impact of the pandemic.

Rating sensitivities

Positive factors: A sustained improvement in operational metrics and profitability in the operational projects, leading to significant enhancement in liquidity and debt protection metrics, could be a trigger for a rating upgrade.

Negative factors: Negative pressure on JOP’s rating could arise due to sustained pressure on its earnings and profitability, leading to weakening in its debt coverage indicators and liquidity position. Any delay in expected support by the promoter group or from the Group’s real estate business, will put pressure on the credit rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology-Hotels Rating Approach - Consolidation
Parent/Group Support	The ratings factor in the high likelihood of financial support from the Group’s real estate operations, as demonstrated in the past and based on the management guidance.

Consolidation/Standalone	For arriving at the ratings, ICRA has considered the Group's hospitality entities for consolidated analysis: BHPL, JOP Hotels Limited, Bestech Hotels Private Limited, Bestech Hotels and Resorts Private Limited, Babylon Buildwell Private Limited) and has also done limited consolidation of the hospitality business with the Group's real estate entities (Bestech India Private Limited and Globus Projects Private Limited), given the significant inter-Group transactions and common promoter Group
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About the company

JOP Hotels Limited (JOP) is part of the Bestech Group, which was founded by Mr. Dharmendra Bhandari and Mr. Sunil Satija in the early 1990s. The Group started as a construction contractor and has been in the construction business for over two decades. It has constructed over 16 msf of space for various real estate projects, including several residential and commercial projects in the National Capital Region (NCR) for developers like Unitech, MGF, etc. In 2001, the Group diversified into real estate business and incorporated BIPL. Over the years, the Bestech Group has developed more than 16 msf of residential and commercial projects in Gurgaon, Mohali and Dharuhera.. In 2002, the Bestech Group diversified into hospitality sector and incorporated BHPL. ICRA notes that BHPL has completed four hotels, namely Park Plaza Gurgaon, Radisson Suites Gurgaon, Radisson Blu Indore and Radisson Blu Nagpur. JOP, one of BHPL's subsidiaries, remains the holding and operating entity for the Group's Radisson Hotel (earlier Park Plaza hotel) in Sector 55, Noida. It is an 88-room hotel that commenced operations in November 2008.

Key financial indicators – BHPL consolidated

BHPL consolidated	FY2020	FY2021
	Audited	Audited
Operating Income (Rs. crore)	138.1	37.5
PAT (Rs. crore)	0.4	-22.1
OPBDIT/OI (%)	22.6%	8.3%
PAT/ OI (%)	0.3%	-59.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.8	2.6
Total Debt/OPBDIT (times)	9.0	105.5
Interest Coverage (times)	1.4	0.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Key financial indicators – JOP standalone

JOP standalone	FY2020	FY2021	FY2022
	Audited	Audited	Provisional
Operating Income (Rs. crore)	33.69	7.20	20.66
PAT (Rs. crore)	1.40	-4.15	1.29
OPBDIT/OI (%)	17.9%	-4.75%	24.79%
PAT/ OI (%)	4.2%	-57.68%	6.22%
Total Outside Liabilities/Tangible Net Worth (times)	2.62	4.12	3.84
Total Debt/OPBDIT (times)	5.38	-109.08	7.80
Interest Coverage (times)	2.10	-0.10	1.50

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 (FY2023)		Chronology of Rating History for the Past 3 Years					
				Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
		Type	Amount Rated (Rs. crore)				Mar 19, 2021	Apr 17, 2020	
1	Term loans	Long Term	42.87	39.6	[ICRA]BBB- (Stable)	-	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)

* as per the management

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund-based-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: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based-Term loan-1	FY2020	-	FY2033	21.85	[ICRA]BBB- (Stable)
NA	Long-term – Fund-based-Term loan-2	FY2020	-	FY2030	8.43	[ICRA]BBB- (Stable)
NA	Long-term – Fund-based-Term loan-3	FY2021	-	FY2025	6.30	[ICRA]BBB- (Stable)
NA	Long-term – Fund-based-Term loan-4	FY2022	-	FY2026	6.30	[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:

Company Name	BHPL Ownership	Consolidation Approach
Bestech Hospitalities Private Limited	-	Full Consolidation
JOP Hotels Limited	51%	Full Consolidation
Babylon Buildwell Private Limited	100%	Full Consolidation
Bestech Hotels and Resorts Private Limited	74%	Full Consolidation
Bestech Hotels Private Limited	74%	Full Consolidation
Bestech India Private Limited	-	Limited Consolidated
Globus Projects Private Limited	-	Limited Consolidated

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