

May 30, 2023

SRP Prosperita Hotel Ventures Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based -Term loans	109.4	82.0	[ICRA]BBB (Stable); reaffirmed
Long-term fund based – Cash credit	8.0	8.0	[ICRA]BBB (Stable); reaffirmed
Total	117.4	90.0	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the rating draws 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+) and ICRA's expectations that BHVL will provide timely funding support to meet any operational and financial cash flow deficits, given the strong financial linkages, strategic importance to parent and parent's sensitivity to default. The Brigade Group has an established presence in the hospitality segment with 1,474 operational keys spread across eight hotels and another 139 keys is an under-development hotel. 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. The rating takes into account the improvement in operational performance of hotels in FY2023 with demand stemming from pick up in business travel and MICE (Meeting, Incentives, Conferences and Exhibitions), resulting in an increased occupancy at around 84% in FY2023 (59% in FY2022) and ARR by 69% to ~Rs. 5200. Consequently, the company's operating income has increased by 14% to Rs 47.14 crore in FY2023 in comparison to pre-Covid levels in FY2020 and will continue to be healthy in FY2024.

The rating is, however, constrained by the high leverage and moderate debt coverage metrics. The company's total debt outstanding is Rs. 83.89 crore as of March 2023 (Rs. 101.71 crore as of March 2022). The Total Debt/OPBDITA was 5.5 times in FY2023 and estimated to be 4.6 times in FY2024. Despite the improvement in operating performance, the company's debt coverage indicators remain moderate with DSCR below 1 times in FY2024, due to high leverage and significant scheduled repayments. Further, given the discretionary nature of spending, the hospitality industry is susceptible to macroeconomic conditions and several exogenous factors, which leads to inherent cyclicity in the sector.

The Stable outlook represents ICRA's expectations that SPHVL's credit profile will continue to benefit from BHVL's support as well as the Group's track record in the sector.

Key rating drivers and their description

Credit strengths

Strong promoter profile with long track record in real estate business – 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. On a standalone basis, SPHVL has one operational hotel with 202 keys in Chennai, while BHVL has seven

operational hotels, with 1,272 keys across Bengaluru, Mysore, Kochi and Gujarat and one under-construction hotel with 139 keys in Mysore.

Track record of financial support extended by both BHVL and BEL in the past – BEL, the ultimate parent company, has extended financial support in the form of compulsorily convertible preference shares (CCPS) and inter-corporate deposits in the past and BHVL has demonstrated funding support to SPHVL in FY2020 and FY2021 in the form of non-convertible debentures. The funding support from the parent remained minimal in the last two fiscals, as the company had been sanctioned term loan under the ECLGS scheme. Nevertheless, 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.

Attractive location and tie-up with established hotel operator – The hotel is on Old Mahabalipuram Road (OMR) in Chennai. Given its proximity to various office parks and corporate offices on the OMR, the hotel's long-term demand prospects are favourable. SPHVL has signed a management contract with the InterContinental Hotels Group (IHG) for operating the hotel under the Holiday Inn brand.

Credit challenges

High leverage and modest debt coverage indicators – The Total Debt/ OPBDITA is 5.5 times in FY2023 and estimated to be 4.6 times in FY2024. Despite the improvement in operating performance, the company's debt coverage indicators remain moderate with DSCR below 1 times in FY2024 due to high leverage and significant scheduled repayments.

Dependence on parent for funding support – Despite the improvement in operational performance, the company's operating cash flows are expected to remain low in comparison to the sizeable debt servicing obligations over the next two fiscals. Consequently, it will continue to be dependent on the parent to bridge any shortfall.

Cyclical industry – Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movements and several exogenous factors, leading to inherent cyclicity. As such, global and domestic economic conditions will remain key monitorables for SPHVL, as part of the industry.

Liquidity position: Adequate

The company's liquidity position is adequate, aided by the undrawn working capital limits of Rs 5.3 crore as on March 31, 2023. The company's total debt repayment obligation is around Rs. 20 crore in FY2024, which is expected to be funded partly by cash flows from operations and shortfall if any is expected to be from parent support.

Rating sensitivities

Positive factors – ICRA could upgrade SRP's rating, if the company demonstrates any sustained improvement in its occupancy level and ARR over the medium term, leading to improvement in leverage and debt coverage ratios. Rating will be sensitive to the credit profile of the parent company, BHVL.

Negative factors – Pressure on SRP's rating could arise, if there is slower-than-anticipated improvement in operating and financial metrics leading to deterioration of debt servicing indicators and liquidity position, or if there is any weakening in the credit profile, financial support or linkages with its parent, BHVL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Hotel Industry Rating approach - Implicit parent or group support
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 around 50% 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 Holiday Inn brand on Old Mahabalipuram Road (OMR), which became operational in June 2017.

Key financial indicators (Audited)

Standalone	FY2022	FY2023*
Operating income	20.8	47.1
PAT	-12.5	1.5
OPBDIT/OI	15.5%	33.5%
PAT/OI	-59.9%	3.2%
Total outside liabilities/Tangible net worth (times)	2.7	2.1
Total debt/OPBDIT (times)	32.67	5.55
Interest coverage (times)	0.4	1.6

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				May 30, 2023	-	Feb 18, 2022	Jan 6, 2021	May 18, 2020
1 Term loans	Long term	82.0	81.2	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2 Cash Credit	Long term	8.0	2.4	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[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

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	FY2017-18	-	FY2025-28	82.0	[ICRA]BBB (Stable)
NA	Cash Credit	NA	NA	NA	8.0	[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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Branches



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