

June 04, 2024

## Nehru Place Hotels and Real Estates Pvt. Ltd.: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term loan	60.00	60.00	[ICRA] A+ (Stable); reaffirmed
Cash credit	200.00	200.00	[ICRA] A+ (Stable); reaffirmed
<b>Total</b>	<b>260.00</b>	<b>260.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation of Nehru Place Hotels and Real Estate Pvt. Ltd. (NPHREPL) factors in the strong occupancy levels of its commercial offices, ramp up in hotel operations and comfortable debt protection metrics. NPHREPL's commercial assets, Eros Corporate Tower in Delhi and Eros City Centre in Gurgaon, are favourably located with an occupancy of 97% and 100% respectively as on February 2024. The properties are occupied with reputed tenants mitigating the counterparty credit risk to a large extent. The company's sole hotel property operates under Hyatt Centric brand in Chandigarh and has witnessed an increase in occupancy to 65% in FY2024 (PY: 50%) and ARR by 6-7% driven by the strong brand name along with the increase in the domestic demand environment. NPHREPL's operating revenues grew by ~4% in FY2024 and are likely to increase by 6-7% in FY2025. The company's total debt levels remained low at Rs. 44.9 crore as of March 2024 (PY: Rs. 61.8 crore), consequently, the leverage, Total Debt/Net Operating Income (NOI) improved to 1.30 times as of March 2024 (PY: 1.9 times). Further, the company's debt coverage metrics remains comfortable with a DSCR of 2.70 times in FY2024 and 2.50-3.50 times in FY2025-FY2026.

The rating is, however, constrained by the modest scale of operations with a total leasable area of about 2.13 lac sqft and estimated rentals of Rs. 62 crore in FY2024 along with the asset concentration risks, given that over 90% of NPHREPL's current rentals are derived from its single commercial project. The company is looking for inorganic expansion with an overall outlay of Rs. 150 crore in FY2025-FY2026, partly funded by debt. However, the debt protection metrics are expected to remain comfortable with the overall debt levels expected to remain low along with healthy operating profits. The company has provided loan and advances to group entities in the past; any further material investments or inter-Group transactions, which significantly impacts its leverage or liquidity will remain key rating monitorable. In addition, being a cyclical industry, the hotel industry is susceptible to macroeconomic conditions and several exogenous factors given the discretionary nature of spending along with the vulnerability in the debt coverage metrics arising on account of the changes in the occupancy and the interest rate risks.

The stable outlook on long-term rating reflects ICRA's expectation that the company will sustain the strong occupancy of its commercial projects, improve occupancy of its hotel property and maintain comfortable debt protection metrics.

### Key rating drivers and their description

#### Credit strengths

**Comfortable debt protection metrics** – The debt protection metrics of the company are healthy, with total debt declining to Rs. 44.9 crore as of March 2024 (PY: Rs. 61.8 crore), consequently, the leverage, Total Debt/Net Operating Income (NOI) improved to 1.30 times as of March 2024 (PY: 1.9 times). Further, the company's debt coverage metrics remains comfortable with a DSCR of 2.70 times in FY2024 and expected to remain in the range of 2.50-3.50 times in FY2025-FY2026.

**Favourable location and strong occupancy of office assets** – ECT has 2.01 lakh sqft of leasable area and is favourably located in Nehru Place, one of the key commercial hubs of Delhi. It enables the company to have a reputed tenant profile and

maintaining healthy occupancies of 97% as of February 2024. The asset is expected to generate healthy inflows over medium term on the back of favorable location and high lease rentals (average rental of Rs 208 per sqft per month). Further, the occupancy of Eros City Centre in Gurgaon is 100% as of February 2024. The company's sole hotel property operates under Hyatt Centric brand in Chandigarh and has witnessed an increase in occupancy to 65% in FY2024 (PY: 50%) and ARR by 6-7% driven by the strong brand name along with the increase in the domestic demand environment.

**Reputed tenant profile** – The commercial properties (Eros Corporate Tower and Eros City Centre) have reputed tenants such as HDFC Ergo, Bank of Bahrain and Kuwait, Barclays Bank, Axis Bank, Cultfit, Japan External Trade Organization etc., which mitigates counter party risks to a large extent. The top 5 tenants contribute 29% of the total revenue resulting in moderate tenant concentration risk.

### Credit challenges

**Modest scale of operations** – The company has a modest scale of operations with a total leasable area of 2.13 lac sqft with revenue of Rs 60.6 crore in FY2023 and estimated rentals of Rs. 62 crore in FY2024 along with the asset concentration risks, given that over 90% of NPHREPL's current rentals are derived from its single commercial project.

**Advances/investment in group companies** – The company has provided loan and advances to group entities in the past; any further material investments or inter-Group transactions, which significantly impacts its leverage or liquidity will remain key rating monitorable. The company is looking for inorganic expansion with an overall outlay of Rs. 150 crore in FY2025-FY2026, partly funded by debt. However, the debt protection metrics are expected to remain comfortable with the overall debt levels expected to remain low along with healthy operating profits.

**Vulnerability of company's operations to cyclical nature** – Given the discretionary nature of spending, the rating considers the cyclical nature of the hospitality industry, with revenue generation exposed to seasonality, exogenous shocks and to overall macro-economic performance.

### Liquidity position: Adequate

The company's liquidity profile is adequate, supported by free cash and bank balance of Rs 45 crore along with undrawn bank lines of Rs 200 crore as of March 2024. The debt repayments of Rs. 20.4 crore in FY2025 can be comfortably met from the cash flow from operations. The company has acquisition plans of Rs 150 crore in FY2025-2026 which will be partly funded through debt and through internal accruals.

### Rating sensitivities

**Positive factors** – The rating could be upgraded in case of significant scale up in the revenues and diversification of the asset portfolio while maintaining strong debt protection metrics and improvement in liquidity position.

**Negative factors** – The rating may be revised in case of a significant reduction in leasing revenues, or in case of lower-than-expected accruals in the hotel operations leading to deterioration in the debt protection metrics. Also, any further debt funded acquisition leading to deterioration in the leverage, liquidity, or debt protection metrics will remain a key rating monitorable. Specific credit metric for downgrade includes 5-year average DSCR below 1.5 times and Gross debt/NOI above 3.5 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty – Lease Rental Discounting (LRD)</a> <a href="#">Rating Methodology – Hotels</a>
Parent/Group support	Not applicable

Analytical Approach	Comments
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the cash flows for NPHREPL and James Hotel Limited given the strong managerial and financial linkages between the two entities.

## About the company

Nehru Place Hotels & Real Estate Private Limited (NPHREPL) is a part of the Delhi-based Eros Group promoted by Mr. Ajay Sood and Mr. Raman Sood. Other key entities in the Group include Hotel Excelsior Ltd. (rated [ICRA]A+ (Stable)) and Ajay Enterprises Private Ltd. (rated [ICRA]BBB+ (Stable)/[ICRA]A3+).

NPHREPL owns a commercial property Eros Corporate Tower (ECT), which is located in Nehru Place, a major commercial hub of Delhi. The total leasable area of ECT is 2,01,094 sqft and it has reputed tenants such as Barclays Bank, Axis Bank, Japan External Trade Organisation. The property includes a parking lot with capacity for 1,002 cars. In FY2019, NPHREPL purchased around 12,400 sqft of fully-leased commercial area in Eros City Centre (Gurgaon, Haryana), a development being undertaken by a Group company, Ajay Enterprises Private Limited. The property is 100% leased out as on date. In 2020, the company further acquired James Hotel Limited in Chandigarh under IBC proceedings and the hotel has started operations in September 2022 post renovation. The hotel has 145 rooms and the branding and management rights have been awarded to Hyatt Centric with occupancy of 65% in FY2024.

## Key financial indicators (audited)

NPHREPL Standalone	FY2022	FY2023
Operating income	55.6	60.6
PAT	25.0	58.6
OPBDIT/OI	69%	60.5%
PAT/OI	45%	96.7%
Total outside liabilities/Tangible net worth (times)	0.43	0.28
Total debt/OPBDIT (times)	2.70	1.76
Interest coverage (times)	5.31	3.25

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBDIT;

Source: Company annual reports, ICRA Research.

## Status of non-cooperation with previous CRA: None

## Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)* as on March 31, 2024	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
					June 04, 2024	May 23, 2023	April 29, 2022	May 25, 2021	
1	Fund-based – Term loan	Long term	60.00	44.90	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	
2	Cash credit	Long term	200.00	0.00	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
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	Fund-based – Term loan	Feb-20	9.4%	FY2034	60.00	[ICRA] A+ (Stable)
NA	Cash credit	Feb-20	9.4%	FY2034	200.00	[ICRA] A+ (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

Company Name	NPHREPL Ownership	Consolidation Approach
James Hotel Limited	100%	Full Consolidation

Source: Company

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