

November 29, 2024

## IHHR Hospitality Private 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	186.16	186.16	[ICRA]BBB+(Stable); reaffirmed
Long term – Unallocated limits	11.12	11.12	[ICRA]BBB+(Stable); reaffirmed
<b>Total</b>	<b>197.28</b>	<b>197.28</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has revised its analytical approach for rating the entity. Earlier, ICRA took a consolidated view of IHHR Hospitality Private Limited (IHHR), its subsidiary, IHHR Hospitality (Andhra) Pvt. Ltd. (IHHR Andhra), and its sister concern, IHHR Hospitality Ananda Private Limited (IHHR Ananda) while assigning the credit ratings, given the common management, significant operational and financial linkages among the entities. Over the past one year, the linkages between IHHR and IHHR Ananda have reduced, and there are no material operational and financial linkages between the two entities. The corporate guarantee extended by IHHR Ananda for IHHR's debt facilities have also been withdrawn post refinancing of debt. ICRA understands that both IHHR and IHHR Ananda are being managed independently, and there is unlikely to be any material extension of support between the entities. Accordingly, ICRA now takes only a consolidated view of IHHR and IHHR Andhra (its subsidiary), given the common management, significant operational and financial linkages between the entities.

The reaffirmation in the rating of IHHR and IHHR Andhra factors in the healthy operational performance of IHHR's portfolio over the past one year and an expectation of continuation of the performance over the near-to-medium term, aided by a favourable demand outlook for the hospitality industry. IHHR's portfolio reported a moderate pick-up in the operating metrics, with the occupancy levels rising to 74% in FY2024 from 71% (at an overall portfolio level) in FY2023. The average room rates (ARRs) have also been improving on a month-on-month basis, averaging at ~Rs. 7,828 in FY2024 and ~Rs. 8,061 in 7M FY2025 from Rs. 7,268 of FY2023. The company reported provisional revenues of ~Rs. 145 crore in 7M FY2025 and with the holiday season approaching, the revenues are expected to exceed FY2024. The company's OPM stood at 28% in FY2024, moderating from 31% in FY2023 owing to increase in employee expenses and general maintenance. Nonetheless, the OPM remain at healthy levels.

The rating continues to factor in the extensive experience of IHHR's promoters in the hospitality industry and their demonstrated support in meeting funding requirements, IHHR's geographically diversified and favourably located portfolio as well as operations under well-recognised brands, and management tie-ups with the reputed hospitality service provider, Hyatt International.

The rating remains constrained by the inherent cyclicity and seasonality in the hospitality industry, which exposes IHHR's revenues to risks associated with economic slowdown and exogenous shocks (though the same is partially mitigated by its geographically diversified portfolio). ICRA also notes that IHHR's repayment obligations have reduced from Rs. 45-50 crore per annum to Rs. 25-27 crore per annum for the next three years due to refinancing of term loans, which will positively impact the cash accruals and debt coverage metrics, going forward. The total debt/OPBDITA, interest cover and DSCR remained modest at 3.8 times, 2.3 times and 0.9 times, respectively, in FY2024. Stable profitability coupled with a scheduled reduction in debt is expected to improve the debt coverage ratios, going forward. ICRA also expects the promoters to continue to provide need-based and timely support to IHHR to meet any operational funding mismatch (if required) and limit significant impact on the leverage ratios.

Notwithstanding the above, the rating remains constrained by the inherent cyclicity and seasonality in the hospitality industry, which exposes IHHR's revenues to the risks associated with economic slowdown and exogenous shocks (though the same is partially mitigated by its geographically diversified portfolio).

The Stable outlook on the long-term rating reflects ICRA's belief that IHHR, with its geographically spread portfolio, renowned brand and experienced promoters, is expected to continue to benefit from the anticipated healthy demand in the hotel industry, helping the entity maintain healthy operating metrics across its portfolio and record a gradual improvement in debt coverage metrics.

## Key rating drivers and their description

### Credit strengths

**Comfortable capital structure aided by demonstrated funding support from promoters** – IHHR has a comfortable capital structure, as reflected in gearing of 1.0 times as on March 31, 2024 (IHHR consolidated). This has been aided by demonstrated funding support from the promoters over the years. During FY2013-FY2017, the promoters extended sizeable funding support of over Rs. 300 crore through equity infusion and unsecured debt to enable prepayment of external debt and support operations, while the hotels were in the stabilisation phase. In FY2023, the promoters infused incremental funds of Rs. 31.25 crore in the form of preference shares while in FY2024 they infused about Rs. 8.2 crore in the form of unsecured loans to support the company's cash flows and debt repayments. ICRA expects the promoters to continue to provide need-based and timely support to IHHR to meet any operational funding mismatch and limit significant impact on the leverage ratios.

**Healthy geographical diversification; strong brand recognition of Hyatt in domestic and international markets** – IHHR's four properties are managed by the Hyatt Group under its well-established upper-upscale brands. These hotels benefit from Hyatt's global distribution, strong loyalty programmes and corporate relationships, allowing them to have better rates and occupancies. Further, IHHR benefits from healthy geographical diversification as the four properties are in business-centric and favourable tourist locations.

**Experienced promoters with established track record in hospitality industry in India and select international markets** – IHHR was established by Mr. Gautam Khanna and his son, Mr. Ashok Khanna, who have over five decades of experience in the hospitality industry through their association with Oberoi and Indus Hotels. IHHR's shareholder have interests in hospitality, aviation, financial services, real estate, and utilities businesses. In the hospitality sector, the promoters owns a portfolio of ~32 properties (including the IHHR properties) across various geographies, such as India, the UK, the US, Switzerland and Mauritius, through Shanti Hospitality Private Limited.

### Credit challenges

**Exposed to industry cyclicity, general economic slowdown, and exogenous shocks** – Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movement and several exogenous factors (such as geopolitical crisis, terrorist attacks, disease outbreaks etc.), leading to inherent cyclicity. In addition, several non-metro markets face seasonality in guest traffic. As the impact varies across the markets, the risk to revenues is partially mitigated by IHHR's geographically diversified portfolio.

**Sizeable repayments constrain debt coverage metrics; coverage metrics gradually improving, aided by increase in profitability** – As on March 31, 2024, the total external debt on IHHR's books stood at ~Rs. 255 crore (previous year [PY]: Rs. 266 crore) along with ~Rs. 17 crore of promoter debt (debt portion of preference shares and unsecured loans). The company's debt coverage metrics and capital ratios, which remained modest, started improving from FY2024 and are expected to continue to improve in FY2025 as well. The company reported TD/OPBDITA, Interest cover and DSCR of 3.8 times, 2.3 times and 0.9 times, respectively in FY2024. With reduction in repayment obligations due to refinancing of term loans, the overall debt coverage metrics are expected to improve on a yearly basis. With a dynamic demand environment and ballooning debt repayments, timely fund infusion from the promoters to support any cash flow mismatch, would remain a key monitorable.

## Liquidity position: Adequate

IHHR's liquidity is expected to remain **adequate**, supported by comfortable cash flows from operations and sizeable free cash balances of Rs. 25-30 crore as of September 30, 2024. Against the same, it has interest and repayment obligations of Rs. 25-30 crore in H2 FY2025, while capex commitments are likely to remain low. ICRA expects the promoter's commitment to infuse timely equity funds (if required) will support liquidity, going forward as well.

## Rating sensitivities

**Positive factors** – A sustained increase in operational metrics and profitability indicators, leading to a material improvement in leverage and coverage metrics along with liquidity profile, could be a trigger for an improvement in the rating. Specific metric for rating upgrade includes DSCR above 1.8 times on a sustained basis.

**Negative factors** – Pressure on the rating could arise from significant weakening in the company's operating metrics or any large unforeseen debt-funded capex, leading to a moderation in debt coverage indicators and/ or a deterioration in the liquidity position. Timely financial support from the promoters will also remain a key monitorable.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Hotels</a>
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of IHHR and IHHR Andhra (its subsidiary) for arriving at the rating, ICRA has considered consolidated financials of IHHR Hospitality Private Limited. The list of entities consolidated for analysis is enlisted in Annexure-2.

## About the company

Incorporated in 1998, IHHR owns and operates four 5-star hotels in India, at the consolidated level. These hotels are managed by Hyatt Hotels Corp. under its premium and luxury brands, including 'Hyatt', 'Hyatt Regency' and 'Hyatt Centric'. The properties are in the prime cities of Bangalore, Pune, Amritsar and Hyderabad, with an aggregate inventory of 766 keys.

IHHR commenced operations by launching a 78-room destination spa – Ananda in the Himalayas (Ananda) – near Dehradun (Uttarakhand) in 2000. In November 2019, the company received National Company Law Tribunal (NCLT) approval on the scheme of demerger of the Ananda property from IHHR Hospitality and its merger into IHHR Hospitality Ananda Private Limited (IHHR Ananda, an erstwhile subsidiary company). The company was demerged w.e.f. April 1, 2018, and is now a sister concern of IHHR.

## Key financial indicators (Audited)

IHHR Consolidated	FY2023	FY2024
Operating income	237.2	258.1
PAT	30.0	16.6
OPBDIT/OI	31.4%	27.9%
PAT/OI	12.7%	6.4%
Total outside liabilities/Tangible net worth (times)	1.0	1.0
Total debt/OPBDIT (times)	3.7	3.8
Interest coverage (times)	1.9	2.3

Source: Company's annual reports, 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	Type	Amount Rated (Rs. crore)	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025				FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	186.16	Nov 29, 2024	[ICRA]BBB+ (Stable)	Jul 01, 2024	[ICRA]BBB+ (Stable)	Aug 30, 2023	[ICRA]BBB+ (Stable)	May 13, 2022	[ICRA]BBB- (Stable)	Jun 01, 2021	[ICRA]BBB- (Negative)
Unallocated	Long-term	11.12	Nov 29, 2024	[ICRA]BBB+ (Stable)	Jul 01, 2024	[ICRA]BBB+ (Stable)	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Term loans	Simple
Long term – Unallocated limits	Not applicable

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 loans	FY2024	NA	FY2034	186.16	[ICRA]BBB+(Stable)
NA	Unallocated limits	NA	NA	NA	11.12	[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	IHHR ownership	Consolidation approach
IHHR Hospitality Private Limited	Rated Entity	Full consolidation
IHHR Hospitality (Andhra) Private Limited	74.00%	Full Consolidation

Source: IHHR consolidated annual report FY2024

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### Branches



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