March 17, 2025

InterGlobe Enterprises (UK) Limited: Rating upgraded

Summary of rating action

Instrument*	Previous Rated Amount ($ million)	Current Rated Amount ($ million)	Rating Action
Long-term Fund-based – Term loan	35.175	23.450	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Long-term Fund-based – Term loan	20.100	18.090	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Long-term Fund-based – Term loan	21.500	18.140	[ICRA]BBB+ (Stable); Upgraded from [ICRA]BBB (Stable)
Total	**76.775**	**59.680**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade for Interglobe Enterprises (UK) Limited (IGE UK) factors in an improvement in the credit profile of the parent entity, Interglobe Enterprises Private Limited (IEPL), aided by healthy operating performance for its investee entities, primarily engaged in travel and hospitality segments. IGE UK is InterGlobe Group's holding entity for its foray into the international hospitality business. ICRA continues to favourably factor in the close business linkages between IGE UK and IEPL and the strategic importance of IGE UK to the Interglobe Group. Most of the investment requirements of IGE UK, over the years, have been funded through equity infusion by IEPL (directly and through its subsidiaries).

IEPL holds a ~35.8% stake in InterGlobe Aviation Limited (IAL; rated [ICRA]AA- (Stable)/[ICRA]A1+), a leading Indian airline and the InterGlobe Group's key investee company. IEPL's derives strength from its comfortable credit profile, characterised by nil external debt (on standalone level), and sizeable financial flexibility from its shareholding in IAL (market value of ~Rs. 63,000 crore as on March 3, 2025). The liquidity profile of the entity also remains strong, aided by funds received from stake sale in IAL in June 2024 (2% stake monetisation led to fund inflow of ~Rs. 3,367 crore). ICRA expects IEPL to continue to extend timely financial support to IGE UK, as and when needed. ICRA further notes that IEPL has provided a corporate guarantee for the facilities rated. However, ICRA has not factored in any credit enhancement because the guarantee lacks the necessary attributes of a strong form of support, as described in ICRA's methodology for factoring in explicit third-party support.

The ratings continue to consider an expectation of steady operational performance for the hotel properties owned by IGE UK, going forward. The hotel properties held by IGE UK are well established, with strong operational performance over the years, supported by strong market fundamentals. During the pandemic impacted period, there was a severe impact on the global travel and tourism industry, leading to sub-optimal performance of IGE UK's properties across locations (Europe and Australia). After the impact of the pandemic receded, there has been a healthy improvement in operational metrics across the properties over the past three fiscals, aided by a recovery in recreational travel and in-person engagements, conferences, seminars, and offsite trips by corporates. The strategic location of the entities' hotel properties across Europe provides a competitive advantage and is likely to aid in a continuation of recovery in performance over the near-to-medium term.

IGE UK remains exposed to refinancing risks, with multiple loans having bullet/sizeable repayments due over the next few years. While the ability of the management to timely achieve rollovers/tenor extensions would remain a monitorable, its track record of achieving similar rollovers/extension, in a timely manner, provides comfort. The presence of cash and liquid investments in the hotel properties (~€35 million as of December 31, 2024 for all the properties combined) are expected to help limit the dependence of IGE UK on funding support from IEPL for refurbishment capex.

A major refurbishment is being done across five properties in the K+K portfolio held by IGE UK at a total capex outlay of ~€92 million (being incurred over CY2023-CY2025). The same has been funded through a mix of debt and funding support from the promoter. The refurbishment is likely to help in repositioning the properties (refurbishment for two properties already completed and relaunched under the brand 'Miiro'; third one expected to be completed soon) and ramping up the operational metrics over the medium term. During the refurbishment period, the performance of the portfolio is expected to remain impacted to an extent. ICRA expects the parent entity, IEPL, to infuse funds to help meet any gap in the interest servicing requirements for the portfolio during this period.

The Stable outlook on the rating reflects ICRA's view that IGE UK would continue to receive timely funding support from IEPL, which would help it maintain its credit profile at the current level.

Key rating drivers and their description

Credit strengths

Access to funding support from parent entity, IEPL, the holding entity of the InterGlobe Group – The InterGlobe Group, which has an established presence in the domestic aviation and hospitality businesses, forayed into the international hospitality business through IGE UK, following acquisitions in the European market over the past few years. Most of the investment requirements of IGE UK have been funded through equity infusion by IEPL (directly and through its subsidiary, IGE (Mauritius) Private Limited). Additionally, IEPL has extended corporate guarantee for loans availed by IGE UK to fund the acquisitions, indicating strong financial commitment towards the overseas hospitality expansions. The rating assigned favourably factors in the likelihood that IEPL will continue to extend financial support to IGE UK, led by close business linkages between them as well as the need to protect its reputation from the consequences of a Group entity's distress.

Strategic location of key hotel properties in select European cities provides competitive advantage – The properties acquired by the Group are well established, with strong operational performance over the years, supported by strong market fundamentals. The same was reflected in the healthy operating metrics for the properties, wherein the occupancy rate and the average room rate (ARR) remained at stable levels. The global travel and tourism industry was severely impacted during the pandemic, leading to sub-optimal performance of IGE UK's properties across the locations (Europe and Australia). After the impact of the pandemic receded, there was a healthy improvement in operational metrics across the properties over the past three years, aided by a recovery in recreational travel and in-person engagements, conferences, seminars, and offsite trips by corporates. The strategic location of IGE UK's hotel properties across Europe provides a competitive advantage and is likely to aid in continuation of recovery in performance over the near-to-medium term.

Credit challenges

Moderation in credit profile due to adverse impact of Covid-19 pandemic; ongoing recovery in credit metrics– The impact of the pandemic on the global hospitality industry was severe. Given the discretionary nature of consumer spending (especially for leisure travel), the travel and tourism industry has always been highly susceptible to exogenous shocks such as wars, terror attacks, diseases, and economic meltdowns. Due to a sharp decline in demand, the company incurred cash losses in CY2020 and CY2021. This eroded its net worth and leverage (TD/TNW of 4.9 times for FY2021), while the coverage ratios deteriorated. Aided by an improvement in demand, the credit metrices of IGE UK reported a gradual recovery over the past few years (TD/TNW of 3.6 times for FY2024). However, the metrices still remain below the pre-pandemic levels.

Sizeable capex incurred/planned for refurbishment of properties; expectation of improved cash flows to mitigate impact on credit profile – Unlike Reichshof Hamburg, there was no major refurbishment done at either the Sheraton Amsterdam or the K+K bouquet of hotels before the acquisition, and the management had plans to refurbish these properties. In view of the pandemic and possibility of a prolonged slowdown in the hospitality sector, the capex plans for the two portfolios were deferred till more clarity emerged regarding the pandemic. With the impact of the pandemic abating and lockdowns relaxing, the management proceeded to refurbish Sheraton Amsterdam (outlay of ~€17 million; funded through equity support from promoters) in CY2021 for protecting the operating metrics of the property from an increase in competition.

A major refurbishment is being done across five properties in the K+K portfolio held by IGE UK. The management estimates a capex outlay of ~€92 million towards the same, to be incurred over CY2023-CY2025, which is expected to be funded through a mix of debt and support from the promoter. A healthy proportion of the capex has already been completed with two properties (one each in Paris and Barcelona) already operational under the Group's new brand 'Miiro' and the third one in London is expected to be operational soon. The refurbishment is likely to help in repositioning the properties and ramping up the operational metrics over the medium term. During the refurbishment period, the performance of the portfolio is expected to be impacted to an extent. ICRA expects the parent entity, IEPL, to infuse funds to help meet any gap in the interest servicing requirements for the portfolio during this period.

Exposed to refinancing risk; track record of timely refinancing mitigates the risk to an extent – IGE UK remains exposed to refinancing risks, with multiple loans having bullet/sizeable repayments over the next two years. The loans on the hotel entities also remain exposed to timely extension of tenures. While the ability of the company's management to timely achieve rollovers/extensions would remain a monitorable, its track record of completing similar transactions provides comfort. If the company is unable to achieve a rollover/ refinancing of a loan, the promoters are expected to pitch in with funds to help meet the debt servicing obligations in a timely manner.

Liquidity position: Adequate

The liquidity position of IGE (UK) remains at adequate level. At the standalone level, its liquidity profile is expected to remain supported by timely funding from the parent entity, IGE. At the consolidated level, the cash and cash equivalents worth Rs. 300-320 crore (or ~Euro 35 million as of December 2024) are likely to be sufficient to meet a part of the debt servicing. The refurbishment capex requirements at its hotel properties and a part of the debt servicing requirements are also likely to be supported by timely funding support from the promoter or funding tie-ups.

Rating sensitivities

Positive factors – A sustained improvement in operational metrices and profitability indicators of various properties and/or higher-than-expected equity infusion by the promoters, leading to a significant improvement in liquidity and leverage metrics, could be a trigger for a rating improvement. An improvement in its parent, IEPL's credit profile could also lead to a rating upgrade.

Negative factors – Pressure on the rating could arise if there is any deterioration in the credit profile of IEPL or any deterioration in the business linkages with IEPL, or in the extent and form of financial support from IEPL. A deterioration in the coverage indicators, led by slower-than-expected improvement in operational metrics, could lead to a rating downgrade. Additionally, the company's inability to achieve timely refinancing of loans ahead of scheduled maturities could put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels Investment Companies
Parent/Group support	Parent company: IEPL The unsupported rating factors in the very high likelihood of its parent, IEPL, extending financial support because of close business linkages between the entities. ICRA expects IEPL to be willing to extend financial support to IGE UK out of its need to protect its reputation from the consequences of a Group entity's distress. IEPL has a consistent track record of extending timely financial support to IGE UK, whenever needed.
Consolidation/Standalone	ICRA has taken a consolidated view of IGE UK and its subsidiaries (enlisted in Annexure II).

About the company

Incorporated in 2017, IGE UK is the holding company for the InterGlobe Group's investments in the international hospitality sector. The company is a 100% subsidiary (including indirect investments) of IEPL, the Group's holding company. At present, IGE UK holds five investments in the international hospitality space, most of which are in Europe. Since its incorporation, IGE UK has undertaken four acquisitions. In the first two acquisitions in July 2018 and October 2018, the Group acquired one property each in Amsterdam and Hamburg — the Sheraton Amsterdam Airport Hotel and Conference Center (the Netherlands), and the Reichshof Hamburg (Germany). In the third acquisition in June 2019, the Group acquired a bouquet of 10 properties across eight cities in Europe (the K+K portfolio). It subsequently sold one property out of the bouquet after a few years. The Group acquired a controlling stake in a small chalet-style hotel property (in Switzerland) in its fourth acquisition in November 2020. The company also owns a recently commissioned hotel in Melbourne, Australia.

About the guarantor

IEPL is the holding company for the InterGlobe Group, promoted by the Bhatia family, including Mr. Kapil Bhatia, Mr. Rahul Bhatia (his son) and Mrs. Rohini Bhatia (wife of Mr. Rahul Bhatia). Established in 1989 and headquartered in Gurgaon, Haryana, the Group's ventures include civil aviation under the Indigo brand, airline management, travel commerce solutions, hospitality, advanced pilot training, aircraft maintenance engineering and real estate.

Key financial indicators (audited)

IGE UK Consolidated (Amounts in € Mn)	FY2023	FY2024
Operating income	91.9	103.7
PAT	-9.9	-22.8
OPBDIT/OI	17.8%	22.4%
PAT/OI	-10.8%	-22.0%
Total outside liabilities/Tangible net worth (times)	4.6	4.3
Total debt/OPBDIT (times)	29.6	21.5
Interest coverage (times)	0.9	0.8

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 (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (USD Million)	Date & rating	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
				March 17, 2025	January 22, 2024	May 29, 2023	Apr 4, 2022	Oct 27, 2021
1	Term loan	Long term	59.680	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (CE) (Stable)	[ICRA]BBB (CE) (Negative); Withdrawn
4	Fund based bank facilities	Short-term	-		-	-	-	[ICRA]A2(CE); Withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based - Term Loan	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 (USD Million)	Current Rating and Outlook
NA	**Term Loan-I**	October 2021	NA	October 2026	23.450	[ICRA]BBB+ (Stable)
NA	**Term Loan-II**	March 2023	NA	September 2026	18.090	[ICRA]BBB+ (Stable)
NA	**Term Loan-II**	September 2023	NA	March 2027	18.140	[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	IGE UK Ownership	Consolidation Approach
Emipre 3 Investment S.a.r.l.	100.00%	Full Consolidation
Luchthaven Hotel Beleggingsmaatschappij B.V.	100.00%	Full Consolidation
NKS Hospitality II S.a.r.l.	89.90%	Full Consolidation
Interglobe Operations Holding II B.V.	100.00%	Full Consolidation
Hamburg Furniture S.a.r.l.	100.00%	Full Consolidation
RH Operations VerwaltungsGmbh	100.00%	Full Consolidation
Interglobe Enterprises (Switzerland) AG	100.00%	Full Consolidation

Source: IGE UK Annual Report; ICRA has factored in the consolidated financials of IGE UK while assigning the ratings.

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