April 09, 2025

Gurnani Hotels 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 loan	250.00	250.00	[ICRA]BB (Stable); reaffirmed
Total	**250.00**	**250.00**	

Instrument details are provided in Annexure I

Rationale

The reaffirmation of rating outstanding on the bank lines of Gurnani Hotels Private Limited (GHPL/the company) factors in the extensive experience of the promoters in the hospitality sector, the favourable geographical location of its project and management tie-up for the upcoming hotel with the Hyatt Group. The rating also factors in the satisfactory progress of the project (around 40% of the project was completed as on December 31, 2024), with no cost or time overruns thus far. ICRA also notes that the financial closure for the project is in place and the promoter contributions have also been infused in a timely manner, thus far.

The rating is, however, constrained by the high project execution risk, given the project is in relatively early stage of construction and is exposed to time and cost overruns. Also, the interest during construction (IDC) component, although a part of the project cost, is being serviced every month. The IDC is being funded/envisaged to be funded through unsecured loans from promoters/equity. Considering the absence of operational cash flows, timely infusion of promoter funds remains critical to service the IDC. The rating also factors in the asset and geographic concentration risk given that the company would only have a single property in Jaipur. The asset/geographic concentration exposes it to any localised downturn/unforeseen events or region-specific risks. Akin to other players in the industry, GHPL's revenues would be exposed to industry cyclicality and seasonality, macro-economic downturns, and exogenous factors (geo-political tensions, terrorist attacks, disease outbreaks, etc), once the property is operational.

Key rating drivers and their description

Credit strengths

Favourable project location – The proposed property is a 409-room five-star hotel in Kukas near Jaipur, a leisure destination in India with relatively high wedding/leisure demand. Furthermore, its proximity to the Jaipur international airport and National Capital Region (NCR) provides it with access to a large catchment area and revenue visibility upon commencement of operations.

Extensive experience of promoters in the hospitality business – The hotel is promoted by the Gurnani family, which has extensive experience in the hospitality industry. At present, the Group owns two hotels in Jaipur - a 182-key hotel under Pinkcity Build Home Private Limited, operated as Radisson Blu since 2013, and Days hotel by Wyndham since FY2022.

Management tie-up with well-known international hospitality group – GHPL has entered into a management contract agreement with the Hyatt Group, an established hospitality services provider with worldwide presence, for the operations and management of its upcoming hotel. Besides management support, GHPL will benefit from Hyatt's brand recognition and will have access to its global reservation system.

Credit challenges

Exposed to project construction risk as a project-stage company – Being an under-construction project, it remains exposed to time and cost overruns. There have been no cost or time overruns thus far, and as on December 31, 2024, around 40% of the project was completed. Its scheduled commercial operation is expected to be in January 2027, similar to that anticipated during the last rating exercise. Completion of the project within the budgeted time and cost remains critical from a credit perspective and will be a key monitorable. Nevertheless, the promoters proven experience of setting up and managing similar hotels and the fact that financial closure for the project has been achieved in terms of debt tie-up of Rs. 250 crore, with partial drawdown already in place, provides comfort to an extent.

Exposed to funding risk in terms of timely infusion of equity and unsecured loans from promoter group – Equity/unsecured loans form about ~38% of the total project cost of Rs. 404 crore. Timely infusion of equity from the promoters is critical for the satisfactory progress of the project and proportionate draw down of the term debt that has been tied up. Also, the interest during construction (IDC) component, although a part of the project cost, is being serviced every month. The IDC is being funded/envisaged to be funded through unsecured loans/equity. Considering the absence of operational cash flows, timely infusion of promoter funds remains critical to service the IDC. ICRA notes that of the Rs. 154 crore of equity/unsecured loans committed, the promoters had already infused ~Rs. 100 crore as on December 31, 2024.

Asset and geographic concentration risk – The company would have only one property in Jaipur. Its entire revenues being derived from the Jaipur market exposes it to any localised downturn/unforeseen events or region-specific risks. GHPL will also face stiff competition from other hotels and resorts in the project's vicinity.

Vulnerability of industry revenues to inherent industry cyclicality, economic cycles, and exogenous events – Akin to other players in the industry, GHPL's revenues would be exposed to industry cyclicality and seasonality, macro-economic downturns, and exogenous factors (geo-political tensions, terrorist attacks, disease outbreaks, etc), once the property is operational.

Liquidity position: Stretched

The company's liquidity position remains stretched, given the lack of operational cash flows because of the under-construction stage of the project. The same will hinge on timely equity/unsecured loan infusions from the promoter group. Moreover, since the company needs to service the IDC on a monthly basis, timely infusions of committed equity/unsecured loans remain critical. However, financial closure for the bank debt portion, with partial drawdown already in place and timely equity/unsecured loans from the promoters thus far, provides comfort to an extent.

Rating sensitivities

Positive factors – ICRA could upgrade GHPL's rating, if the project witnesses significant progress and remains on track in accordance with the budgeted time and costs for the project.

Negative factors – Negative pressure on GHPL's rating could arise if there are significant delays in completion of the project, or delay in timely infusion of committed equity/unsecured loans leading to delay in scheduled commercial operations, or lack of timely support from the promoter group in times of liquidity mismatches.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Not applicable

Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of GHPL

About the company

M/s Gurnani Hotels Private Limited was incorporated in 2019. The company is promoted by the Gurnani Group, which has diversified interests in hospitality, electricals and real estate sectors. The Group operates two hotels in Jaipur—Radisson Blu Durgapura Jaipur and Days hotel. The company is constructing a 409-key, five-star hotel (with ~110 villas, restaurant and bar, conference and banquet halls, fitness centre, spa, and other facilities) in Kukas, near the Delhi–Jaipur Highway. The company has signed a brand and management contract agreement with the Hyatt Group. The total project cost of Rs. 404.0 crore is expected to be funded by Rs. 154.0 crore of equity/preference share/unsecured loans and Rs. 250.0 crore of term debt; about 40% of the project was completed as on December 31, 2024.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	-	-
PAT	NM*	NM*
OPBDIT/OI	NM*	NM*
PAT/OI	NM*	NM*
Total outside liabilities/Tangible net worth (times)	NM*	NM*
Total debt/OPBDIT (times)	NM*	NM*
Interest coverage (times)	NM*	NM*

*Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *NM: Not Meaningful*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Apr 09, 2025	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long term	250.00	[ICRA]BB (Stable)	-	-	Jan-02-24	[ICRA]BB (Stable)	-	-
				-	-	Dec-15-23	[ICRA]BB (Stable)	-	-

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 (Rs. crore)	Current rating and outlook
NA	**Term Loans**	FY2024	-	FY2035	250.00	[ICRA]BB (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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