April 30, 2025

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	78.00	60.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term Fund-based – Cash credit	8.00	8.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Unallocated	4.00	22.00	[ICRA]BBB+ (Stable); reaffirmed
Total	**90.00**	**90.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the rating factors in the steady operating performance of SRP Prosperita Hotels Ventures Limited (SPHVL) and is likely to continue over the medium term. This is supported by SPHVL's established market position and sustained demand in the hospitality industry. ICRA expects the occupancy levels to remain stable in FY2025 (PY: 84%) and FY2026, along with a marginal increase in ARR levels. Further, the revenues are estimated to witness healthy growth in FY2025, majorly driven by improvement in the food and beverages (F&B) segment and expected to remain at largely similar levels in FY2026. The operating profit margins are likely to remain at 35-38% (PY: 38%) in the medium term. Given the reduction in debt levels supported by scheduled repayments, ICRA expects the leverage metrics (total debt/OPBITDA) to be at a comfortable level as of March 2025 and March 2026.

The rating continues to draw 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+). The Brigade Group has an established presence in the hospitality segment with 1,604 operational keys across nine hotels operated by global brands in geographically diversified locations across Bengaluru, Chennai, Mysore, Kochi and Ahmedabad. 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. ICRA expects the parent, BHVL, to provide timely financial support to SPHVL, for funding shortfall, if any, given their substantial financial linkages, SPHVL's strategic importance for the parent entity and its reputation sensitivity to default. The holding company (BHVL) has filed a Draft Red Herring Prospectus (DRHP) for Rs. 900 crore IPO, in October 2024, and the fund raising will be primarily deployed towards deleveraging. The fund raising, if materialised, will materially improve the leverage and coverage metrics of SPHVL, and will be a credit positive.

The rating also considers the moderate scale of operations and high geographical and asset concentration risks inherent in a single project company. The DSCR remains moderate despite its estimated improvement in FY2025, supported by the increase in operating profits. The rating is also constrained by the vulnerability of debt coverage indicators to any changes in occupancy and interest rates. Further, given the discretionary nature of spending, the hospitality industry is susceptible to macroeconomic conditions and several exogenous factors, which leads to its inherent cyclicality in the sector.

The Stable outlook represents ICRA's expectation of SPHVL's stable operating performance and that it will maintain a comfortable leverage.

Key rating drivers and their description

Credit strengths

Track record of financial support extended by BHVL– SPHVL is a subsidiary of BHVL, which is a wholly-owned subsidiary of Brigade Enterprises Limited (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. BHVL has extended financial support to SPHVL in the past. 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.

Healthy operating performance – SPHVL has one operational hotel with 202 keys. Occupancy levels are expected to remain stable in FY2025 (PY:84%) and FY2026, along with marginal increase in ARR levels. The revenues are likely to increase by 33-35% YoY in FY2025, majorly driven by improvement in the food and beverages (F&B) segment, and remain at largely similar levels in FY2026. The operating profit margin are likely to remain at 35-38% (PY: 38%) in the medium term. The company's healthy occupancy levels are supported by the favourable location and tie-up with an established hotel operator. SPHVL has a management contract with the InterContinental Hotels Group (IHG) for operating the hotel under the Holiday Inn brand.

Improvement in leverage – ICRA expects SPHVL's leverage metrics (Total debt/OPBITDA) to be at a comfortable level as of March 2025 and March 2026. The same is driven by a reduction in debt levels supported by scheduled repayments. The holding company (BHVL) has filed a Draft Red Herring Prospectus (DRHP) for Rs. 900 crore IPO, in October 2024, and the fund raising will be primarily deployed towards deleveraging. The fund raising, if materialised, will materially improve the leverage and coverage metrics of SPHVL and will be a credit positive.

Credit challenges

Exposure to geographical and asset concentration risks –The company is exposed to high geographical and asset concentration risks inherent in special purpose vehicles (SPVs), as a sole hospitality project is being operated in Chennai.

Cyclical industry, vulnerable to general economic slowdown and external threats – The company, akin to other players in the industry, is exposed to industry cyclicality/seasonality, macroeconomic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc). Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movements and several exogenous factors, leading to inherent cyclicality. Several non-metro markets also face seasonality in guest traffic. As such, global and domestic economic conditions will remain key monitorable for SPHVL, as part of this industry.

Vulnerability of debt coverage indicators to changes in occupancy and interest rates – DSCR improved in FY2025, supported by the increase in operating profits, however, it remains moderate. The company's debt coverage indicators remain exposed to any decline in occupancy levels or increase in interest rates.

Liquidity position: Adequate

The company's liquidity position is adequate. Its cash flow from operations is adequate to meet the term loan repayments in FY2026. Any shortfall in debt servicing is expected to be met with the parent entity's support. As on March 31, 2024, the company had free cash and liquid investments of Rs. 1.2 crore.

Rating sensitivities

Positive factors – A sustained improvement in REVPAR along with a material reduction in debt levels, resulting in significant improvement in leverage and coverage metrics, could trigger a rating upgrade. Improvement in the credit profile of the parent (BHVL) could result in a rating upgrade.

Negative factors – A sustained reduction in earnings and/or significant increase in indebtedness impacting the company's liquidity and debt protection metrics could result in a rating downgrade. Deterioration in the credit profile of the parent (BHVL) or weakening of business linkages or strategic importance of the company for the parent could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
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 50.01% 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 brand Holiday Inn on Old Mahabalipuram Road which became operational in June 2017.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	48.2	58.8
PAT	1.5	12.5
OPBDIT/OI	34.9%	38.2%
PAT/OI	3.1%	21.3%
Total outside liabilities/Tangible net worth (times)	2.1	1.2
Total debt/OPBDIT (times)	5.2	3.5
Interest coverage (times)	1.7	2.6

Source: Company, 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	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Apr 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	60.00	[ICRA]BBB+ (Stable)	-	-	Jan-23-2024	[ICRA]BBB+ (Stable)	-	-
			-	-	-	May-30-2023	[ICRA]BBB (Stable)	-	-
Cash credit	Long term	8.00	[ICRA]BBB+ (Stable)	-	-	Jan-23-2024	[ICRA]BBB+ (Stable)	-	-
				-	-	May-30-2023	[ICRA]BBB (Stable)	-	-
Unallocated	Long term	22.00	[ICRA]BBB+ (Stable)	-	-	Jan-23-2024	[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
Long-term - Unallocated	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 Loan**	FY2023	NA	FY2031	60.00	[ICRA]BBB+(Stable)
NA	**Cash Credit**	NA	NA	NA	8.00	[ICRA]BBB+(Stable)
NA	**Unallocated**	NA	NA	NA	22.00	[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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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