April 30, 2025

Brigade Hotel Ventures Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	445.25	392.00	[ICRA]A (Stable); reaffirmed
Long-term fund-based – Cash credit/overdraft	30.00	75.00	[ICRA]A (Stable); reaffirmed
Long-term – Unallocated	74.75	83.00	[ICRA]A (Stable); reaffirmed
Short-term – Non fund based	10.00	10.00	[ICRA]A2+; reaffirmed
Total	**560.00**	**560.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation of Brigade Hotel Ventures Limited's (BHVL) factors its anticipated healthy operating performance in FY2025-FY2026, given the sustained demand in the hotel industry. The operating metrics of BHVL's existing portfolio remain healthy, driven by favourable industry demand, high occupancy levels at 74.6% in Q1 FY2025 (FY2024: 73.3%), as well as improvement (Q1 FY2025: 3-4% YoY) in average room rate (ARR), which is expected to sustain in FY2025 and FY2026 resulting in healthy cash flows from operations on medium term basis. ICRA expects the consolidated revenues to grow by 13-15% in FY2025 and FY2026 (PY: Rs. 402 crore, 14% YoY). Previously, the company has reported operating profit margins in the range of 33%-35% per annum and the margins are expected to remain at similar levels in the medium term. The company 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 materialises, will substantially improve the leverage and coverage metrics, and will be a credit positive.

The ratings draw comfort from the strong parentage of Brigade Hotel Ventures Limited (BHVL), which is a wholly-owned subsidiary of Brigade Enterprises Limited (BEL; rated [ICRA]AA- (Stable)/A1+), and the Group's track record in the hospitality sector. The ratings positively factor in the company' healthy scale of operations with 1,604 keys across nine hotels operated by global brands in geographically diversified locations across Bengaluru, Chennai, Mysore, Kochi and Ahmedabad. ICRA expects the parent, BEL, to provide timely financial support to BHVL, for funding shortfall, if any, given their substantial financial linkages, BHVL's strategic importance for the parent and the parent's reputation sensitivity to default.

The ratings are, however, constrained by high leverage levels, which are expected to remain at similar levels as of March 2025 and March 2026, considering the capital expenditure plans in the medium term. The company plans to add ~1,000 keys over the next 4-5 years, exposing it to execution risk. It is expected to be funded through equity/internal accruals and debt. Further, given the discretionary nature of spending, the hospitality industry is susceptible to macroeconomic conditions and several exogenous factors, which leads to the inherent cyclicality in the sector.

The Stable outlook represents ICRA's expectations that BHVL's revenues will increase supported by likely improvement in its operating performance. Further, the outlook reflects healthy scale of operations and that the company will benefit from the strong parentage.

Key rating drivers and their description

Credit strengths

Strong promoter profile with long track record in real estate business – BHVL is a wholly-owned subsidiary of BEL (rated [ICRA]AA- (Stable)/A1+), which is 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.

Healthy operating performance – BHVL has eight operational hotels, with 1,402 keys. It has four hotels in Bengaluru, two each in Mysore and one each in Kochi and Ahmedabad. Its subsidiary, SRP Prosperita Hotel Ventures Limited, operates a hotel in Chennai with 202 keys. The operating metrics of BHVL's existing portfolio remain healthy, driven by sustained industry demand, high occupancy levels at 74.6% in Q1 FY2025 (FY2024: 73.3%), as well as improvement (Q1 FY2025: 3-4% YoY) in average room rate (ARR), which is expected to sustain in FY2025 and FY2026 resulting in healthy cash flows from operations on medium-term basis. The consolidated revenues are projected to grow by 13-15% in FY2025 and FY2026 (PY: Rs. 400 crore, 14% YoY). Previously, the company has reported operating profit margins in the range of 33%-35% and the margins are likely to remain at similar levels in the medium term.

Credit challenges

High leverage and exposure to execution risk – BHVL has high leverage levels, which are expected to remain at similar levels as of March 2025 and March 2026 considering the company's capital expenditure plans in the medium term. It plans to add ~1,000 keys over the next 4-5 years, exposing it execution risk, which is expected to be funded through equity/internal accruals and debt. However, the execution risk is mitigated by strong parentage of Brigade Hotel Ventures Limited (BHVL), and the Group's established track record in the hospitality sector. The company 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 materialises, will substantially improve the leverage and coverage metrics, and will be a credit positive.

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). Several non-metro markets also face seasonality in guest traffic. As such, global and domestic economic conditions will remain a key monitorable for BHVL.

Liquidity position: Adequate

The company's liquidity position is adequate. BHVL had free cash and liquid investments of ~Rs. 20 crore as on March 31, 2024. The term loan repayments in FY2025 and FY2026, are expected to be met comfortably from the cash flows from operations. ICRA estimates that the company has moderate capital expenditure plans in FY2026, which are likely to be funded through equity/internal accruals and debt.

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 (BEL) could also result in a rating upgrade.

Negative factors – Sustained reduction in earnings and/or significant increase is indebtedness impacting the company's liquidity and debt protection metrics could result in a rating downgrade. Additionally, deterioration in the credit profile of the parent (BEL) or weakening of business linkages or strategic importance of the company for the parent could also put pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Parent Company: Brigade Enterprises Limited (BEL). ICRA expects the parent, BEL, to provide timely financial support to BHVL, for funding any shortfall, given their substantial financial linkages, BHVL's strategic importance for the parent and parent's reputation sensitivity to default. BEL has also extended corporate guarantee for part of the debt availed by BHVL.
Consolidation/Standalone	ICRA has considered the consolidated financials of BHVL and its subsidiary, SRP Prosperita Hotel Ventures Limited (SPHVL), as there has been a track record of BHVL having extended timely financial support to this subsidiary in the past and its willingness to extend such support in the future, should there be a need.

About the company

Brigade Hotel Ventures Limited (BHVL) is a 100% subsidiary of Brigade Enterprises Limited (BEL). BHVL was incorporated in August 2016 to bring in all the hotel operations of the Brigade Group under one entity. BHVL has a 50.01% stake in a subsidiary, SRP Prosperita Hotel Ventures Limited (SPHVL), that has one operational hotel in Chennai. At present, the company has nine operational hotels (including one hotel operating in SPHVL) with 1,604 rooms across five cities – Bengaluru, Mysore, Ahmedabad, Kochi and Chennai, with Bengaluru consisting 47% of the total keys.

Key financial indicators (audited)

BHVL and SPHVL -Consolidated	FY2023	FY2024
Operating income	350.7	402.6
PAT	-3.1	31.1
OPBDIT/OI	25.8%	34.0%
PAT/OI	-0.9%	7.7%
Total outside liabilities/Tangible net worth (times)	5.7	4.6
Total debt/OPBDIT (times)	7.77	5.29
Interest coverage (times)	1.4	2.2

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	392.00	[ICRA]A (Stable)	-	-	Jan-23-2024	[ICRA]A (Stable)	-	-
				-	-	May-30-2023	[ICRA]A- (Stable)	-	-
Cash Credit/ Overdraft	Long term	75.00	[ICRA]A (Stable)	-	-	Jan-23-2024	[ICRA]A (Stable)	-	-
				-	-	May-30-2023	[ICRA]A- (Stable)		
Non-fund based	Short term	10.00	[ICRA]A2+	-	-	Jan-23-2024	[ICRA]A2+	-	-
				-	-	May-30-2023	[ICRA]A2+	-	-
Unallocated	Long term	83.00	[ICRA]A (Stable)	-	-	Jan-23-2024	[ICRA]A (Stable)	-	-
				-	-	May-30-2023	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term loan	Simple
Long-term fund-based – Cash credit/Overdraft	Simple
Short-term non-fund based	Simple
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
-	**Term loan**	FY2018-23	-	FY2027-34	392.00	[ICRA]A(Stable)
-	**Overdraft limit**	-	-	-	75.00	[ICRA]A(Stable)
-	**Non-fund based**	-	-	-	10.00	[ICRA]A2+
-	**Unallocated**	-	-	-	83.00	[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

Company name	Ownership	Consolidation approach
SRP Prosperita Hotel Ventures Limited	50.01%	Full consolidation

Source: Company data, ICRA Research

ANALYST CONTACTS

Ashish Modani
+91 22 6169 3300
ashish.modani@icraindia.com

Valapreddy Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Pulkit Varshney
+91 80 4332 6427
pulkit.varshney@icraindia.com

Sonali Agarwal
+91 80 4332 6418
sonali.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

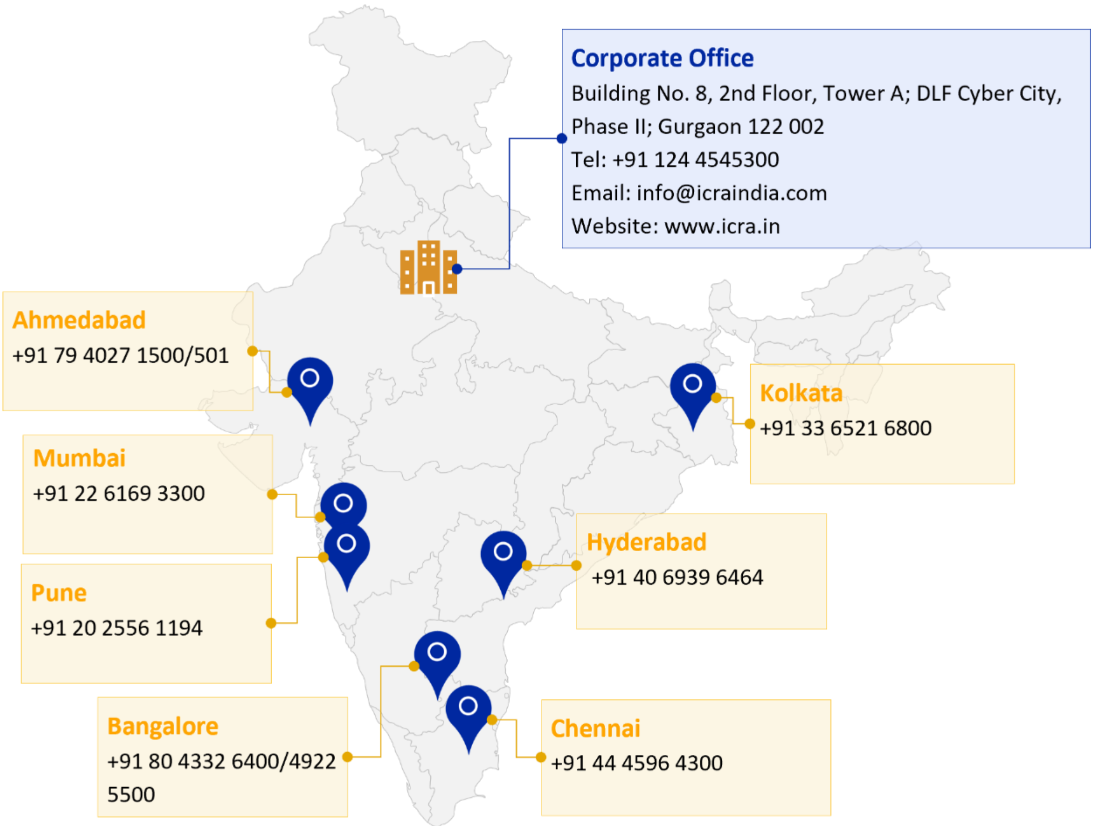
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.