

September 30, 2025

IHHR HOSPITALITY ANDHRA PRIVATE LIMITED: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term Loans	59.26	71.05	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Short term fund based – Working capital	3.00	2.82	[ICRA]A2; reaffirmed
Total	62.26	73.87	

*Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings of IHHR Hospitality (Andhra) Private Limited factor in an expectation of steady operational performance, marked by a steady improvement in operational metrics and earnings. The ratings also consider the continuation of operational and financial support from its parent company, IHHR Hospitality Private Limited. IHHR Andhra reported an operating income of Rs. 91.3 crore in FY2025, a growth of approximately 20% over FY2024. The average room rate (ARR) improved to Rs. 13,824 from Rs. 11,165 in FY2024, while occupancy levels enhanced to 69% in FY2025 from 67% in FY2024, reflecting strong demand due to a favourable location. The operating profit margin (OPM) improved to 32.7% in FY2025 from 30.8% in FY2024, supported by better cost absorption and higher ARR. Net cash accruals (NCA) also increased to Rs. 22.4 crore from Rs. 15.2 crore, indicating stronger internal cash generation.

On the debt coverage front, IHHR Andhra's interest coverage ratio improved to 3.8 times in FY2025 from 2.8 times in FY2024, while DSCR improved to 2.1 times from 1.8 times in FY2024. The company's total debt (including unsecured loans from holding company) declined marginally to Rs. 134.79 crore, and it maintained free cash reserves and liquid investment of Rs. 17.47 crore as of March 31, 2025.

ICRA notes that the company has expansion plans (which would increase the number of keys) of Rs. 100-120 crore over the near term, which are expected to be funded through a mix of debt and internal accruals. The expected timely support from the promoter will help the entity maintain comfortable leverage metrics in case of weak operating environment.

The ratings continue to derive comfort from the extensive experience of IHHR's promoters in the hospitality industry and their demonstrated financial support. IHHR Andhra's strategically located property in Hyderabad operates under the Hyatt brand, which ensures strong brand recall and operational efficiency. A favourable demand outlook for premium hospitality assets in metro cities also provides comfort. Nonetheless, the ratings remain constrained by the inherent cyclicity and seasonality in the hospitality industry, which exposes IHHR Andhra's revenues to the risks associated with economic slowdown and exogenous shocks. The entity's operations also remain limited to a single property in Hyderabad, which results in asset and geographic concentration risk.

The Stable outlook on the long-term rating of IHHR Hospitality (Andhra) Pvt. Ltd. reflects ICRA's expectation that the entity will continue to benefit from steady operational performance and promoter support, which is expected to help maintain its credit profile.

Key rating drivers and their description

Credit strengths

Access to operational and financial support from parent entity – IHHR Andhra benefits from being part of the larger IHHR Hospitality Group, which has a demonstrated track record of timely financial and operational support. The parent entity has extended unsecured loans, equity infusions and strategic guidance to support its subsidiaries through capex cycles, debt servicing and operational ramp-up. This backing enhances the subsidiary's financial flexibility and provides a strong fallback mechanism in case of temporary cash flow mismatches or market disruptions.

Brand association with Hyatt supporting premium positioning and demand in Hyderabad – IHHR Andhra's property operates under a well-established luxury and premium Hyatt brand, which provides it the benefit of relatively premium pricing. The company's property is managed by the Hyatt Group, providing access to Hyatt's global distribution, strong loyalty programs and established corporate relationships. This association drives consistent demand from both domestic and international travellers, as well as enabling premium pricing and higher occupancy levels, especially in metro and business-centric locations. The brand tie-up also ensures operational excellence through professional management practices and global service benchmarks, enhancing customer experience and repeat business.

Credit challenges

Exposed to industry cyclicality, 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 cyclicality. In addition, several non-metro markets face seasonality in guest traffic.

Single-asset concentration increases vulnerability to local market dynamics – IHHR Andhra operates a single hotel property, which exposes it to location-specific risks such as regional demand fluctuations, local competition, regulatory changes, and seasonality. Unlike diversified portfolios that can offset underperformance in one geography with gains in another, the entity remains highly dependent on the performance of its single asset, making its revenue and profitability more vulnerable to localised disruptions or economic slowdowns in its specific market.

Capex plans to constrain improvement in credit metrics - IHHR Andhra's planned expansion of its property, including restaurant renovation and increasing room inventory. This may constrain the near-term improvement in credit metrics, as it could lead to higher debt levels or pressure on cash flows during the execution phase. Such factors may temporarily impact leverage and coverage indicators, especially if the ramp-up in earnings from the expanded capacity is slower-than-anticipated. However, the associated capital expenditure is expected to support long-term revenue growth.

Liquidity position: Adequate

IHHR Andhra's liquidity is expected to remain adequate, supported by comfortable expected cash flows from operations of Rs. 18-20 crore in FY2026 and sizeable free cash balances of Rs. 17 crore as of March 31, 2025. Against the same, it has debt obligations of Rs. 7-8 crore in FY2026, while capex commitments are likely to increase (Rs. 100-120 crore over FY2026-FY2027) due to planned expansion. ICRA expects the promoter's commitment to infuse timely equity funds will support liquidity going forward.

Rating sensitivities

Positive factors – A sustained improvement 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. The ratings could also be upgraded in case of an improvement in the credit profile of the parent entity.

Negative factors – Pressure on the ratings 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. The rating could be downgraded in case of weakness in linkages or a deterioration in the credit profile of the parent entity.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Parent company: IHHR Hospitality Private Limited The ratings assigned to IHHR Andhra factor in the high likelihood of its parent entity – IHHR, extending financial support to it. ICRA also expects the parent entity to be willing to extend financial support to IHHR Andhra out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The ratings are based on the standalone financial statements of the issuer.

About the company

Incorporated in 2005, IHHR Andhra is a 74% subsidiary of IHHR. The remaining stake is held by the Government of Andhra Pradesh. The company owns a single 166-key hotel in Hyderabad, which is operated under the Hyatt brand. The hotel became operational in 2007.

IHHR, incorporated in 1998, owns and operates seven 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, Hyderabad, Ahmedabad, Vadodara and McLeod Ganj with an aggregate inventory of 1,125 keys.

In FY2025, the parent company, IHHR Hospitality Private Limited, executed following strategic acquisitions as part of the group restructuring initiatives: Nidra Hospitality Gujarat Pvt. Ltd. (Four Points by Sheraton, Vadodara)- acquisition of a 100% equity stake from Nidra Hospitality Pvt. Ltd., IHHR Hospitality (Gujarat) Pvt. Ltd. (Hyatt Ahmedabad)- acquisition of a 100% equity stake from Shanti Hospitality Pvt. Ltd., IHHR Hospitality (Himachal) Pvt. Ltd. (Hyatt Regency Dharamshala)- acquisition a 52.34% equity stake from Zion Universals Pte Ltd.

Key financial indicators (audited)

IHHR Andhra	FY2024	FY2025
Operating income	76.2	91.3
PAT	7.8	14.5
OPBDIT/OI	30.8%	32.7%
PAT/OI	10.2%	15.8%
Total outside liabilities/Tangible net worth (times)	-3.6	-5.7
Total debt/OPBDIT (times)	6.0	4.5
Interest coverage (times)	2.8	3.8

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 rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs. crore)	Sep 30, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term Loan	Long Term	71.05	[ICRA]BBB+ (Stable)	Nov 29, 2024	[ICRA]BBB+ (Stable)	Aug 30, 2023	[ICRA]BBB+ (Stable)	May 13, 2022	[ICRA]BBB- (Stable)
Fund Based-Cash Credit	Short Term	2.82	[ICRA]A2	Nov 29, 2024	[ICRA]A2	Aug 30, 2023	[ICRA]A2	May 13, 2022	[ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Term loans	Simple
Short-term – Fund based – Working capital limits	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	NA	FY2036	71.05	[ICRA]BBB+(Stable)
NA	Fund based limits	NA	NA	NA	2.82	[ICRA]A2

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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