

Ihhr Hospitality (andhra) Private Limited

December 14, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	56.56	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB (CE [^]); Stable; [Double B (Credit Enhancement); Outlook: Stable]
Total Bank Facilities	56.56 (₹ Fifty-Six Crore and Fifty-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1

*Issuer did not cooperate; Based on best available information

[^] Backed by unconditional and irrevocable corporate guarantee extended by IHHR Hospitality Pvt. Ltd.

Un Supported Rating [#]	Withdrawn
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[#] Unsupported Rating do not factor in the explicit credit enhancement and are thus withdrawn due to change in analytical approach to standalone.

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated June 06, 2022, placed the rating(s) of Ihhr Hospitality (andhra) Private Limited (IHAPL) under the 'issuer non-cooperating' category as IHAPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. IHAPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated November 16, 2022, November 21, 2022, November 23, 2022.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of requisite information. The revision also factored in change in analytical approach to standalone. Further, rating remained constrained by its small scale of operation with continued net losses, highly leveraged capital structure along with weak debt coverage indicators and cyclical nature of industry with high dependence on economic cycles. However, the ratings derive strength from the promoter's experience in the hospitality space. The ratings are further strengthened on account of their operating and marketing tie-up with the Hyatt Group as well as the favourable location of its properties.

Detailed description of the key rating drivers

At the time of last rating on June 06, 2022 the following was the rating strengths and weakness (Updated from the information available from ROC filings):

Key Rating weakness

Small scale of operations with continuing losses and highly leveraged capital structure with weak debt coverage parameters

IHAPL's scale of operations although increased over FY21 but remained small marked by total operating income of ₹ 29.24 crore in FY22 against ₹12.70 crore in FY21. Further, with increase in scale of operation IHAPL was managed to report profit at operating level in FY22 against losses reported during FY21, however it remained low.

Consequently, with higher depreciation and interest cost reported during the year, IHAPL continued to report a net loss during FY22. Resultantly, the networth of the company has completely eroded.

IHAPL's has a leveraged capitals structure marked by high overall debt vis-à-vis a negative networth as on March 31, 2022. Further, the company's debt coverage also remained weak marked by below unity interest coverage of 0.15x during FY22.

¹ Complete definition of the ratings assigned are available at www.careedge.in and other CARE publications

Cyclical nature of the hospitality industry:

Hospitality industry is characterized by inherently high operating leverage which increases the reliance on remunerative RevPAR to sustain profitability. Also, the fortunes of the industry are linked to general investment cycles in the economy leading to seasonality in revenue generation. The scale of operations of the company has remained fluctuating in the FY20-FY22 period.

Key Rating strengths

Promoters' experience in hospitality space

The company belongs to 'Shanti Hospitality' group, consisting of a portfolio of 24 hotels, including, Ananda in the Himalayas, Rishikesh, Shanti Maurice, Nira Alpine, Nira Caledonia, Four points by Sheraton, Delhi etc. The company is held by Mr. Sudhir Choudhrie and family possessing 85% stake in the company and remaining 15% stake held by family of Mr. Ashok Khanna (former president and chief executive officer of Indus Hotels Corporation)

Long track record of operations and operating and marketing tie up with Hyatt Group:

IHHR has entered into a 20-year agreement with Hyatt group (Hyatt) in October 2012, for trade mark, strategic oversight and hotel operations service for four of its hotels under 'Hyatt Regency' brand including 'Hyatt Hyderabad' owned by IHAPL.

Favourable location of the property

The IHAPL property is located at prime location in Hyderabad and benefits from growth in IT/ITes space.

Analytical approach: Standalone revised from Guarantor's assessment (Backed by unconditional and irrevocable corporate guarantee extended by IHHR Hospitality Pvt. Ltd.) as IHAPL has been under the 'issuer not cooperating' category since long; hence, CARE is unable to ascertain whether the corporate guarantee extended by IHAL still exists and if it does; whether it fulfils all stipulated conditions necessary for evaluation and consideration of the guarantee.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[Policy on Default Recognition](#)

[Policy on Withdrawal of ratings](#)

[Rating Methodology – Hotel Industry](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

IHHR Hospitality (Andhra) Pvt Ltd, incorporated in 2005, is a subsidiary of IHHR Hospitality Pvt Ltd (74% stake). The company owns a single hotel- 'Hyatt Hyderabad', a 166 keys five-star hotel built on a site admeasuring 15.39 acres. The hotel became operational in the year 2007 and comprises Conference and Banquet halls, SPA & Wellness Centre and dining hall with 139 seats, Speciality hall with 73 seats and Lounge with 46 seats spread in an area of 6550 sq. Ft.

Brief Financials of IHAPL (Rs. crore)	FY21(A)	FY22(A)	H1FY23(Prov.)
Total operating income	12.70	29.24	NA
PBILDT	-3.09	1.06	NA
PAT	-9.56	-6.60	NA
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	NM	0.15	NA

A: Audited, Prov.: Provisional, NA – Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	November 2032	53.56	CARE B+; Stable; ISSUER NOT COOPERATING*
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	-	0.00	Withdrawn

*Issuer did not cooperate; based on best available information

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument /Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	53.56	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE BB (CE); Stable; ISSUER NOT COOPERATING* (06-Jun-22)	-	1)CARE BB+(CE); Stable; ISSUER NOT COOPERATING* (11-Mar-21) 2)CARE BBB-(CE); Stable (06-Apr-20)	-
2	Fund-based - LT-Bank Overdraft	LT	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE BB (CE); Stable; ISSUER NOT COOPERATING* (06-Jun-22)	-	1)CARE BB+(CE); Stable; ISSUER NOT COOPERATING* (11-Mar-21) 2)CARE BBB-(CE); Stable (06-Apr-20)	-
3	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	1)CARE BB-; ISSUER NOT COOPERATING* (06-Jun-22)	-	1)CARE BB; ISSUER NOT COOPERATING* (11-Mar-21) 2)CARE BB+(06-Apr-20)	-

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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