

Piccadily Hotels Private Limited

February 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	253.30	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Piccadily Hotels Private Limited (PHPL) factors in long standing experience of its promoters in the hospitality industry, tie-up with Hyatt brand for three properties and favourable locations of the hotel properties. The ratings continue to derive strength from growth in its total operating revenue (TOI) along with improving profitability till Q3FY25 (refer period from April 01, 2024 to December 31, 2024), satisfactory operational performance and improving comfortable capital structure and debt coverage indicators owing to the prepayment of debt. The above rating strengths are constrained by its revenue concentration risk, seasonal industry scenario associated with the hotel industry and the increasing competition and revenue vulnerability due to inherent industry cyclicality, economic cycles and exogenous events.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained PBILDT margin above 35% going ahead coupled with improvement in total operating income above Rs. 300 crore.
- Sustained ARR above Rs.6500/- with occupancy above 65%.
- Improvement in the overall gearing below 0.90x

Negative factors

- Substantial decline in the TOI of the company below Rs.200 crore and decline in combined occupancy below 40%.
- Decline in the profitability below 25% at PBILDT level, leading to deterioration in the liquidity profile of the company.
- Additional debt further leveraging the profile of the company resulting in overall gearing above 1.70x.

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook indicates stability in the company's scale of operations benefitting from its continued association with the strong brands derived from Hyatt and sustain its financial and operational performance.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

Piccadily Hotels Private Limited (PHPL) has built a strong reputation over more than 40 years of successful operations, with a portfolio of five well-established hotel properties along with one leased property. The company is currently managed by the Sharma family, who brings more than four decades of experience in the hospitality industry. The management team is further bolstered by a skilled and experienced team, ensuring efficient operations and strategic growth.

In addition, PHPL benefits from its association with the reputed Hyatt brand, which enhances its market position by attracting a loyal clientele and bolstering its reputation in the hospitality sector. This partnership provides PHPL with significant competitive advantages, enabling it to maintain a strong presence in the industry.

Tie-up with Hyatt Brand for three hotel properties

PHPL has an agreement with Hyatt group (Hyatt) with establishment of three hotel properties, one in Gurgaon (2012), second in Ludhiana (2013) and third in Janakpuri (2019) for trademark, strategic oversight and operations service agreement under 'Hyatt International' brand for long term period.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Though, there was tie up with Hyatt brand for Janakpuri Hotel in New Delhi since 2019, however major operations started in FY23 post completion of renovation only

Chicago-based Hyatt is a leading global hospitality group with a portfolio of 1363 hotel properties in 79 countries as on Sep 30, 2024. The established brand of 'Hyatt International' and long experience of Hyatt International in management of hotels reduces the management and marketing risk to a great extent.

Tie-up with Hyatt reduces management and marketing risks for PHPL, as Hyatt's extensive experience in the hotel industry provides a solid framework for effective property management. Additionally, Hyatt's marketing strategies and established distribution networks enhance the visibility and reach of PHPL's properties, thereby driving demand and improving overall performance. The long-term relationship with Hyatt ensures stability and growth for PHPL, positioning it advantageously in a highly competitive hospitality market.

Favourable location of the Hotels

Piccadilly Group started its Hospitality operations from Chandigarh Hotel itself in 1980. The hotel is just 8 kilometres from the airport and 6 kilometres from the nearest railway station.

The Janakpuri hotel is strategically located in the District Center Complex, attracting both leisure and business travellers. It is well connected to the Airport (~18km) and next to the Janakpuri District Centre; the hotel is just a short walk from the Janakpuri West Metro Station and a 30-minute drive from Connaught Place from the City Centre and Gurugram.

The Gurugram hotel located along the NH48 express highway, which connects Delhi, Gurgaon, and Jaipur, this conveniently located hotel is easily accessible from the Dwarka expressway, providing a convenient link to Yashobhoomi. It is also well-connected via the Southern Periphery Road, making it a breeze to reach from various areas of Gurgaon.

Juhu Hotel is located at Juhu beach, Mumbai which is a very famous tourist destination.

Other hotels located in Chandigarh and Raipur are also located at strategic places to attract more customers.

Improving revenue and profitability in FY24 and 9MFY25 following satisfactory operational performance

Revenue: The total operating income of PHPL improved by CAGR of 7.75% in last 5 years from FY20 to FY24. In FY24, total operating revenue of the company improved by 23.19% and stood at Rs.261.61 crore (excluding non-cash income of Rs.32.52 crore) as compared to Rs.212.36 crore in FY23. The growth was mainly on account of improvement in the overall operational performance of the company. Further PHPL has generated TOI of ~Rs.200.86 crore till Dec 31, 2024. The profitability of the company improved in FY24 which will further continued in FY25 majorly due to growing scale of operations followed by better operational efficiency as reflected by PBILDT margin of 34.83% (PY: 36.70%). PAT margins of PHPL improved significantly in last 5 years. PHPL was suffering losses in FY20 and in FY24 reached to PAT of 28.27%. In 9MFY25, PBILDT margin stood at ~32.34% and PAT margin stood at ~17.71%.

Operational performance: PHPL has witnessed improvement in its operational parameters marked by growing domestic demand, national and international events hosted by India, revamp of offices by ITs, increased relaxation in many travel destinations, weddings, festivals, increase in disposable income etc. The overall occupancy levels improved 56% in FY23 to 61% in FY24. The Average Room Revenue (ARR) has also gone up to Rs.6234 in FY24 as against Rs.5632 in FY23, showing a growth of ~11%.

The Gurgaon Hotel remains the major contributor to the overall revenue at 50.70% followed by New Delhi and Ludhiana Hotels.

Improvement in the capital structure and debt coverage metrics

The capital structure of the company improved in FY24 reflected from improvement in the overall gearing and TOL/TNW to 1.65x and 1.95x respectively as compared to 2.82x and 3.26x respectively in FY23. The improvement was mainly on account of repayment of debt coupled with accretion of healthy margins in the total net-worth of the company. The net worth of the company improved from Rs. 127.28 crore during FY23 to Rs. 201.25 crore during FY24 mainly due to accumulation of profits. Debt coverage metrics of the company improved in FY24 as interest coverage ratio of the company improved to 2.88x in FY24 as compared to 2.62x in FY23. Total debt to GCA of the company also improved in FY24 and stood at 5.62x as compared to 6.99x. This was mainly on account of healthy profitability margins and debt repayment.

With healthy profitability PHPL has also prepaid the term debt amounting Rs.51.48 crore till September 2026 (Q2FY27).

Key weaknesses

Moderate scale of operations and concentration risk:

PHPL operates a diversified portfolio of six hotels, totalling 957 operational keys, spread across key locations in India, including Gurgaon, Janakpuri (Delhi), Ludhiana, Chandigarh, Raipur, and Juhu (Mumbai). This geographical diversification helps mitigate the risk of over-reliance on any single market or region, allowing the company to tap into different customer bases and economic conditions across various cities.

However, despite this diversification, PHPL's revenue remains significantly concentrated in just three of its properties, located in Ludhiana, Gurgaon, and Janakpuri (Delhi), which operates under the well-known Hyatt brand. These three hotels play a dominant role in the company's financial performance, generating a substantial portion of its total revenue. In FY24, these properties accounted for 92.72% of PHPL's total revenue, and in FY23, they contributed 88.78%. This concentration means that while the company benefits from a broad geographic presence, a large share of its financial success is still dependent on the performance of these three key hotels. This concentration could expose PHPL to risks associated with any downturn in the markets or changes in the performance of these specific properties.

Seasonal industry scenario associated with the hotel industry and the increasing competition

The company is exposed to the changes in the macroeconomic factors, industrial growth, and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors, which leads to inherent cyclical in the hospitality industry. These risks can impact the occupancy rate of the company and, thereby, the company's profitability. However, these risks are to an extent mitigated by the company through a judicious mixture of business and leisure hotels and a strong brand image.

The Indian hospitality sector made a strong revival in FY23 surpassing pre covid level. The revival can be largely attributed to pent-up demand for leisure and business travel, supported by increased bookings on account of weddings and significant uptick in MICE (meetings, incentives, conferences, and exhibitions).

Going ahead, in FY24-25 growth of 6-9% in Indian hospitality industry is largely expected from domestic demand. The expected growth attributes to higher disposable income, domestic and international events, festivals, weddings, corporate travels etc. Hotel Occupancy is forecasted to be at peak level around 70-72% in FY24 & FY25.

Revenue vulnerability due to inherent industry cyclical, economic cycles and exogenous events

Operating performance of the properties remain vulnerable to seasonal industry, general economic cycles, and exogenous factors such as geopolitical crisis, terrorist attacks, and disease outbreaks, among others. Revenue risks are partially mitigated by geographically diversified portfolio in prominent business districts, allowing it to withstand demand vulnerability related to a particular micro-market.

Liquidity: Adequate

PHPL has adequate liquidity marked by available cash & bank balance of Rs.23.51 crore as on March 31, 2024 and ~Rs.26.60 crore as on December 31, 2024. Due to negative working capital, there is no fund based working capital limits availed by PHPL. Furthermore, the PHPL generated healthy cash accruals of Rs.59.02 crore in FY24 and is expected to garner gross cash accruals (GCA) of over Rs.90 crore in FY25. With healthy accruals, presently PHPL has already prepaid the term debts till September 2026 Current and quick ratio of the company is also above unity as on March 31, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Leisure services	Hotels and resorts

Piccadilly Hotels Private Limited (PHPL) is an Indian Private Limited Company engaged in the business of Hospitality since 1973 and promoted by Mr. Venod Sharma. He is assisted by his son Mr. Kartikeya Sharma who has more than 11 years of experience

in hospitality, media and sugar manufacturing and his wife Mrs. Shakti Rani Sharma with more than 16 years of experience in hospitality industry.

PHPL operates six hotels in Delhi, Gurgaon, Raipur, Chandigarh, Ludhiana and Mumbai of which three are operated under the brand name 'Hyatt International' i.e. Gurgaon, New Delhi, Ludhiana. Raipur and Chandigarh hotels are operated under its own brand 'Piccadily'. The property situated in Mumbai is taken on lease and is operated under the brand 'Juhu'.

Apart from hospitality industry, promoters are also operating real estate, hospitality, film distribution, and media industries etc

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	212.36	261.61*	200.86
PBILDT	77.93	91.11	64.95
PAT	34.12	73.97	35.57
Overall gearing (times)	2.82	1.65	1.21
Interest coverage (times)	2.62	2.88	3.54

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

*This is excluding non-cash income of Rs.32.52 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2029	253.30*	CARE BBB; Stable

*Outstanding as on December 10, 2024

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE BB-; Stable (01-Apr-21) 2)Withdrawn (01-Apr-21)
2	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (01-Apr-21) 2)CARE BB-; Stable (01-Apr-21)
3	Fund-based - LT-Term Loan	LT	253.30	CARE BBB; Stable				

LT: Long term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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