

## Palm Grove Beach Hotels Private Limited

March 26, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	254.00	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of the long-term rating to bank facilities of Palm Grove Beach Hotels Private Limited (PGBHPL) factors in robust revenues from the hotel business in FY24 (refers to April 01 to March 31) compared to FY23 due to improved occupancy rate and increase in average room rent rates (ARR). The rating takes cognisance of significant revival of the hospitality industry. Going forward, CARE Ratings Limited (CARE Ratings) expects continuity in the performance of the Indian hotel industry to remain robust considering healthy demand for rooms in hotels from pickup in weddings, domestic inbound travel, and Meetings, Incentives, Conferences and Exhibitions (MICE), which is resulting in higher occupancy rates and higher room rents. The rating continues to factor in proven track record of the promoter group and experienced management, continuous financial support from the group, and prime location of hotel properties having tie-ups with reputed international hospitality brands. The rating also considers additional free cash flows available from sale of completed residential units in Raheja Garden, Pune, and FSI sale at Ghatkopar, Mumbai.

However, rating strengths continue to be moderated by weakened financial performance despite showing signs of improvement due to better operational performance, business being susceptible to inherently cyclical, and competitive hospitality and real estate sectors.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Maintaining profit before interest, lease rentals, depreciation, and taxes (PBILDT) margin above 40%, leading to higher cash accruals and reducing dependency on debt on a sustained basis.
- Improvement in the overall occupancy above 85%.

#### Negative factors

- Additional debt, further deteriorating leverage profile of the company.
- Substantially declining operating metrics of hotels with average occupancy below 55%.
- Discontinuing or lower-than-envisaged support from group company.

**Analytical approach:** Standalone, factoring linkage with the group. K Raheja Construction Group primarily has main business operations in three companies, Unique Estate Development Company Limited (UEDCL), Palm Grove Beach Hotels Private Limited, and Ferani Hotels Private Limited. The Group has a partnership firm, 'Parkview Developers', where the surplus funds in all group companies are parked and utilised for capex within the group.

### Outlook: Stable

Stable outlook reflects that the rated entity is likely to sustain its growth momentum amidst favourable business environment to maintain envisaged operating performance over the near-to-medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoter group

Incorporated in October 1979, PGBHPL is a part of the K Raheja Construction (KRC) group (managed by Sandeep Raheja). The group has an experience of over six decades in real estate. Founded in 1956, K Raheja Construction (promoter group holding 100% in UEDCL) has successfully completed retail, hospitality, residential, industrial, and commercial projects all over India. The group under its brand, Infiniti, operates two malls, while its portfolio spans multiple asset classes, including mall, residential and

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

commercial projects, and hotels spanned across Mumbai, Pune, and Chennai. The promoter is assisted by top management team, which is well qualified and has strong expertise in developing real-estate projects and managing the hospitality business.

### Financial support from group

UEDCL, PGBHPL, and FHPL are main companies of the KRC group. These companies and promoter have formed a partnership firm, Parkview Developers, where surplus funds of all group companies are parked and utilised for capex within the group, providing financial support/flexibility for the entire group. In FY24, PGBHPL had an overdrawn balance of ~₹680 crore which will be repaid through surplus generated by the company. Support will be provided from Parkview Developers as and when required. PGBHPL has also provided ~₹121 crore to group companies as advances. Timely support will be crucial from the credit perspective.

### Prime location of hotel properties and tie-up with international hospitality brands

PGBHPL's hotel portfolio consists of four properties with a total of 714 keys, strategically located in prime areas. Ramada Plaza is situated in Juhu, Mumbai, Courtyard Marriott in Anna Salai, Chennai, and Conrad Hilton near Koregaon Park, Pune. The company has partnered with renowned hospitality brands, including the Marriott Group for its Chennai hotel, the Ramada Group for its Juhu property, and the Hilton Group for its Pune hotel.

Being in prime locations, these hotels benefit from high footfall, healthy occupancy rates, and growing ARR, ensuring steady revenue generation.

### Improved operational performance supported by increase in ARR and RevPAR

The company witnessed increase in occupancy levels from 71% in FY23 to 76% in FY24, leading to increase in revenue to ₹274.38 crore in FY24 compared to ₹242.70 crore in FY23. In 8MFY25, income from hotels stood at ₹181.67 crore. In FY24, the ARR also improved by ~15% y-o-y. The company also generated income from real estate to the tune of ₹7.92 crore.

These trends indicate a steady improvement in the company's operational performance and its ability to benefit from favourable market conditions in the hospitality and real estate sectors.

### Key weaknesses

#### Below-average financial risk profile:

PGBHPL's financial risk profile continues to remain below average, characterised by negative capital structure. The company's net worth has completely eroded due to continued losses over the years. PBILDT interest coverage ratio remained moderate at 1.0x in FY24 compared to 1.13x in FY23. In FY24, PGBHPL has an overdrawn balance of ₹680 crore from Parkview Developers with an interest payable of ~₹52 crore, which indicates high dependency on group for financial support.

#### High susceptibility to economic cycles and operations in highly competitive industry

The hospitality industry is highly fragmented with many local and international players operating across different hotel segments, leading to high level of competition in the business. However, the company, due to its brand name and reputation, has been successful in recovering occupancy rates. Performance of the hospitality sector is driven by macro-economic factors such as prospects of Indian tourism industry (which depends on overall economy and disposable incomes), competitiveness of Indian tourism, business and leisure travel, weddings, domestic and foreign tourist arrivals, popularising trend of MICE. The sector is susceptible to downturn in the economy and local government policies regulating trade.

#### Liquidity: Adequate

The cash and bank balance of PGBHPL as on March 31, 2024, is ~₹41 crore against the scheduled repayments in the range of ₹50-60 crore till FY27. FHPL has an overdrawn balance of ~₹680 crore in Parkview Developers, which is being used towards shortfall. There is no fixed repayment obligation on the group companies and the same will be paid through the surplus generated.

**Environment, social, and governance (ESG) risks:** Not applicable

#### Applicable criteria

[Policy on default recognition](#)

[Criteria on Notching by factoring linkages in rating](#)

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

[Rating Outlook and Rating Watch](#)

[Rating Methodology - Hotel Industry](#)

[Financial Ratios – Non financial Sector](#)

[Criteria - Real Estate Sector](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
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Consumer discretionary	Consumer services	Leisure services	Hotels & resorts
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Incorporated in October 1979, PGBHPL (CIN: U55100MH1979PTC021760) is a part of the K Raheja Construction (KRC) group, which has dominant presence in Mumbai's real estate market for over three decades. PGBHPL has a presence in two business segments, hospitality and real estate. PGBHPL owns three operational hotels, The Ramada Plaza Palm Grove, Mumbai (Five-Star Business Hotel with capacity of 114 rooms), Courtyard by Marriott, Chennai (Business Leisure Hotel with capacity of 238 rooms), and Conrad Hilton, Pune (Five-Star hotel with 351 rooms). PGBHPL also owns 11-room hotel named Classique Club at Andheri (W), Mumbai. Apart from these, PGBHPL has a completed residential property in Pune and land with all approvals in place for its remaining developable area (FSI) in Ghatkopar, Mumbai.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	263.84	282.33
PBILDT	74.90	77.52
PAT	-8.35	-4.61
Overall gearing (times)	NM	NM
Interest coverage (times)	1.13	1.00

A: Audited NM: Not Meaningful; Note: these are latest available financial results

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term	-	-	-	30-12-2029	237.00	CARE BBB+; Stable
Fund-based-Long Term	-	-	-	-	17.00	CARE BBB+; Stable

**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-Long Term	LT	237.00	CARE BBB+; Stable	1)CARE BBB+; Stable (02-Apr-24)	1)CARE BBB+; Stable (04-Apr-23)	1)CARE BBB+; Stable (05-Apr-22)	1)CARE BBB+; Negative (01-Apr-21)
2	Fund-based-Long Term	LT	17.00	CARE BBB+; Stable	1)CARE BBB+; Stable (02-Apr-24)	1)CARE BBB+; Stable (04-Apr-23)	1)CARE BBB+; Stable (05-Apr-22)	1)CARE BBB+; Negative (01-Apr-21)

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-Long Term	Simple

**Annexure-5: Lender details**

To view 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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