Good Host Spaces (North) Private Limited

May 30, 2025

Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	280.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the proposed non-convertible debentures (NCDs) of Good Host Spaces (North) Private Limited (GHSNPL) derives strength from expected steady cash flow generation supported by healthy occupancy level of target asset, CARE Ratings Limited (CareEdge Ratings) notes that the proposed NCDs will have structural features like ring-fencing of fee collection with escrow, waterfall mechanism and maintenance of debt service reserve account (DSRA) equivalent to one quarter of debt servicing. Additionally, the hostel service agreement is expected to have a minimum guarantee and inflation protection clause.

GHSNPL is a wholly owned subsidiary of Good Host Spaces Private Limited (GHSPL), which is being ultimately managed by Rava Partners, real asset strategy affiliate of Hillhouse Investment. The sponsor has made significant investments in the education infrastructure platform, and hence, assets under GHS group are strategically and economically important to the existing sponsor. The sponsor profile supplements the company's financial flexibility.

However, rating strengths are constrained by pending acquisition, project execution risk associated with proposed under-construction project, management of liquidity levels to avoid cash flow lumpiness, intense competition prevalent in the hostel industry, limited track record of operations of the asset, moderate projected financial risk profile, counterparty risk in the event of low occupancy, refinancing risk with expected conversion of proposed NCDs to long tenure debt, and exposure to volatility in admissions at university and interest rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Acquisition of asset and sustenance of occupancy level above 90% and an established track record of timely receipt of rentals.

Negative factors

- Significant decline in occupancy level or realisations impacting the cash flow position of the company.
- Significant decline in liquidity level proposed to be maintained out of advance rental collections.
- Any significant increase in debt level leading to deterioration in external debt/profit before interest, lease rentals, depreciation and taxation (PBILDT) above 8x.
- Deterioration in operational and credit profile of contracted educational institution.

Analytical approach: Standalone

While CareEdge Ratings adopts standalone approach, the rating also draws comfort from the presence of ultimate sponsor.

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectation that the company is likely to complete acquisition and proposed project within scheduled timelines resulting in stable cash flow generation.

Detailed description of key rating drivers:

Key strengths

Strong occupancy level of target asset

GHSNPL is planning to acquire and operate ~2,000 hostel beds, annually in North India, housed under a private university. The assets witnessed healthy occupancy levels above 95% in the last three academic years ended academic year (AY) 2025. Per hostel service agreement, fees are collected in advance before the start of every AY mitigating counterparty risk from students. Considering the consistent growth in enrolments in the university, the occupancy level is expected to remain strong.

Presence of minimum guarantee and inflation protection clauses ensures stability in revenues

In the last three academic years, hostels have maintained above 95% occupancy, and the trend is expected to continue considering healthy student intake of over 6,000 students and strong academic strength of over 16,000 students. The hostel

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

service agreement is likely to include a minimum guarantee clause, requiring the university to compensate GHSNPL for revenue shortfalls if occupancy declines below 80%. Minimum guarantee clause is less likely to be tested given the presence of reputed profile of the university maintaining healthy student intake.

Projected moderately leveraged financial risk profile
The company is in the process of acquiring a target company, for consideration of ~₹350-400 crores, proposed to be funded by NCDs and fund infusion by holding company (GHSPL). Post-acquisition the financial risk profile is expected to be moderately leveraged as marked by external debt to PBILDT of above 6x in near to medium term. Generation of cash flows and maintaining an optimal level of debt remains crucial from credit perspective.
Comfort is also derived from the proposed terms of NCDs which includes presence of structural features, where entire cash inflows consisting of rentals from students, and other inflows (investment income, rentals from food outlets among others) will be required to be routed through designated escrow account and well-defined water-fall mechanism where debt servicing will take priority after statutory and operational expenses. Apart from escrow and waterfall mechanism, the company will also be required to create DSRA equivalent to one quarterly instalment due (principal and interest amount), which will supplement the liquidity profile.

Well established sponsor
In FY24, the Good Host Spaces' ultimate sponsor changed from Goldman Sachs and Warburg Pincus to Rava Partners (managed through India affiliate, Alta Capital), which has deployed sizeable funds in India.
The holding company is expected to infuse funds amounting to ~₹100 crore in the entity for the purpose of acquisition. Given the healthy occupancy level of GHSNPL's targeted asset, there is no anticipated need for support from the existing sponsor. However, the asset's strategic importance and significant funds committed in the group, the ultimate sponsor is expected to provide adequate support, in case of contingencies.

Key weaknesses

Risk associated with pending acquisition and under-construction project
GHSNPL is undertaking acquisition of assets (academic block and hostel blocks), with a total acquisition cost of ~₹350-400 crore, up to ~70% of which is expected to be funded through NCDs. The company is expected to close the transaction in FY26 and immediately proceed with the commencement of construction of a new hostel block on the campus. The new hostel project is currently in the planning stage and ~50% of the project cost is expected to be funded through debt. Accordingly, the company is exposed to execution and marketing risks. However, these risks are largely mitigated by the strong parentage and the group's established track record in hostel operations and association with a reputed university.
Going forward, GHSNPL's ability to complete the acquisition of the target company and execute the hostel service agreement, and timely completion and commencement of operations of the upcoming hostel block, will remain a key rating monitorable.

Refinancing risk
The proposed NCD for acquisition will have bullet repayment after three years of issuing NCDs and is expected to be refinanced by way of lease rental discounting (LRD) facility. The company's ability to timely complete the transaction, maintain healthy occupancy and refinance, shall remain monitorable. CareEdge Ratings notes that there is an adequate time gap between the proposed date of commencement of commercial operations (DCCO) and proposed due date of NCD repayment, which is likely to provide additional comfort for timely refinancing.

Risk of decline in enrolment levels at contracted education institutions
GHSPL acquires hostels of universities, which are well-established and have a strong track record. Currently, the target university is one of India's top private universities on the basis of education institution ranking frameworks largely mitigating the counterparty risk. However, the target university operates in a highly competitive education industry, a significant reduction in enrolment levels, driven by reduced demand for its courses, could adversely impact GHSNPL's occupancy levels and the overall cash flow position. The company will also be exposed to moderate concentration risk, given arrangement with single educational institute.

Liquidity: Adequate

Per terms of acquisition, GHSNPL will receive advance rent from the university to aid liquidity profile. The same will be utilised post-acquisition for interest servicing. Against the proposed debt commitments of ~₹27 crore for FY26, the company is expected to generate CFO of ~₹80 crore. The company's operational cash flow is expected to remain adequate. Apart from this, the presence of strong sponsors provides additional comfort. Given the strong operational portfolio and healthy demand, GHS Group is strategically important to the sponsors, hence, sponsors are expected to extend adequate support, if required.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Definition of Default

[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Rating methodology for Debt backed by lease rentals](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

GHSNPL was incorporated in April 2025 to acquire hostel building of a private university in North India, through a special purpose vehicle (SPV). GHSNPL is a wholly owned subsidiary of GHSPL, which is engaged in student housing management. The GHS group owns and manages ~19,000 beds and is actively looking to increase the scale of operations inorganically and is strategically and economically important to the ultimate sponsor.

Brief financials: Not applicable as GHSNPL was incorporated in April 2025, it does not have any past financials.

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
Debentures-Non-convertible debentures	-	Not yet placed	11.00	-	280.00	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 2025-2026	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
1	Debentures-Non-convertible debentures	LT	280.00	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	Debentures-Non-convertible debentures	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.

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