

May 23, 2023

Nehru Place Hotels and Real Estates Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term loan	74.00	60.00	[ICRA] A+ (Stable); reaffirmed
Cash credit	200.00	200.00	[ICRA] A+ (Stable); reaffirmed
Total	274.00	260.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Nehru Place Hotels and Real Estate Pvt Ltd (NPHREPL) factors in the extensive experience of promoters and strong promoter background, with company being a part of Eros group. The rating notes the healthy operational track record of its key commercial property, Eros Corporate Tower (ECT), favourably located in a major commercial hub, Nehru Place in Delhi and having a leasable area of 2.01 lakh sq. ft. at 90% occupancy as of February 2023 (87% as of March 2022). The second commercial property, Eros City Centre of 12,410 sqft, is located in Gurgaon and is fully leased as of February 2023. The properties are occupied with reputed tenants mitigating the counterparty credit risk to a large extent. NPHREPL's total debt declined to Rs. 64.5 crore as on March 2023 (PY: Rs. 103.5 crore) with the company repaying its OD facility from the proceeds of Rs. 82.5 crore received from the sale of 84,000 sqft commercial property in Gurgaon. Consequently, the leverage, Net Debt/Net Operating Income (NOI) improved to 1.60-1.65 times as on March 2023 (PY: 3.02 times) and is expected to remain comfortable at 1.45-1.50 times as of March 2024. Further, the company's debt coverage metrics are healthy with a 5-year average DSCR at above 2.00-2.05 times in FY2024-FY2028.

The rating is, however, constrained by the modest scale of operations with a total leasable area of about 2.13 lac sqft and estimated rentals of Rs. 60 crore in FY2023 along with the asset concentration risks, given that over 90% of NPHREPL's current revenues are derived from its single commercial project. Further, the company has incurred Rs. 250 crore towards acquisition and refurbishment of a hotel property in Chandigarh viz. James Hotel Limited under IBC which was partially funded through debt against lease rentals of Eros Corporate Tower. The hotel commenced operations in October 2022, and reported moderate occupancy of 50% in FY2023. Going forward the improvement in the hotel occupancy will remain a key rating monitorable. ICRA also notes that NHPREPL has extended loans and advances to various group companies in the past. Any incremental debt drawn for new investments or for extending advances to group entities adversely impacting the leverage and coverage metrics of NPHREPL would result in pressure on the credit rating.

The stable outlook reflects NPHREPL's healthy occupancy, reputed tenant profile and low leverage in its key commercial project, Eros Corporate Tower. However, stabilization of the hotel asset and extent of new acquisitions or advances extended to group concerns would remain a key rating monitorable.

Key rating drivers and their description

Credit strengths

Favourable location and healthy operational track record of key property, ECT – ECT has 2.01 lakh sqft of leasable area and is favourably located in Nehru Place, one of the key commercial hubs of Delhi. It enables the company to have a reputed tenant profile and maintaining healthy occupancies of 90% in FY2023. The asset is expected to generate healthy inflows over medium term on the back of favorable location, high lease rentals (average rental of Rs 203 per sqft per month) and limited upcoming supply in its micro-market. Further, the occupancy of Eros City Centre in Gurgaon is 100% as of February 2023.

Reputed tenant profile – The commercial properties (Eros Corporate Tower and Eros City Centre) have reputed tenants such as HDFC Ergo, Bank of Bahrain and Kuwait, Barclays Bank, Axis Bank, Cultfit, Japan External Trade Organization etc., which

mitigates counter party risks to a large extent. The top 5 tenants contribute 39% of the total revenue resulting in moderate tenant concentration risk.

Improvement in leverage and healthy debt coverage metrics – The debt protection metrics of the company are healthy, with total debt declining to Rs. 64.5 crore as on March 2023 (PY: Rs. 103.5 crore) with the company repaying its OD facility from the proceeds of Rs. 82.5 crore received from the sale of 84,000 sqft commercial property in Gurgaon. Consequently, the leverage, Net Debt/Net Operating Income (NOI) improved to 1.60-1.65 times as on March 2023 (PY: 3.02 times) and is expected to remain comfortable at 1.45-1.50 times as of March 2024. Further, the company's debt coverage metrics are healthy with a 5-year average DSCR estimated in the range of 1.50-1.55 times in FY2023-FY2027 and 2.00-2.05 times in FY2024-FY2028.

Credit challenges

Modest scale of operations – The company has a modest scale of operations with a total leasable area of 2.13 lac sqft and rentals of Rs 55 crore in FY2022 which are estimated to remain in the range of about Rs. 60-62 crore in FY2023. Further, the asset concentration risk remains high given that over 90% of NPHREPL's current revenues are derived from its single commercial project. Further, the company incurred Rs. 250 crore towards acquisition and refurbishment of a hotel property in Chandigarh viz. James Hotel Limited under IBC which was partially funded through debt against lease rentals of Eros Corporate Tower. The hotel commenced operations in October 2022, and reported moderate occupancy of 50% in FY2023. Going forward the improvement in the hotel occupancy will remain a key rating monitorable.

Advances/investment in group companies – The company has made investments of around Rs 180 crores in its group companies as of December 2022 of which it has invested around Rs 150 crore in its 100% subsidiary i.e., James Hotel Limited for acquisition of the hotel. ICRA expect the drawdown to be limited as the company has completed the renovation and refurbishment of James Hotel Limited. Any additional debt drawn for new investments or for extending advances to group entities would result in pressure on the credit rating.

Vulnerability of company's operations to cyclicity and interest rate risk – The company's portfolio is exposed to risks arising from cyclicity in the sector and vulnerability to exogenous shocks which could impact the cash flows of the company. Further, NPHREPL is exposed to interest rate risk which will have an impact on the debt coverage metrics.

Liquidity position: Adequate

The company's liquidity profile is adequate, supported by undrawn bank lines of Rs 198 crore along with free cash and bank balance of Rs 12 crore as of March 2023. ICRA expects NPHREPL to generate stable cash flows from operations which are estimated to be adequate in the range of Rs 62-63 crore for debt repayments in FY2024. Further, drawdown of LRD loan or overdraft to fund any additional acquisitions will remain a key rating monitorable.

Rating sensitivities

Positive factors – The rating could be upgraded in case of significant scale up in the revenues and diversification of the asset portfolio while improving debt protection metrics and liquidity position.

Negative factors – The rating may be revised in case of a significant reduction in leasing revenues, or in case of lower-than-expected accruals in the hotel operations leading to deterioration in the debt protection metrics. Also, any further debt funded acquisition leading to deterioration in the leverage, liquidity, or debt protection metrics will remain a key rating monitorable. Specific credit metric for downgrade includes 5-year average DSCR below 1.5 times and Net Debt/NOI above 3.25 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rental Rating Methodology for Entities in Hotel Industry
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the cash flows for NPHREPL and James Hotel Limited given the strong managerial and financial linkages between the two entities.

About the company

Nehru Place Hotels & Real Estate Private Limited (NPHREPL) is a part of the Delhi-based Eros Group promoted by Mr. Ajay Sood and Mr. Raman Sood. Other key entities in the Group include Hotel Excelsior Ltd. (rated [ICRA]A (Stable)) and Ajay Enterprises Private Ltd. (rated [ICRA]BBB+ (Stable)/[ICRA]A3+).

NPHREPL owns a commercial property Eros Corporate Tower (ECT), which is located in Nehru Place, a major commercial hub of Delhi. The total leasable area of ECT is 2,01,094 sqft and it has reputed tenants such as Barclays Bank, Axis Bank, Japan External Trade Organisation. The property includes a parking lot with capacity for 1,002 cars. In FY2019, NPHREPL purchased around 12,400 sqft of fully-leased commercial area in Eros City Centre (Gurgaon, Haryana), a development being undertaken by a Group company, Ajay Enterprises Private Limited. The property is 100% leased out as on date. In 2020, the company further acquired James Hotel Limited in Chandigarh under IBC proceedings. The hotel will have 145 rooms and the branding and management rights have been awarded to Hyatt Centric. The hotel started its operations in October 2022 after renovation.

Key financial indicators (audited)

NPHREPL Standalone	FY2021	FY2022
Operating income	55.7	55.6
PAT	20.5	25.0
OPBDIT/OI	67%	69%
PAT/OI	37%	45%
Total outside liabilities/Tangible net worth (times)	0.33	0.43
Total debt/OPBDIT (times)	1.62	2.70
Interest coverage (times)	5.60	5.31

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBDIT;

Source: Company annual reports, ICRA Research.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)* as on March 31, 2023	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					May 23, 2023	April 29, 2022	May 25, 2021	June 18, 2020	
1	Fund-based – Term loan	Long term	60.00	60.00	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	
2	Cash credit	Long term	200.00	1.50	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	[ICRA] A+ (Stable)	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
Cash credit	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	Fund-based – Term loan	Feb-20	9.4%	FY2034	60.00	[ICRA] A+ (Stable)
NA	Cash credit	Feb-20	9.4%	FY2034	200.00	[ICRA] A+ (Stable)

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

Company Name	NPHREPL Ownership	Consolidation Approach
James Hotel Limited	100%	Full Consolidation

Source: Company annual report FY2022

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