April 17, 2024

Caddie Hotels Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	214.31	481.51	[ICRA]A- (stable); reaffirmed and assigned for enhanced amount
Long-term/ Short-term – Non-fund based facilities	22.10	20.14	[ICRA]A- (Stable) /[ICRA]A2+; reaffirmed
Total	**236.41**	**501.65**	

**Instrument details are provided in Annexure-I*

Rationale

The rating continues to factor in the steady operating performance of Caddie Hotels Private Limited's (CHPL) hotel assets in FY2024 and sustained pace of recovery in the near to medium term. Occupancy levels and average room rent (ARR) for both the properties operated by CHPL continued to see healthy traction in FY2024. Thus, even as operating margins moderated to an extent in 9M FY2024 due to higher employee and administrative costs, the cash flows remained healthy. Going forward, the strategic location of the company's two properties in Delhi Aerocity and increased economic activity are expected to continue to drive demand amid a lag in supply. Furthermore, with the accelerated pace of international commercial travel, the industry is expected to receive a further boost in ARRs.

Improved cash accruals from the business have helped CHPL prepay its debt obligations; the company prepaid ~Rs. 41 crore in March 2024 and, consequently, has no repayment obligations till the quarter of June 2025. This has improved the near-term debt metrics and ICRA expects CHPL to steadily grow its revenues and consequent cash accruals. Coupled with minimal capex plans, the same are expected to continue to help improve the company's coverage metrics in the near term. However, even as the company's debt coverage metrics are expected to continue to benefit from the improved business environment, CHPL continues to remain significantly leveraged, limiting its overall financial risk profile.

The rating continues to reflect CHPL's strong parentage—the Accor Group, InterGlobe Group and APHV India Investco Pte Ltd. (a JV between GIC RE and Host Hotels and Resorts)—with a track record of extending timely financial support. Further, its strong parentage lends CHPL significant financial flexibility with its lenders for raising funds at competitive terms. While better than anticipated operational recovery provides sufficient liquidity for the medium term, ICRA continues to take comfort from CHPL's access to need-based funding support from its promoters. The rating is further supported by the favourable location of the properties with a strong catchment area, operations under Accor's well-recognised international brands—Novotel and Pullman—and healthy revenue diversification through food and beverage (F&B) outlets, large sized banquet halls, meeting rooms and commercial tower.

The ratings remain constrained by the cyclical nature of the hospitality industry, with revenue generation exposed to seasonality, exogeneous shocks as well as to the overall macroeconomic performance. Furthermore, the rating also reflects the geographical concentration of its properties in a single micro-market, exposing it to adversities in the concerned local market and competition from other properties in the vicinity.

The Stable rating outlook factors in the steady operating performance of CHPL's hotels and ICRA's expectations of its sustained growth over the medium term. It also reflects ICRA's expectation that CHPL will continue to be of strategic importance to its promoters and would continue to derive need-based financial support from them.

Key rating drivers and their description

Credit strengths

Benefits accruing from strong promoters with extensive experience in the hospitality industry – Incorporated in March 2008, CHPL is a tripartite JV of the Accor Group, the InterGlobe Group and APHV India Investco Pte Limited (a JV between GIC RE and Host Hotels and Resorts Inc.). Accor SA is a multinational hospitality company with presence in over 110 countries with more than 5,300 hotels. InterGlobe Group has diversified interests across civil aviation (IndiGo airlines), hospitality and real estate, among several other industries. GIC RE is the real estate arm of the Singapore sovereign wealth fund. The promoters bring extensive experience of the hospitality industry to the JV; also, all the JV partners enjoy comfortable credit profiles and lend healthy financial flexibility to CHPL.

Demonstrated financial support from the promoters – CHPL's capital structure has benefitted from support by considerable equity infusion from the promoters over the years. During the project stage, the entire cost overrun (due to unforeseen regulatory developments) and operating losses during the initial years of stabilisation were funded by equity infusion, indicating the promoters' commitment towards the business. Given the track record of operations and strategic importance of CHPL, ICRA expects its promoters to provide it with timely and need-based funding support, whenever warranted. That said, the steady operating performance of the company amid positive industry headwinds indicate limited support requirement for the company in the near to medium term. Limited debt-funded capex requirements and scheduled repayment of debt support expectation of steady correction in leverage metrices over the medium term and provide comfort.

Operational synergies through association with Accor in a favourable location – CHPL's properties are operated under Accor's deluxe "Novotel" (400 rooms) and "Pullman" (270 rooms) brands and benefit from access to its global distribution system (GDS), strong loyalty programmes and corporate relationships, allowing the hotels to have better rates and occupancies. Further, having an experienced operator helped CHPL quickly implement various cost rationalisation measures and adopt best practices for customer and employee safety, when required. The properties are in the hospitality district of New Delhi's Aerocity and benefit from its proximity to the Indira Gandhi International Airport and the central business districts (CBDs) of Delhi and Gurgaon. These micro-markets report healthy occupancy levels (which touched ~100% in February 2024) and are likely to aid CHPL is reporting healthy operating metrices, going forward.

Healthy sequential growth in operating metrices – Both properties under CHPL benefitted from steady demand in FY2024, with YoY growth in occupancy levels and ARRs, resulting in higher Revenue per available room (RevPAR). Going forward, given the strong demand and lag in supply, operating metrices are expected to further improve and drive revenue growth in the near to medium term.

Credit challenges

Cyclical industry; revenues susceptible to general economic slowdown and exogenous shocks – Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movement and several exogenous factors, leading to inherent cyclicality. As such, global and domestic economic conditions will remain a key monitorable for CHPL, as part of this industry.

Debt coverage metrics remain muted despite improvement over the past few years – Despite an expectation of improving financial performance, CHPL's leverage metrics remain muted due to high debt on books (~Rs. 476 crore, as on December 31, 2023, net of operating lease liabilities and bank guarantee). ICRA continues to draw comfort from the financial flexibility emanating from CHPL's strong parentage and the management's demonstrated track record of refinancing/renegotiating debt at competitive terms. Moreover, its limited debt-funded capex requirements support expectation of steady correction in leverage metrices over the medium term and provide comfort.

Geographical concentration of revenues and competitive pressures – Owing to the geographic concentration of its room inventory in Delhi, the company would remain exposed to any adverse region-specific development and risks. Also, CHPL has a sizable room inventory (670 rooms) in a micro-market, which has several properties across segments and price points. This may exert pressure on CHPL's occupancy levels and/or restrict the pricing potential of its properties.

Liquidity position: Adequate

CHPL's liquidity is expected to remain adequate, aided by healthy cash flows from operations (~Rs. 58 crore in 9M FY2024). Against the liquidity available, the company has no debt servicing commitments in FY2025. The capex is expected to be limited to maintenance purposes only, ranging between Rs. 10-12 crore per annum. In addition, ICRA expects the company to continue benefitting from the significant financial flexibility emanating from its strong parentage, which supports its refinancing options.

Rating sensitivities

Positive factors – A sustained improvement in operating performance leading to improvement in leverage and debt coverage metrics could be a trigger for a favorable rating movement. Any improvement in the credit profile of its promoters (JV partners) could also favourably impact the ratings.

Negative factors – Negative pressure on CHPL's rating could arise due to weaker than expected improvement in earnings and profitability. Specific credit metrics that could lead to rating action would include a DSCR lower than 1.3 times on a sustained basis. Any weakening in the credit profile of its promoters (JV partners) also remains a key monitorable.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	CHPL is promoted by a tripartite JV of Accor Group (32% stake), InterGlobe Group (32%) and APHV India Investco Pte Limited (36%; a JV between GIC RE and Host Hotels and Resorts Inc.). The rating assigned to CHPL factors in the very high likelihood of its parent entities extending financial support to it because of its strategic importance (presence in the Delhi NCR market) and close business linkages between them. We also expect the promoters to be willing to extend financial support to CHPL out of their need to protect their reputation from the consequences of a Group entity's distress. There is also a consistent track record of the promoters extending timely financial support to CHPL, whenever a need has arisen.
Consolidation/Standalone	The rating is based on standalone financial statements of the company.

About the company

Incorporated in 2008, Caddie owns and operates two five-star hotels with a room inventory of 670 rooms at Aerocity, New Delhi. The hotels—Novotel (400 rooms, ~38% of revenues in FY2023) and Pullman (270 rooms; ~54%)—are operated under the Accor Hotels brand.

The company is promoted by a tripartite joint venture between InterGlobe Group (32% share), AAPC Singapore Pte Limited (subsidiary of Accor SA with 32% shareholding) and APHV India Investco Pte Ltd. (APHV; with 36% shareholding as a 75:25 JV between GIC RE (investment arm of Government of Singapore) and Host Hotels and Resorts).

While the land housing the properties has been acquired on long-term lease basis from Delhi International Airport Limited (DIAL), the operations and management of the two hotel properties are handled by Accor Hotels.

Key financial indicators (audited)

IGH Consolidated	FY2022	FY2023	9M FY2024*
Operating income	143.7	312.8	242.4
PAT	-74.1	16.6	25.5
OPBDIT/OI	32.5%	45.6%	36%
PAT/OI	-51.6%	5.3%	11%
Total outside liabilities/Tangible net worth (times)	2.5	2.3	2.1
Total debt/OPBDIT (times)	14.7	4.8	5.3
Interest coverage (times)	0.7	2.1	2.4

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	
					Apr 17, 2024	-	Mar 20, 2023	Jul 20, 2022	Jan 05, 2022	May 06, 2021
1	**Term loans**	Long term	481.51	481.51	**[ICRA]A- (Stable)**	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)
2	**Non-fund Based Facilities**	Long term and short term	20.14	--	**[ICRA]A- (Stable)/ [ICRA]A2+**	-	[ICRA]A- (Stable)/[ICRA]A2+	[ICRA]BBB+ (Stable)/[ICRA]A2	[ICRA]BBB+ (Negative)/ [ICRA]A2	[ICRA]BBB+ (Negative)/ [ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Long-term/Short-term – Non-fund Based Facilities	Very 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	Term Loan-1	Sep 2016	--	March 2032	45.14	[ICRA]A- (Stable)
NA	Term Loan-2	Jul 2019	--	June 2032	156.29	[ICRA]A- (Stable)
NA	Term Loan-3	Dec 2016	--	June 2032	280.08	[ICRA]A- (Stable)
NA	Non-fund Based Facilities	-	--	--	20.14	[ICRA]A- (Stable)/[ICRA]A2+

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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