



Press Release

Piccadily Hotels Private Limited

October 8, 2021

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facility	357.61	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	Assigned
	Total	357.61		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Piccadily Hotels Private Limited (PHPL) continues to draw comfort from its successful track record under experienced promoters, tie up with Hyatt Brand and favourable strategic location of their hotels. The ratings also positivity consider increase in total operating income in H1FY22. However, these rating strengths are partially offset by intense competition prevalent in industry and impact of covid on profitability and cash accruals in FY21. The rating also considers the average financial risk profile.

Key Rating Sensitivities:

Upward Factor:

- Faster recovery post the pandemic, demonstrated by sustained improvement in its operational metrics, profitability indicators and improvement in coverage metrics.
- Improvement in occupancy ratio above 80%.

Downward factor:

- Prolonged impact of the pandemic leading to further deterioration in operating and financial metrics, debt servicing indicators and liquidity position of the company.
- Continued negative cash accruals.
- Subdued industry scenario.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of operations

Piccadilly Hotels Private Limited has an established track record of about 45 years of successful operations with its six established hotel properties and experienced promoters. The company is currently managed by the Sharma family having experience of more than three decades in hospitality industry. The management of the company is supported by qualified and experienced personals. The company benefits from its association with Hyatt brand, which bring along its existing clientele and reputation.

Tie-up with Hyatt Brands:

PHL continues to benefit from long-term management contracts with established brand such as “Hyatt” through its 2 hotel properties, each in Gurgaon and Ludhiana for a period of 25 years. The company has also entered into an agreement with Hyatt India Consultancy Private Limited for its New Delhi Property (JanakPuri) to rebrand as Hyatt Centric. Furthermore, the company benefits from the long-standing experience of Hyatt International in management of hotels along with management’s expertise and has access to the online reservation systems and marketing strategies of the brand reduces the management and marketing risk to a great extent.

Operates with strategically located Hotels

Piccadilly hotel are well spread and strategically located across North India. The hotel properties are mostly located in central business districts (CBD) or business centre of a city. Each hotel is located at premium location of Gurgaon, JanakPuri, Ludhiana, Chandigarh, Raipur and Mumbai, out which 2 hotels i.e. of Gurgaon and Ludhiana location are operated under International Hospitality brand Hyatt and the company has entered into an agreement with Hyatt India Consultancy Private Limited for its Janakpuri property, New Delhi as well. The hotels attract diverse set of customers ranging from corporate clients, tourists, and other customers.



Press Release

Increase in total operating income

The total operating income reported a continuous improvement in the last three years from Rs 144.71 crore in FY2018 to Rs 180.10 crore in FY2020 driven by increase in revenue from rooms and food and beverages as the Raipur property has started operations from FY 19 and Mumbai property come into operation from FY 20. Further, the revenue from operations of the company declined to Rs. 53.60 Cr in FY2021(Prov.) as against Rs 180.10 crore in FY2020 because of low occupancy rate of 21.36% majorly on account of covid-19 disruptions in FY2021. The Profit after Tax (PAT) margins also deteriorated on account low operating profit and high interest & depreciation expenses. However, the company has achieved a total revenue of Rs 42.00 crore in H1FY2022 despite stringent restriction due to covid 19 2nd wave in April & May 2021.

Key Rating Weaknesses

Impact of Covid on profitability and cash accruals in FY21:

Given the discretionary nature of spending and the COVID-19 containment measures, there was a significant disruption in the travel and tourism industry. Covid impact resulted in a sharp fall in the occupancy levels from 45.40% in FY20 to ~21.36% in FY21(Prov.) and affected cash flows as the hotel had been completely shut down from last week of March 2020 on account of Covid-19 lockdown.

The company has availed the one-time restructuring of bank loan facility from the Punjab National Bank under resolution framework for Covid 19 related stress as approved by the RBI which has helped the company to increase the tenure of term loan by 2 years and conversion of part of debt into non-convertible redeemable preference share capital and availed Working Capital Term Loan under Guarantee Emergency Credit Line Under GECL 2.0 & GECL 3.0. The GECL 3.0 is sanctioned and yet to be utilised providing liquidity cushion to the company.

Average financial risk profile

The financial risk profile of the company stood average marked by average net worth, debt protection metrics and debt coverage indicators. The adjusted net worth of the company stood at Rs. 62.70 Cr as on 31 March, 2021(Prov.) as against Rs. 125.69 Cr as on 31



Press Release

March, 2020. The gearing (debt equity) stood at 5.80 times as on 31 March, 2021(Prov.) as against 2.61 times as on 31 March, 2020. The total debt comprises of Rs. 327.87 crore of secured loan along with repayment of Rs 36 crore as on 31 March, 2021(Prov.). Debt protection parameters also remained below average with debt coverage ratio and interest coverage ratio below unity in FY21(Prov.). Infomerics believes that the financial risk profile of the company will improve in the projected year with the relaxation of covid restriction, however the impact of the ongoing pandemic to be observed on the business.

Fiercely competitive hotel industry limiting the ability to attract and retain customers

The hotel industry is very competitive with a large number of established organized players and their growing network of hotels catering to middle/high income group which has affected the pricing flexibility of the company, in addition to restricting occupancies to a certain extent. Further, improvement of the occupancy levels is highly dependent on the hotel's ability to retain and add reputed customers which will be a challenge in light of heightened competition in the hotel sector.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity –Adequate

The liquidity position of the company is stretched because of low occupancy ratio of 21.36% in FY21(Prov) imparting stress towards the operating performance of the company due to the adverse impact of COVID-19 on the hotel and tourism industry leading to temporary suspension of hotel operations which lead to drastic drop in cash flows. The company has availed the one-time restructuring of bank loan facility from the Punjab National Bank under resolution framework for Covid 19 related stress as approved by the RBI which has helped the company to increase the tenure of term loan by 2 years and conversion of part of debt into non-convertible redeemable preference share capital and availed Working Capital Term Loan under Guarantee Emergency Credit Line Under GECL 2.0 & GECL 3.0. The GECL 3.0



Press Release

is sanctioned and yet to be utilised providing liquidity cushion to the company. The company has free cash balance of Rs 12 crore as on Sept 13,2021.

About the Company

Incorporated in 1973, Piccadily Hotels Pvt Ltd by Mr. Venod Kumar Sharma. The company is involved into development, construction, and operation of Hotels on Pan India basis PHPL owns six hotels located at Delhi, Gurgaon, Raipur, Chandigarh, Ludhiana and Mumbai. Hotels at Gurgaon and Ludhiana are operated by International Hospitality brand Hyatt. Other four properties are managed under its own brand Piccadily. The company has entered into an agreement with Hyatt India Consultancy Private Limited for its Janakpuri New Delhi property.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Prov.
Total Operating Income	180.10	53.60
EBITDA	64.37	4.67
PAT	-5.25	-62.99
Total Debt	328.15	363.87
Tangible Net worth	149.32	86.33
EBITDA Margin (%)	35.74	8.71
PAT Margin (%)	-2.90	-116.96
Overall Gearing Ratio (x)	2.61	5.80

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Issuer not cooperating by ICRA vide press release dated Dec 30,2020 due to non-availability of information.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Limits – Term Loan	Long Term	293.61	IVR BB/ Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Covid Loan	Long Term	64.00	IVR BB/ Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: sjetly@infomerics.com

Name: Mr. Om Prakash Jain

Tel: (011) 24611910

Email: opjain@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility- Term Loan	-	-	-	293.61	IVR BB/StableOutlook
Long Term Bank Facility- Covid Loan	-	-	-	64.00	IVR BB/Stable Outlook

Annexure 2: List of companies considered for consolidated analysis: N.A. Standalone Approach followed

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Lender-PHPL-08-10-21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

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