Press Release

Piccadily Hotels Private Limited

March 1, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	373.20	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	Revised and removed from Issuer Not Cooperating	Simple
Total	**373.20**	**Rupees Three hundred seventy-three crore and twenty lakh Only**		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating is on account of improvement in scale of operations and profitability in FY22. Further, 'Positive' outlook has been assigned on account of expected improvement in scale of operations and profitability going forward.

The rating assigned to the bank facilities of Piccadily Hotels Private Limited continues to draw comfort from experienced promoters and long track record of operations, tie-up with Hyatt Brand, operating with strategically located Hotels and improving industry scenario for hospitality sector. The rating also factors in the increase in total operating income with improvement in profitability. However, these strengths are constrained by average financial risk profile, fiercely competitive hotel industry limiting the ability to attract and retain customers and macro-economic factors and seasonal uncertainty.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Improvement in capital structure and debt protection metrics

Downward Factors

- Weakening of operational and financial performances of the company and/or increase in debt-funded capex leading to deterioration of profitability and debt coverage metrics or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of operations

Piccadily Hotels Private Limited (PHPL) 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:

PHPL 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 Janakpuri property, New Delhi in last financial year and after renovation the hotel got operational from April 13,2022 under the name of **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 which reduces the management and marketing risk to a great extent.

Operates with strategically located Hotels

Piccadily hotels 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.

Increase in total operating income with improvement in profitability.

Total operating income (TOI) has increased by ~126.28% to Rs.107.57 crore in FY2022 (Audited) from Rs.53.61 crore in FY2021 (Audited) on account of improvement in occupancy ratio and increase in ARR during the financial year. Despite the pandemic, the company was able to ramp up its occupancy ratio on y-o-y basis i.e from 26.68% in FY21 to 37.74% in FY22 and 51.82% in H1FY23 and also the ARR from Rs. 3610 in FY21 to Rs. 3797 in FY22 and Rs. 4187 in H1FY23.The company has reported operating profit of Rs. 35.46 crore in FY2022 (Audited); which increased from Rs.4.68 crore in FY2021. Further, EBIDTA margin improved by 2423 bps from 8.73% in FY21 to 32.96% in FY22 due to improvement in operating efficiency on account of increase in scale of operations during the year. The company has reported PAT of Rs.1.70 crore in FY2022 (Audited) as against net loss of Rs.60.90 crore in FY2021(Audited). Further PAT margin stood at 1.35% during the year FY22. Gross Cash accruals improved to Rs. 18.65 crore in FY22 as against cash losses in FY21 with an increase in scale of operations and operating profitability. The company has reported PAT of Rs.13.61 crore on total operating income of Rs.165.23 crore in 9MFY23 as against net loss on total operating income of Rs.75.95 crore in 9MFY22.

Improving industry scenario for hospitality sector

After an abysmal FY21, the Indian hospitality sector made a steady recovery in FY22 as successful vaccination drives and reduction in Covid cases have helped improve travel sentiment. The revival can be largely attributed to pent-up demand for leisure and business travel, supported by increased bookings on account of weddings and significant uptick in MICE (meetings, incentives, conferences and exhibitions). The sector is on track to achieve or even surpass the pre-Covid level occupancies in FY23. Demand for leisure travel, business travel for client meetings as well as project work are gaining steam. Although the uncertainty around new variants of the Covid virus may continue to linger for some more time, domestic travel (leisure and business) demand is expected to remain strong during the year as travelers and hoteliers have embraced the new normal. The resumption of international flights in March 2022 should also give impetus to foreign leisure travel. Infomerics believes that with demand outlook improving coupled with the large-scale infrastructure push by the government, the sector is well poised to put the pandemic's destruction behind it. Further, realignment of cost structures by the industry players forms a strong base for the profitability of the hospitality sector in the coming months.

Key Rating Weaknesses

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 net worth of the company stood at Rs. 87.88 Cr as on March 31, 2022(Audited) as against Rs. 85.61 Cr as on March 31, 2021. The overall gearing (debt equity) stood at 4.43x times as on March 31, 2022 deteriorated from 3.87x as on 31 March 2021 mainly due to issuance of Non-convertible cumulative redeemable Preferential shares of Rs. 34.00 crore during the year. TOL/TNW also deteriorated and stood at 5.01x as on March 31, 2022, as compared to 4.75x as on March 31, 2021. Interest coverage has improved to 1.51 times in FY22 from 0.11 times in FY21 due to decrease in finance expenses and increase in operating profitability. Total debt to GCA stood at 20.88x as on 31 March 2022 as against negative total debt to GCA as on March 31, 2021.

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.

Macro-economic factors and seasonal uncertainty

Hotel industry is cyclical and dependent on the general economic scenario. The company is exposed to the changes in the macro-economic factors and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors which leads to inherent cyclicality in the hospitality industry. These risks can impact the occupancy rate of the company and thereby the company's profitability along with a drop in ARRs.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

Liquidity-Adequate: The company's liquidity is expected to remain adequate as it expects sufficient cushion in its cash accruals vis-à-vis debt repayment obligations. Current ratio of PHPL has improved to 1.11x as on 31 March 2022 as compared to 0.65x as on 31 March 2021. The unencumbered cash and bank balance stood at Rs.6.44 crore as on September 30, 2022. The operating cycle of the entity is negative 68 days in FY22; reduced from negative of 110 days in FY21 due to decrease in creditors period. Quick ratio of the company has improved to 1.09x as on March 31,2022 as compared to 0.62x as on March 31,2021.

About the Company

Piccadily Hotels Pvt Ltd was incorporated in 1973, by Mr. Venod Kumar Sharma. The company is involved into development, construction and operation of hotels on pan India basis. PHPL owns six hotels in Delhi, Gurgaon, Raipur, Chandigarh, Ludhiana and Mumbai. Hotels at Gurgaon, Ludhiana and Delhi are operated by International Hospitality brand **Hyatt** (Hyatt India Consultancy Private Limited). Other three properties are being managed under its own brand **Piccadily**.

Financials (Standalone):

For the year ended/As on*	30-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	53.61	107.57
EBITDA	4.68	35.64
PAT	-60.90	1.70
Total Debt	330.99	389.37
Tangible Net Worth	85.61	87.88
Ratios		
EBITDA Margin (%)	8.73	32.96
PAT Margin (%)	-110.04	1.35
Overall Gearing Ratio (x)	3.87	4.43

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dec 08, 2022)	Date(s) & Rating(s) assigned in 2020-21(Oct 08, 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Facilities	Long Term	373.20	IVR BB+/ Positive	IVR BB- (INC)	IVR BB/Stable	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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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	-	-	FY2030	261.20	IVR BB+/Positive
Long Term Bank Facility-GECL	-	-	FY2026	48.00	IVR BB+/Positive
Long Term Bank Facility-GECL	-	-	FY2028	64.00	IVR BB+/Positive

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Piccadily-mar23.pdf

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

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.