JUNIPER
HOTELS

JHL/SJ/2024/29 **June 6, 2024**

National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051	BSE Limited, Corporate Relationship Department Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
Symbol: JUNIPER	**Scrip Code: 544129**

Subject: Intimation regarding Credit Rating under Regulation 30 of SEBI Listing Regulations.

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that India Ratings & Research, a Credit Rating Agency has, assigned its ratings on the bank facilities of the Company at 'IND AA-/Stable'. Copy of Rating Letter is enclosed herewith.

The above information will also be available on the website of the Company at www.juniperhotels.com.

This is for your information, record, and appropriate dissemination.

For Juniper Hotels Limited

Sandeep Laxmikant Joshi

Digitally signed by Sandeep Laxmikant Joshi
DN: c=IN, o=Personal, title=1968, 2.5.4.20=20085b9e8762800bf0a5436e79e6927f88e6c2bf01f4a08e799085fdb2476eaa, postalCode=401105, st=Maharashtra, serialNumber=7644e331817996cc2084663f4bae15d85efaf3e773e782160eec2f7e246312bb, cn=Sandeep Laxmikant Joshi
Date: 2024.06.06 14:57:43 +05'30'

Sandeep L. Joshi
Company Secretary and Compliance Officer

Encl: a/a

Juniper Hotels Limited

India Ratings Assigns Juniper Hotels' Term Loan 'IND AA-'/Stable; Withdraws Existing Ratings

Ind-Ra-Mumbai: India Ratings and Research (Ind-Ra) has taken the following actions on Juniper Hotels Limited's (JHL, earlier known as Juniper Hotels Private Limited) term loans:

DETAILS OF INSTRUMENTS

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Term loan	-	-	-	May 2034	INR4,500	IND AA-/Stable	Assigned
Term loan*	-	-	-	May 2024	INR7,415	WD	Withdrawn
Term loan*	-	-	-	May 2024	INR2,200	WD	Withdrawn

*Ind-Ra has withdrawn the ratings for these instruments as they have been paid in full and Ind-Ra has received the no dues certificates for the same from the lenders. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings. Hence, the unsupported rating also stands withdrawn.

ANALYTICAL APPROACH

Ind-Ra has taken a fully consolidated view of JHL's and 100% subsidiaries, Chartered Hotels Private Limited (CHPL), along with CHPL's wholly owned subsidiary, Chartered Hotels (Hampi) Private Limited (CHHPL), and Mahima Holdings Private Limited, while arriving at the ratings, on account of the strong linkages among the entities. The ratings also factor in the inherent benefit and financial flexibility available to JHL due to its association with its 50% parent, Hyatt Hotels Corporation (Hyatt).

Under its earlier approach, Ind-Ra had taken a credit enhanced (CE) view for the previously rated facilities, considering these facilities were backed by standby letters of credit from JPMorgan Chase Bank, New York (Fitch Ratings Ltd. Issuer Default Rating: 'AA-'/Negative), and a pre-default corporate guarantee from Hyatt. Therefore, the term loans were considered a structured CE obligation. However, the approach has been changed since these facilities have been paid in full, and the CE obligation does not exist anymore.

DETAILED RATIONALE OF THE RATING ACTION

The ratings factor in the improved scale and performance of the company over FY23 and FY24. In FY23, JHL's revenue grew to INR7.17 billion (FY22: INR3.44 billion), its absolute EBITDA increased to INR3.22 billion (INR1.01 billion) and EBITDA margin rose to 45% (30%). In September 2023, JHL acquired CHPL, along with its wholly owned subsidiary, CHHPL, and added three new hotels to its portfolio. The improvement in domestic travel and major events such as the G20 summit and ICC Cricket World Cup in 2HFY24 benefited JHL further. Consequently, in FY24, the company's consolidated revenue increased to INR8.26 billion. JHL reported a consolidated EBITDA of INR3.20 billion in FY24, with an EBITDA margin of 39%. Ind-Ra expects the revenues to grow further by 20%-25% yoy over FY25, as the full effect of the acquisition shows up.

The ratings are also supported by the improved credit profile of JHL. In February 2024, JHL raised INR18 billion by issuing new equity share capital through an initial public offering (IPO). The funds were raised largely to help reduce the leverage of the company by paying off high-cost debt. As a result, JHL's consolidated gross leverage (gross debt (including any parent debt)/ EBITDA) declined considerably post the IPO. Ind-Ra expects the gross interest coverage ratio to also improve over FY25-FY26, considering the reduction in debt achieved towards the end of FY24.

The ratings are, however, constrained by the high concentration of revenue from the luxury segment. With the acquisition of three properties in other segments, Ind-Ra expects this to have diluted a little bit, but it still remains high. The ratings are also constrained by the cyclical and seasonal nature of the hotel industry.

However, Ind-Ra expects the hotel industry dynamics to remain robust over FY25-FY26. The agency expects the demand growth in the industry to surpass the supply growth considerably, especially in the luxury segment. This will continue to support steady occupancy levels and improved average room rates (ARRs), which could mitigate the risks associated with the industry and the segmental concentration.

LIST OF KEY RATING DRIVERS:

Strengths

- Strong operational performance post pandemic
- Improved scale after acquisition
- Improvement in credit metrics and liquidity post listing
- Adequate liquidity
- Association with Hyatt hotels group

Weaknesses

- Revenue concentration in luxury segment
- Cyclical nature of industry

DETAILED DESCRIPTION OF KEY RATING DRIVERS

Strong Operational Performance post Pandemic: JHL owns and manages six hotels. The hotels are divided into three segments - luxury (Grand Hyatt Hotel and Residences Mumbai, Hyatt Andaz Delhi), upper upscale (Hyatt Delhi Residences, Hyatt Regency Ahmedabad, Hyatt Regency Lucknow, Hyatt Place Raipur) and upscale (Hyatt Place Hampi), depending upon the location and services provided within the property. At end-FY23, JHL only had the Mumbai, Delhi, and Ahmedabad properties, and during FY24, the company acquired the Lucknow, Raipur and Hampi properties.

During FY24, all three segments reported a gradual improvement in performance. On a consolidated basis, occupancy improved to 75% in FY24 (FY23: 74%), while the ARRs improved 13% yoy to INR10,165. The average consolidated revenue per available room (RevPar) also increased 15% yoy to INR7,645 in FY24. The luxury segment reported the strongest improvement in ARRs (15% yoy in FY24), while the sharpest improvement in the occupancy rate was shown by the upper upscale segment (3% yoy). Overall, the highest growth in RevPar was shown by the upper upscale segment at 16% yoy.

Improved Scale After Acquisition: JHL acquired CHPL (along with its subsidiary, CHHPL) in September 2023. Through this acquisition, the company added three more properties – located in Lucknow, Raipur and Hampi - to its portfolio. Post this acquisition, the overall portfolio size increased to 1,895 keys at end-FY24, from around 1,400 keys at end-FY23. This increase includes the addition of around 60 keys in the Ahmedabad property towards end-1HFY24 to tap into event-driven demands. JHL has also planned the expansion of its Grand Hyatt Mumbai property to add around 320 more rooms (hotel and residences combined – Ind-Ra expects this to become operational by FY28), and the management expects to incur an additional capex of around INR2.50 billion-3.00 billion towards the same 2HFY26 onwards.

The consolidated revenue rose to INR8.26 billion in FY24 (FY23:INR7.17 billion). The absolute EBITDA stood at INR3.20 billion in FY24 (FY23: INR3.22 billion), and the EBITDA margin was 39% (45%). The absolute EBITDA stood at INR3.20 billion in FY24 (FY23: INR3.22 billion). Ind-Ra expects the full effect of the acquisitions to be visible FY25 onwards. The agency expects the consolidated revenue to rise to INR10.00 billion-10.60 billion over FY25-FY26, with EBITDA margins of 40%-45%.

Improvement in Credit Metrics and Liquidity post Listing: JHL's credit metrics improved in FY23 due to the increase in EBITDA and overall operational performance. The gross interest coverage (EBITDA/gross interest expense) was 1.21x in FY23 (FY22: 0.47x), and the net leverage (net debt/ EBITDA) was 6.3x (20.8x).

In February 2024, JHL raised further equity through an IPO, which it has utilised to pay off a large portion of its existing debt. Consequently, the consolidated gross leverage was 2.62x at FYE24 (FYE23: 6.35x). This is likely to further improve to around 1.7x-1.9x at end-FY25. The consolidated gross external leverage (gross debt (excluding parent debt)/ EBITDA) also declined to 1.79x in FY24 (FY23: 5.58x). The consolidated gross interest cover remained stable at 1.21x in FY24 (FY23: 1.21x) as the debt reduction happened towards the end of FY24. However, it is likely to improve significantly to around 5.0x over FY25, considering the substantial savings in interest cost due to the steep reduction in debt.

With limited opportunities for capex within the existing properties, JHL might choose to go through the route of inorganic growth, acquiring more properties to further scale up its business. In case the acquisition/ capex involves onboarding further debt, the credit metrics could come under pressure, and this will remain a key monitorable for the agency.

Adequate Liquidity: JHL had consolidated cash and cash equivalents of INR4.26 billion at end-FY24 (end-FY23: INR98 million). As on 31 May 2024, it also had undrawn limits of INR0.75 billion. On a consolidated basis, Ind-Ra expects the company to have a cumulative interest and principal repayment of INR3.01 billion in FY25 (including parent and subsidiary debt payments) and around INR1.07 billion in FY26. The agency expects the company to generate free cash flow of about INR5.10 billion in FY25 and FY26, which along with the existing cash and the undrawn facility is adequate to cover the debt obligations.

Around INR0.55 billion of the IPO proceeds have been earmarked as part of the IPO filing, for part reduction of the parent debt (included in INR3.01 billion). Considering the availability of surplus cash against the debt obligations, as well as the existing cash and leverage levels, Ind-Ra considers the liquidity to be adequate.

Association with Hyatt Hotels Group: JHL benefits from its association with its 50% parent, Hyatt. In the past, Hyatt has regularly provided support to the company either in the form of debt (external commercial borrowings), or by arranging for debt by providing strong corporate guarantees. As on 20 March 2024, Hyatt held around 19% of the overall gross debt outstanding on JHL. The company also benefits from the operational and strategic partnership with Hyatt, as it continues to leverage the brand name and recall of Hyatt, and the financial flexibility available to it due to its association with Hyatt.

At end-2023, Hyatt had cash and equivalents of INR74.58 billion (end-2022: INR95.12 billion). The company's market capitalisation was INR1.22 trillion as on 29 May 2024, compared to the net debt of INR283.02 billion at end-2023. The net debt/EBITDA was about 4.0x in 2023 (2022: 3.0x) and the EBITDA/gross finance cost was 5.9x (6.3x).

Revenue Concentration in Luxury Segment: JHL derives a major share of income from its luxury segment hotel portfolio. At end-FY23, the overall share of the Mumbai (hotel and residences) and Delhi (hotel) portfolio in the total revenue was around 86% (FY22: 80%). This was largely due to the higher ARRs associated with these properties. With the addition of new hotels in the other segments in 2HFY24, Ind-Ra expects the revenue dependency on the luxury segment to have reduced to around 80% in FY24 and believes it would decline further to 75%-76% in FY25. However, despite this improvement, the concentration from the luxury segment remains high for JHL. Any further acquisitions within this segment will further increase the concentration.

However, the concentration risk is partially offset by the industry dynamics over the last two years and the expectations for industry drivers over the next one-to-two years. As per Ind-Ra, the demand growth (8%-10%) in the sector is likely to far outpace the supply growth (3%-5%) in FY25. Furthermore, a few of the major industry demand drivers - business travel and international arrivals - were yet to recover to pre-pandemic levels at 1HFYE24. Ind-Ra expects business travel to continue to support occupancy even if demand for banquets declines. Additionally, the improving social infrastructure could lead to an increase in travel, and thus, strong demand in the medium term.

Cyclical Nature of Industry: The hotel industry is highly seasonal as well as cyclical in nature, and thus, exhibits high volatility in its revenue and profitability, depending on the economic cycle. Furthermore, the industry has high fixed costs, and hence, the cash flows of players could remain highly volatile to changes in occupancy levels and/or room rates.

LIQUIDITY

Adequate: JHL had cash and cash equivalents of INR4.26 billion at end-FY24 (end-FY23: INR98 million). As on 31 May 2024, it also had undrawn limits of INR0.75 billion. On a consolidated basis, Ind-Ra expects the company to have a cumulative interest and principal repayment of INR3.01 billion over FY25 (including parent and subsidiary debt payments) and around INR1.07 billion over FY26. The agency expects the company to generate free cash flow of about INR5.10 billion in FY25 and FY26, which along with the existing cash and the undrawn facility is adequate to cover the debt obligations.

RATING SENSITIVITIES

Positive: A significant improvement in the scale of operations while maintaining the liquidity and credit metrics could lead to a positive action in the ratings

Negative: The following factors could lead to an upgrade in the rating:

- weaker-than-Ind-Ra-expected operational performance of the hotels, leading to a deterioration in liquidity and credit metrics on a sustained basis
- higher-than-expected debt led capital expenditures or acquisitions, leading to the gross external debt/ EBITDA exceeding 2.5x, on a sustained basis.

ANY OTHER INFORMATION
Not Applicable

ABOUT THE COMPANY

JHL is a 50:50 joint venture between Saraf Hotels Limited and Hyatt. The company owns Hyatt branded hotels in Mumbai, New Delhi, Ahmedabad, Lucknow, Raipur and Hampi.

KEY FINANCIAL INDICATORS - CONSOLIDATED

Particulars	FY24	FY23
Revenue (INR million)	8,263	7,173
EBITDA (INR million)	3,197	3,224
EBITDA Margin (%)	39	45
Gross Finance Cost (INR million)	2,652	2,664
Gross debt (INR million)	8,381	20,456
Gross debt/ EBITDA (x)	2.62	6.35
EBITDA/ Gross Finance Cost (x)	1.21	1.21
Source: JHL, Ind-Ra		

APPLICABLE CRITERIA
Corporate Rating Methodology
Evaluating Corporate Governance
Policy for Credit Enhanced (CE) Ratings

The Rating Process

STATUS OF NON-COOPERATION WITH PREVIOUS RATING AGENCY
JHL has been listed under the non-cooperation by issuer category by CARE ratings due to inadequate information provided by the company.

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (million)	Rating	28 June 2023	31 March 2022	21 May 2021	8 April 2021
Term loan	Long-term	INR2,200	WD	IND AAA(CE)/ Stable	IND AAA(CE)/ Stable	IND AAA(CE)/ Stable	IND AAA(CE)/ Stable
Term loan	Long-term	INR7,415	WD	IND AA(CE)/ Stable	IND AA-(CE)/ Stable	Provisional IND AA-(CE)/Stable	NA
Unsupported rating	Long- term	-	WD	IND BBB/ Stable	IND BB/ Stable	IND BB/Stable	IND BB/Stable
Term loan	Long-term	INR4,500	IND AA-/Stable	-	-	-	-

COMPLEXITY LEVEL OF THE INSTRUMENTS

Instrument Type	Complexity Indicator
Term loan	Low

For details on the complexity level of the instruments, please visit www.indiaratings.co.in/complexity-indicators.

ANNEXURE I- BANK WISE FACILITIES DETAILS
Click here to see the details

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SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

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