

Rating Rationale

Brickwork Ratings revises the long term rating to “BWR B+” and reaffirms the short term rating at “BWR A4” for the Bank Loan facilities aggregating ₹ 992.93 Cr (enhanced from ₹ 964.78 Cr) of Aman Hospitality Pvt Ltd, New Delhi

Brickwork Ratings (BWR) has revised/reaffirmed the following **Ratings¹** for the Bank Loan Facilities of Aman Hospitality Pvt Ltd (AHPL or ‘the company’), New Delhi.

Facility*	Previous Amount (₹ Cr)	Rating Amount (₹ Cr)	Tenure	Rating after Review	Rating History
Fund Based: Term Loan	764.68	765.23	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook: Stable (Downgrade)	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable (April 2015)
Fund Based: FITL	140.10	132.70		BWR B+ (Pronounced BWR B Plus) Outlook: Stable	Fresh Assignment
Fund Based: Cash Credit	-	35.00		BWR A4 (Pronounced BWR A Four) (Reaffirmed)	BWR A4 (Pronounced BWR A Four) (April 2015)
Non-Fund Based: Bank Guarantee	60.00	60.00	Short Term		
Total	964.78	992.93	INR Nine Hundred Ninety Two Crores and Ninety Three Lakhs Only		

BWR has principally relied upon the audited financial results up to FY16 and projected financials up to FY18 of Aman Hospitality Pvt Ltd (AHPL), publicly available information and information/clarifications provided by the company.

The rating revision reflects deterioration in the company’s financial performance on account of low occupancy level at the hotel.

The ratings continue to draw comfort from the experience of the promoters and unsecured loans infused by them to improve liquidity. The ratings also take note that the company has entered into a fresh operational agreement with Leela Venture Ltd and revoked its agreement with Kempinski Hotels SA. The ratings, however, continue to remain constrained by high gearing levels with weak debt protection indicators, continuous EBITDA and Net Losses reported by the Company, weak liquidity position, competition and seasonality associated with the sector.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

AHPL belongs to the Delhi based Ambience Group which has its operations in real estate construction and development.

Incorporated in 1992 at New Delhi, Aman Hospitality Pvt Ltd (AHPL) is operating a five star deluxe hotel at Shahdara, New Delhi. The hotel was earlier operated under the brand name of 'Kempinski'. The company revoked their agreement with Kempinski and has entered into a fresh agreement with Leela Venture Ltd. The hotel is a 480 room five star property spread over an area of 20000 Sq. Mtrs and will now be operated with the name of 'The Leela Ambience Convention Hotel'. It has the largest convention/banqueting facility in NCR. The hotel also provides additional services such as restaurants, spa & health club, meeting room, conference room, bar and swimming pool etc.

AHPL is wholly owned by Ambience Hotels & Resorts Pvt Ltd and other Ambience Group companies. Its Board of Directors include Mr. Raj Singh Gehlot, Mr. Mohan Singh Gehlot and Mr. Sumit Choudhary. All the directors are well qualified and experienced in the Real Estate sector. The Board and the Management is assisted by a team of well qualified professionals from the Industry.

All the revenue from the hotel comes to AHPL and it pays management and marketing fee to the Leela Group. The hotel started commercial operations from December 25, 2012 and the occupancy of the hotel has remained in the range of 30%-40% over the last two years.

Financial Highlights:

AHPL recorded Net Revenue of Rs. 66.87 Crs for FY16 as against Rs. 72.26 Crs for FY15. The company reported EBITDA Loss and Net Loss of Rs. 0.06 Crs and Rs. 80.18 Crs respectively for FY16. While Food & Beverages accounted for substantial expenses, it also earned the highest share in total revenue and reported income of Rs. 41.10 Crs in FY16. Revenue from Room occupancy was Rs. 23.09 Crs in FY16. Tangible Net Worth (TNW) stood at Rs. 234.91 Crs as on March 31, 2016 with an Overall Gearing of 4.36 times. After adjusting for unsecured loans from promoters which would remain with the Company till the Term loan dues are fully repaid, Gearing reduced to 2.87 times as on March 31, 2016.

The loan facilities of the company are classified as Standard assets with the lending Banks as confirmed by them.

Rating Outlook:

The Hotel's performance has deteriorated on account of continuous low occupancy levels. With the signing of fresh agreement with Leela Venture Ltd, the company's performance is expected to improve, however, it will take 2-3 years for the company to recover its losses.

Considering the above, the Outlook of the company is Stable for the next twelve months. Going forward the ability of the company to improve its capital structure, occupancy, earnings, profitability and meet its debt obligations promptly shall remain key rating monitorables.

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