

Rating Rationale

Ambience Hotels & Resorts Pvt Ltd

November 28, 2017

Brickwork Ratings revises/reaffirms rating for the Bank Loan Facilities amounting to Rs. 521.52 Crs of Ambience Hotels & Resorts Pvt Ltd.

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	569.31	481.42	Long Term	BWR B+ (Pronounced BWR B Plus) Outlook: Stable	BWR BB (Pronounced BWR Double B) Outlook: Stable <i>(Upgraded)</i>
Non-Fund Based	40.00	40.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four) <i>(Reaffirmed)</i>
Total	609.31	521.52	INR 521.52 Crores (INR Five Hundred Twenty One Crores and Fifty Two Lakhs Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY17, projected financial statements up to FY19, publicly available information and information/clarifications provided by the company.

The rating upgrade takes into account the consistent improvement in the financial performance of the company marked by improvement in revenue, reduction in net losses and increased cash accruals.

The ratings continue to factor the track record of the Ambience group, established brand name “The Leela”, sustained occupancy and healthy operating margins and group support. The ratings however, continue to remain constrained by continuous net losses reported by the company, moderate debt protection indicators and cyclicity associated with the hospitality sector.

Going forward the ability of the company to maintain occupancy levels, strengthen its capital structure and improve its profitability as also the liquidity position while ensuring timely debt servicing shall remain key rating sensitivities.

Key Rating Drivers:

Healthy Operating Margins: Even though the company has reported net losses, it has healthy operating margins. The EBITDA margin has remained in the range of 39%-44% over the past four years. AHRPL reported an Operating Profit Margin of 40.61% for FY17.

High Interest Cost: Despite healthy operating margins, the company has been reporting net losses due to high interest cost. The company recorded interest & financial charges of Rs. 62.91 Crs resulting into a net losses of Rs. 8.89 Crs for FY17. However, the company has reported positive cash accruals of Rs. 25.47 Crs for FY17.

Moderate Debt Protection Indicators: Due to continuous net losses and high interest cost, the overall debt coverage of the company is at a moderate level. It reported an Interest Service Coverage Ratio (ISCR) of 1.33 times as on March 31, 2017 as against 1.13 times as on March 31, 2016.

Analytical Approach: BWR has assessed the company on a standalone basis. Please refer to the applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Ambience Hotels & Resorts Pvt Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to improve its profitability and capital structure. The rating outlook may be revised to 'Negative' if there is any further deterioration in the profit margins and capitalization.

About the Company:

Incorporated in 1994 at New Delhi, Ambience Hotels & Resorts Pvt Ltd (AHRPL) is operating a five star hotel and serviced Apartments under 'The Leela' brand name. The hotel is a 322 key five star property operated under the brand name of Leela. The company also operates a 90 key serviced apartments' property in the same premises. Both the five star hotel & services apartments are located at Ambience Island, an integrated township consisting of high end residential, corporate offices, institutional spaces and recreational & entertainment facilities besides the 9 hole golf course with Ambience Mall located in the vicinity.

The additional services provided for the hotel & serviced apartments includes banquet halls, conference halls, meeting rooms, corporate club, business centres, lounge, bar and restaurants, spa & health club, swimming pool, discotheque and florist shop.

Company's Financial Performance:

AHRPL's revenue increased marginally by ~ 2.50% in FY17. As the company has maintained occupancy levels in the range of 75%-80% over the past three years, the revenue has remained range bound.

Key Financial Figures			
Particulars	Unit	FY16 (A)	FY17 (A)
Operating Income	Rs. Crores	200.48	205.38
EBITDA	Rs. Crores	80.18	83.41
Net Loss	Rs. Crores	9.91	8.89
Tangible Networth	Rs. Crores	217.70	214.99
Total Debt	Rs. Crores	544.47	489.67
Total Debt : Equity	Times	2.50	2.28
Current Ratio	Times	0.23	0.15

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Nov 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
Fund Based							
1.	CC/OD	Long Term	40.00	BWR BB (Upgraded)	BWR B+	BWR B+	NA
2.	TL		441.52				
Non-Fund Based							
1.	BG/LC	Short Term	40.00	BWR A4 (Reaffirmed)	BWR A4	NA	NA
Total			521.52	INR 521.52 Crores (INR Five Hundred Twenty One Crores and Fifty Two Lakhs Only)			

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Services Sector](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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