

Rating Rationale

Asian Hotels (North) Limited

19 Aug 2020

Brickwork Ratings downgrade the rating to BWR B (Negative) from BWR BB (Negative) for the Bank Loan Facilities of Asian Hotels (North) Limited.

Particulars

Facility [^]	Amt (Rs. Cr)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based	421.24	421.24	Long Term	BWR BB Negative	BWR B Negative
Total	421.24	421.24	Rupees Four Hundred Twenty One Crores and Twenty-Four Lakhs Only.		

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

[^] Details of facilities are given in annexure.

Rating Action: Downgrade.

The downgrade in the ratings factors in weak financial performance for FY20 as reflected from lower EBITDA and EBITDA margins, significant loss at net levels and continuing weak coverage ratios and poor financial flexibility of the group as reflected in default in interest repayment obligations by its subsidiary for the month of January 2020 and February 2020.

The rating continues to draw comfort from the experience of the promoters in the industry, prime location of the property and long term strategic tie up with the Hyatt Group; a leading brand in the hospitality industry.

The ratings remain constrained on account of high debt, vulnerability of profitability to seasonality and pandemic like impacts, exposure to foreign exchange risk and exposure to group entities.

Rating Outlook: Negative.

The ratings remain constrained on account of uncertainties associated with the financial performance besides the current ongoing covid-19 pandemic and its impact on operational performance of the company.

Description of Rating Drivers

Rating Strengths

Experienced promoters.

AHNL, incorporated in 1980, promoted by Mr. Shiv Kumar Jatia has an extensive experience of over 3 decades in the hospitality industry. Mr. Jatia has extensive experience of more than three decades in the hospitality sector and has been operating a hotel property under the brand, Hyatt Regency, in New Delhi since 1983

**Prime location of hotel.**

The hotel is located in the southern part of Delhi with close proximity to the international & domestic airport, commercial business districts and other up market areas of south Delhi. The location allows the hotel to tap the corporate clientele and other clientele from airports and business centers.

Strategic tie up with Hyatt group: AHNL has long-term strategic tie up with Hyatt Group for trademark until 2028. Hyatt is a leading global hospitality group with over 30 years of experience in the Indian markets.

Rating Weakness.**Weak financial performance**

The financial performance has weakened marked by reduced operating income and Tangible Networth and increasing losses & debt as detailed hereunder.

Exposure to group entity.

AHNL has an exposure of Rs. 573.61 Cr crore as on March 2020 towards its wholly owned subsidiary Finline Hospitality & Consultancy Pte. Ltd. (FHCPL) which indirectly holds ~80% stake in Leading Hotels Ltd. (LHL), which is developing a villa-cum-hotel complex in Goa. Due to ongoing litigation on tenancy related and other issues and consequent court orders, there are substantial delays in development of the property leading to shortage of funds and consequently LHL has defaulted in interest repayment obligations for the month of January 2020 and February 2020.

Liquidity: Poor as reflected from cash and cash equivalents of Rs. 2.03 Cr as on March 2020 and significant repayment obligations going ahead. Relief measures, such as moratorium on debt servicing as notified by Reserve Bank of India (RBI) are being availed by the company.

Analytical Approach: BWR has factored into a consolidated business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

Rating Sensitivities.

Positive: Improvement in operating performance and profitability, management of working capital requirement and significant reduction in debt levels.

Negative: Any adverse impact on financials performance and operating metric will put downward pressure on the ratings.

About the Company

Asian Hotel Limited (AHL) was promoted by Jatia, Gupta and Saraf families in 1980. AHL engaged in the business of operating a hotel property under the brand, Hyatt Regency, a five-star hotel, with 507 rooms and five restaurants located at Bhikaji Cama Place, New Delhi. Over the years, the three promoter groups of AHL acquired independent interests in the hospitality industry. In order to reduce the possibility of any conflict of interests among

the promoter groups, it was decided to de-merger AHL into three separate undertakings; each undertaking having one hotel property. As per the demerger scheme, the Hyatt Regency Mumbai property was transferred and vested in Asian Hotel (West) Limited, the Hyatt Regency Kolkata property was transferred and vested in Asian Hotels (East) Limited while the Hyatt Regency Delhi property was retained in AHL – now known as Asian Hotels (North) Limited. Currently, the promoter shareholding is with the Jatia family. AHNL operates Hyatt Regency, New Delhi, a five-star hotel, with 507 rooms and five restaurants located at Bhikaji Cama Place, New Delhi. AHNL has developed a new commercial tower “New Towers” at its existing hotel complex.

Key Financial: Consolidated

Particulars (Amt in Rs. Crs)	FY 2019	FY 2020
Type of Account	Consolidated	Consolidated
Total Operating Income	273.52	252.39
EBITDA	82.94	54.47
PAT/ (Loss)	-39.07	-64.74
Total Debt	1183.2	1211.85
Tangible Net worth	228.31	156.40

Rating History for the last three years (including rating withdrawal and suspension)

Sr. NO	Facility			Current Rating		Rating History		
		Type	Amount (Rs in Cr)	August 2020	March 2020	2019	2018	2017
1	Term Loan	Long Term	384.24	BWR B Negative	BWR BB Negative	BWR BB+ Stable	BWR BBB Stable	BWR BBB Stable
2	Cash Credit / Overdraft		37.00					

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA

Hyperlink/Reference to Applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Service Sector](#)

[Consolidation](#)

Annexure I

Details of Bank Facilities rated by BWR.

Particulars (Amt in Rs Cr)	Type of Facilities		Total (Amt in Rs Cr)
	TL	CC/OD	
Yes Bank	148.51	32	180.51
Punjab National Bank (9.25%)	140.03	0	140.03
IndusInd Bank (9.5%)	95.7	5	100.7
Total	384.24	37	421.24

Annexure II

List of Entities Consolidated

Name of The Company	% of holding
Fineline Hospitality & Consultancy Pte Ltd (FHCPL)- an Overseas Subsidiary	100%
Lexon Hotel Ventures Limited (Lexon), a subsidiary of FHCPL	80%
Leading Hotels Limited (LHL), a subsidiary of Lexon	79.81%



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