

Rating Rationale

Asian Hotels (North) Limited

27 June 2018

Brickwork Ratings assigns and reaffirms BWR BBB (Outlook: Stable) ratings for the Bank Loan Facilities of Asian Hotels (North) Limited

Particulars

Facility Rated	Amt (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based Term Loan	325.19	402.45	Long Term	BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)	BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)
Cash Credit/Overdraft	48.00	37.00			
Total	373.19	439.45	Rupees Four Hundred Thirty Nine Crores Forty-Five Lakh Only.		

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

BWR has essentially relied upon the audited financials of FY18 and projections upto FY21, publicly available information and information / clarification provided by the management.

Rationale

The rating draw strength from the established track record of the promoters in the industry, prime location of the property, long term strategic tie up with the Hyatt Group; a leading brand in hospitality industry. The rating also factors in refinancing of debt and prepayment of part debt sales proceeds of commercial tower. The rating however continues to remain constrained on account of high debt, vulnerability of profitability to seasonality impact, exposure to foreign exchange risk and large exposure to group entity.

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 the 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.

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

Prepayment of loans and refinancing of debt: AHNL has developed a new commercial tower “New Towers” at its existing hotel complex. The total salable area of the “New Towers” is 133604sq.ft of which company has successfully sold 83993 sq.ft. As per the management, the sales proceeds has been partly utilize for prepayment of debt. In addition, AHNL has refinance part of debt resulting in elongated debt repayment.

Rating Weakness

Vulnerability of Profitability due to Seasonality: Profitability is vulnerable to the seasonal nature of Industry, which will affect the Average Room Rent and Occupancy rates and thereby affecting the profitability.

Weak capital structure and debt protection metrics: AHNL has significant term debt amounting to Rs.1140 Cr as on March 2018 on consolidated basis and Rs. 895.72 Cr on standalone basis. The repayment over the next two years is minimal and DSCR stands comfortable for the same period. However, significant repayment obligation start from FY22 onwards, in case of any deterioration in profitability going ahead remains critical for credit perspective.

Exposure to group entities

AHNL has an exposure of Rs. 561.43 crore as on March 31, 2017 towards its wholly owned subsidiary Fineline 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. As per the management, no further fund infusion is expected from AHNL for the project in future. In case of additional funding support to this project will lead to deterioration in credit profile of AHNL.

Rating Sensitivities

Going forward, the Company's ability to improve Average Room Rent (ARR) and occupancy level leading to overall operating performance, successful sales of balance commercial space and timely repayment of debt obligations are the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Asian Hotels (North) Limited** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Asian Hotel Limited (AHL) is 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 de-merger 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 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 also developed a new commercial tower “New Towers” at its existing hotel complex. The total salable area is 1,33,604 sq.ft of which company has successfully sold 83993 sq.ft.

Company Financial Performance

Total Operating Income stood at Rs.274.44 Cr in FY18 v/s Rs. 250.53 Cr in FY17. Earnings before Interest tax and Depreciation stood at Rs. 83.49 Cr v/s Rs. 11.09 CR in FY17. The Tangible Net worth of the company stands at Rs. 77.69 Cr in FY17 on consolidated basis while Tangible net worth stood at Rs. 738.73 Cr on standalone basis.

Key Financial: Consolidated

Particulars (Amt in Rs. Crs)	2017	2018
Type of Account	Consolidated	Consolidated
Total Operating Income	250.53	274.44
EBITDA	81.09	83.49
PAT	-16.18	-4.07
Tangible Net worth	80.51	77.69

Rating History for the last three years:

Sl. No.	Instrument / Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs in Cr)	Rating	2017	2016	2015
1	Term Loan	Long Term	402.45	BWR BBB (Outlook: Stable)	BWR BBB (Outlook: Stable)	BWR BBB (Outlook: Stable)	NA
2	Cash Credit / Overdraft		37.00				
Rs. 439.45.19 Cr (Rupees Four Hundred Thirty Nine Crores Forty-Five Lakh Only)							

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

Any other information: NA

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service 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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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