

Rating Rationale

Asian Hotels (North) Limited

3 Oct 2017

Brickwork Ratings reaffirms 'BWR BBB (Outlook: Stable)' ratings for the Bank Loan Facilities of Rs. 373.19 Cr of Asian Hotels (North) Limited

Particulars

Facility Rated	Amt (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based					
Term Loan	350.00	325.19	Long Term	BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)	BWR BBB Reaffirmed (Pronounced BWR Triple B) (Outlook: Stable)
Cash Credit	50.00	48.00			
Overdraft					
Total	400.00	373.19	Rupees Three Hundred Seventy Three Crores and Nineteen Lakhs Only.		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Audited financials from FY15 to FY17 and projections upto FY19, publicly available information and information / clarification provided by the management.

The rating continues to 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 prepayment of part of the debt from proceeds of sales of commercial tower leading to lower repayment obligation. The rating however continues to remain constrained on account of challenging operating environment, vulnerability of profitability to seasonality impact and exposure to foreign exchange risk.

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 will be the key rating sensitivities.

Key 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 centres.

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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: AHNL developed a new commercial tower “New Towers” at its existing hotel complex. It consist of both the commercial office space and service apartment and has been fully operational from October 2014. The total salable area of the “New Towers” is 1,33,604 sq.ft of which company has successfully sold 74,339 sq.ft with total sales value of Rs. 197.85 Cr till July 2017. The sales proceeds from FY17 onwards has been utilized for prepayment of debt resulting in lower debt servicing obligation in near term.

Key Rating Weakness:

Vulnerability of Profitability due to Seasonality: The Company's profitability is vulnerable to the seasonal nature of Industry which will impact the Average Room Rent and Occupancy rates and thereby affecting the profitability.

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 74339sq.ft.

Company Financial Performance

The Company's Total Operating Income increased to Rs. 250.53 Cr in FY17 as compared to Rs. 240.72 Cr in FY16. The Company has reported Operating Profit of Rs. 81.09 Cr in FY17 as compared to Rs. 69.71 Cr in FY16. The Tangible Net worth of the company stands at Rs. 80.51 Cr in FY17.

Key Financial Ratios

Particulars (Amt in Rs. Crs)	2016	2017
Type of Account	Consolidated	Consolidated
Total Operating Income	240.72	250.53
EBITDA	69.71	81.09
PAT	1.59	-16.18
Tangible Net worth	94.76	80.51

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument / Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs in Cr)	Rating	Jun 2016	2015	2014
1	Term Loan	Long Term	325.19	BWR BBB Reaffirmed (Outlook: Stable)	BWR BBB (Outlook: Stable)	NA	NA
2	Cash Credit / Overdraft		48.00				
Rs. 373.19 Cr (Rupees Three Hundred Seventy Three Crores and Nineteen Lakhs 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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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

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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.

DISCLAIMER

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