Rating Rationale

Asian Hotels (North) Limited

24 May 2019

Brickwork Ratings downgrade the rating to BWR BB+ (Stable) from BWR BBB (Stable) 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 Cash Credit/ Overdraft	402.45 37.00	402.45 37.00	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook: Stable	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable
Total	439.45	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
** As per the information available during last review.

BWR has essentially relied upon the audited financials of FY18, 9M Ended 31st December 2018 and publicly available information and information/clarification provided by the management.

Rationale.
The revision in the rating takes into account of non-servicing of interest obligation on ECB facilities as reported by Bank as “Half yearly interest payable on 15Apr19 has not yet been serviced”. As per the clarification from the management, the interest was not serviced on account of dispute arising related to refund/adjustment of withholding tax credit amounting to Rs. 11.07 Cr. The said ECB facility is not rated by BWR.

The rating continues to draw comfort from the established track record 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 hospitality industry. The ratings remain constrained on account of high debt, vulnerability of profitability to seasonality impact, exposure to foreign exchange risk and large exposure to group entities.

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.

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.

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.

High Debt: AHNL has significant debt amounting to ~Rs. 925.17 Cr as on 30 September 2018 on standalone basis. The repayment over the next two years is minimal. However, significant repayment obligation start from FY22 onwards.

Exposure to group entities.

AHNL has an exposure of Rs. 561.66 Cr crore as on March 31, 2018 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. Any further support to entity may impact the credit profile of AHNL.

Rating Sensitivities. Going forward improvement in Average Room Rent (ARR) and occupancy level leading to overall operating performance 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 and profitability goes down and any further significant investment in group Companies.

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 developed a new commercial tower "New Towers" at its existing hotel complex.

Company Financial Performance.

For 9M ended 31 December 2018: The Company has reported total income from operation amounting to Rs. 197.41 Cr and net loss of Rs. 34.11 Cr against total income from operation of Rs. 197.41 Cr and net loss of Rs. 0.63 Cr.

Key Financial: Consolidated

Particulars (Amt in Rs. Crs)	**FY2017**	**FY2018**
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 2019)**			**Rating History**		
		Type	Amount (Rs in Cr)	Rating	2018	2017	2016
1	Term Loan	Long Term	402.45	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable	BWR BBB (Pronounced BWR Triple B) Outlook: Stable	BWR BBB (Pronounced BWR Triple B) Outlook: Stable	BWR BBB (Pronounced BWR Triple B) Outlook: Stable
2	Cash Credit / Overdraft		37.00				
Rs. 439.45.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]

[Default Recognition and Post Default Curing Period.](#)

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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

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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.