

Rating Rationale

Asian Hotels (North) Limited

20 March 2020

Brickwork Ratings downgrade the rating to BWR BB from BWR BB+ (Stable) for the Bank Loan Facilities of Asian Hotels (North) Limited. The outlook is revised to Negative.

Particulars

Facility [^]	Amt (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based	439.45	421.24	Long Term	BWR BB+ Stable	BWR BB Negative
Total	439.45	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 and Change in Outlook to Negative.

The downgrade in the ratings factors in stretched liquidity position and recent instances of invocation shares pledged by lenders to the promoter and promoter group reflecting diminishing financial flexibility of the Company.

The rating however 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.

Rating Outlook: Negative.

The rating is placed on negative outlook indicating further downgrade in short to medium term on account of significant debt obligation from FY21 onwards and the Company's liquidity position is likely to stretched further on account of weak operating environment.

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 until 2028. Hyatt is a leading global hospitality group with over 30 years of experience in the Indian markets.

Rating Weakness.

Stretched Liquidity Position: The working capital facility of the Company is utilized in full. The current, weak operating environment is expected to further stretch the liquidity profile. In addition, there has been few instances of invocations of pledge of shares by the lenders to the promoter and promoter group indicating stretched liquidity position of the group and reduced financial flexibility to an extent.

High Debt: AHNL has significant debt amounting to ~Rs.879 Cr as on 29 February 2019. The significant repayment of this debt is schedule to mature from FY21 onwards.

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.

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.

Analytical Approach: BWR has factored into 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 level are the key rating sensitivities.

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

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 2019: The Company has reported total income from operation amounting to Rs. 197.15 Cr and net loss of Rs. 34.46 Cr against total income from operation of Rs. 197.41 Cr and net loss of Rs. 34.63 Cr.

Key Financial: Consolidated

Particulars (Amt in Rs. Crs)	FY2018	FY2019
Type of Account	Consolidated	Consolidated
Total Operating Income	274.44	273.52
EBITDA	83.49	71.04
PAT/ (Loss)	(-4.07)	(-39.06)

Rating History for the last three years:

Sl. No.	Instrument / Facility	Current Rating (2020)			Rating History			
		Type	Amount (Rs in Cr)	2020	2019	2018	2017	2016
1	Term Loan	Long Term	402.45	BWR BB	BWR BB+ Stable	BWR BBB Stable	BWR BBB Stable	BWR BBB Stable
2	Cash Credit / Overdraft		37.00	Negative				
Total								

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](#)

Analytical Contacts	Investor Contacts
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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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