

Hyatt Mumbai shuts on mounting debt, pandemic

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Parent company's total debt now stands at ₹1,212 crore for FY20

Mounting debts, pending litigations, and the Covid-19 pandemic led to the closure of Hyatt Regency Mumbai's parent company Asian Hotels (West) Limited's downfall. Just months before the company defaulted on multiple payments, it had applied for a one-time debt restructuring of its loans. The company's total debt was ₹1,211.85 crore for FY20.

The company's loan book was substantially higher than its revenues. It had stopped "cooperating" with credit rating agency CRISIL. **Brickwork Ratings had downgraded its ratings and had given a "negative" outlook in March 2020.**

Over the past few fiscals, Asian Hotels had taken multiple loans from leading banks like Yes Bank, PNB Bank among others.

During the announcement for the December quarter of FY21, the company had said that the Covid-19 outbreak impacted its business operations

Credit rating

It said that it had undertaken necessary cost-saving measures including rationalisation of human resources, initiatives to uplift revenue by resorting to home delivery of food and conserving cash.

Interestingly, till then credit rating agencies India Ratings maintained their ratings at BB+/negative.

Moreover, in 3QFY21 results, the auditors have noted the raising of a corporate governance issue by one of the whole-time executive directors and filing of a complaint to The Securities and Exchange Board of India and the National Company Law Tribunal by certain shareholders during 4QFY21. Ind-Ra will continue to monitor future developments regarding these issues.

It was only in May that the rating agency downgraded it to 'D'.

Stressed hospitality industry

However, is Asian Hotels the first to shut shop in the past year? Certainly not. ICRA said that negative credit outlooks have been at an all-time high over the last 12-14 months. The severe impact of the pandemic has resulted in a sharp increase in FY2021 downgrades. The second wave could result in further negative actions.

According to data from SMERGERS, globally it has 584 hotels for sale or investment on its portal. "As of June 8, of 584, 170 listed in the last one year. In India, it's 281 of which 73 were listed in the last year," Vishal Devanath, Founder of the company said. About 70 percent of ICRA's hospitality portfolio applied for a moratorium, said ICRA in a recent report adding that some companies have also resorted to equity fundraising from investors and promoters.

According to Karan Khanna, Vice President at Ambit Capital covering Hotels/ Hospitality sector, "the downfall of a hotel like Asian Hotels which was managed by Hyatt is one of many. This show deep-rooted stress in the Hospitality industry. We believe that the upcoming supply expected to reduce by 15-20 per cent. On the flip side, this is a good opportunity for well-positioned hospitality companies."

While the consolidation in the industry could be a good opportunity for the buyers, the employees are the ones which stand to be impacted first. Data from Ambit Capital states that lay-offs in the industry were more than 40 per cent.