

Rating Advisory

July 19, 2022 | Mumbai

Asian Hotels (North) Limited

Update as on July 19, 2022

This rating advisory is provided in relation to the rating of Asian Hotels (North) Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Timely servicing of debt for atleast 90 days
- Increase in revenue and profitability leading to higher cash accrual

Downward factors

- Further decline in revenue or profitability, deteriorating the liquidity
- Large, debt-funded capital expenditure, weakening the financial risk profile and liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Asian Hotels (North) Limited (AHNL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If AHNL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

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AHNL reported operating income of Rs 47.73 crore and profit after tax (PAT) of negative Rs 62.48 crore in the first six months of fiscal 2022, against operating income and PAT of Rs 19.08 crore and negative Rs 66.34 crore, respectively, for the corresponding period of the previous fiscal.

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Rating Rationale

November 17, 2021 | Mumbai

Asian Hotels (North) Limited

Rating downgraded to 'CRISIL C'

Rating Action

Total Bank Loan Facilities Rated	Rs.410 Crore
Long Term Rating	CRISIL C (Downgraded from 'CRISIL B-/Negative')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the long-term bank facilities of Asian Hotels (North) Limited (AHNL) to '**CRISIL C**' from '**CRISIL B-/Negative**'.

The downgrade reflects defaulted payment on debt obligation facility availed with one of the banks, which is not rated by CRISIL Ratings.

The financial risk profile weakened in fiscal 2021 owing to the impact of the Covid-19 pandemic on operating performance. Operating performance remained weak in the first half of fiscal 2022 with earnings before interest, tax, depreciation and amortisation (Ebitda) of negative Rs 2.98 crore.

Analytical Approach

CRISIL Ratings has taken a standalone approach, and not consolidated the business and financial risk profiles of other group entities and subsidiaries, as the management has articulated that the company will not provide funding support to the subsidiaries in the future. Furthermore, AHNL has not extended any corporate guarantee or security for the loans availed by its subsidiaries.

Key Rating Drivers & Detailed Description

Weaknesses:

Weak capital structure and debt protection metrics: In fiscal 2021, operating revenue declined to Rs 72.58 crore from Rs 252.39 crore in fiscal 2020 owing to Covid-19 led disruptions. The company has reported revenue of Rs 47.73 crore and Ebitda of negative Rs 2.98 crore in the first half of the current fiscal. The company has availed of the one-time restructuring (OTR) scheme of Reserve Bank of India (RBI), which was implemented in June 2021.

High debt on the books for the company has led to high gearing and weak interest coverage ratio. As a result, cash flows from the hotel have also remained just sufficient to service debt obligations over the last few years. Though company sold off real estate assets to service and prepaid debt obligations in previous years, financial risk profile has remained weak over the years.

High geographic concentration, and susceptibility to economic downturns: The company generates its entire revenue from its hotel in New Delhi. Dependence on a single asset makes the company vulnerable to adverse demand-supply scenarios and events. For instance, the company had contracted debt in fiscal 2009 to fund a property in Mumbai through a subsidiary, aided by operating profit before depreciation, interest and tax (OPBDIT) of Rs 130 crore in fiscal 2008. Subsequently, market conditions deteriorated and Ebitda started to decline, leading to lower cash accrual. As a result, the company delayed repayment of debt during January 2015 to May 2016. Moreover, the hospitality industry is susceptible to downturns in the economy.

Strengths:

Established market position, and association with the brand, Hyatt: AHNL was incorporated in 1980, and has been in the hospitality business since inception. The company has an established position in the hospitality industry, driven by extensive experience of the promoters, large network, global marketing strategies and continued association with the brand Hyatt. This, in turn, leads to strong visibility and healthy revenue from the food and beverage (F&B) segment.

Advantageous location of the hotel: The company operates a five-star deluxe hotel in Delhi, named Hyatt Regency Delhi. The hotel is located in close proximity to government offices, Diplomatic Enclave and major landmarks of Delhi.

Liquidity: Poor

Liquidity is constrained by the negative operating profit, and will remain weak over the medium term. The company had applied for one-time debt restructuring announced by the RBI through circular dated August 6, 2020, on account of the pandemic. The restructuring was implemented in June 2021.

Rating sensitivity factors

Upward factors

- Timely servicing of debt for atleast 90 days
- Increase in revenue and profitability leading to higher cash accrual

Downward factors

- Further decline in revenue or profitability, deteriorating the liquidity
- Large, debt-funded capital expenditure, weakening the financial risk profile and liquidity

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Key financial indicators

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs.Crore	72.58	109.71
Reported profit after tax (PAT)	Rs.Crore	(695.13)	0.61
PAT margin	%	(10.44%)	0.55
Adjusted debt/adjusted network	Times	32.42	2.16
Interest coverage	Times	(0.18)	2.28

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instruments

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	13	NA	CRISIL C
NA	Long Term Loan	NA	NA	Apr-2030	241.41	NA	CRISIL C
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	155.59	NA	CRISIL C

Annexure - Rating History for last 3 Years

		Current		2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	410.0	CRISIL C	23-07-21	CRISIL B-/Negative	25-11-20	CRISIL B-/Negative(Issuer Not Cooperating)*	31-05-19	CRISIL B/Stable	17-07-18	CRISIL BBB-/Stable	CRISIL BBB-/Stable

			--	24-03-21	CRISIL B-/Negative	31-08-20	CRISIL B-/Stable(Issuer Not Cooperating)*		--		--	--
			--	22-01-21	CRISIL B-/Negative(Issuer Not Cooperating)*		--		--		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	13	CRISIL C
Long Term Loan	241.41	CRISIL C
Proposed Fund-Based Bank Limits	155.59	CRISIL C

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Recognising Default

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