

Rating Advisory

August 21, 2020 | Mumbai

Asian Hotels (North) Limited

Advisory as on August 21, 2020

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

The key rating sensitivity factors for the rating include:

- Average occupancy rates and tariffs
- Receipts from sale of commercial/residential space
- Extent of support to subsidiaries and group companies
- Capital expenditure (capex) and its funding

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 is yet to receive adequate information from Asian Hotels (North) Limited (AHNL) to enable it to undertake a rating review. CRISIL 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 views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If AHNL continues to delay the provisioning of information required by CRISIL 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 will carry out the review based on best available information and issue a press release.

About the company

Incorporated in 1980, AHNL operates a five-star hotel property under the brand Hyatt Regency in New Delhi. The company was promoted by the Gupta, Jatia and Saraf families in 1980 though the current promoter shareholding is with Jatia family. The hotel has 507 rooms, including 51 suits, and is equipped with a swimming pool, fitness centre, business centre, banquet hall, salon, nightclub, business club, and restaurants offering a wide variety of dining options. The hotel also offers a range of high-end service apartments, called 'Hyatt Regency Delhi Residence'. Moreover, AHNL operates two wind turbine generators, with a capacity of three megawatt, in Maharashtra.

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Rating Rationale

May 31, 2019 | Mumbai

Asian Hotels (North) Limited

Rating downgraded to 'CRISIL B/Stable'

Rating Action

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

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its ratings on the bank loan facilities of Asian Hotels (North) Limited (AHNL) to '**CRISIL B/Stable**' from '**CRISIL BBB-/Stable**'.

The downgrade reflects non-servicing of interest due on April 15, 2019 towards unrated External Commercial Borrowings (ECB) on account of an ongoing dispute with regards to Withholding tax refundable to AHNL by the lender. Although, company had adequate liquidity to service the interest obligations on time, in the form of unutilized bank limits and cash and bank balances, the delay was triggered on account of the tax dispute remaining unresolved as on date. Further, company is meeting its debt obligations on rated facilities in a timely manner. Additionally, the management failed to highlight the delay in the No Default Statement shared with CRISIL for April 2019 and hence misrepresented this fact.

Further, company's financial risk profile weakened in fiscal 2019 due to increase in interest cost, resulting in a weak interest cover and accruals as against CRISIL's previous expectation. CRISIL believes the financial risk profile will remain weak over the medium term.

The rating reflects a weak capital structure and debt protection metrics, driven by large term debt, high geographic concentration and susceptibility to economic downturns. These rating weaknesses are partially offset by the company's established market position in the hospitality industry, driven by long-standing experience of the promoters, continued association with 'Hyatt' brand. This in turn leads to strong visibility and healthy revenue from Food and Beverage (F&B) segment, supporting the operating margin.

Analytical Approach

For arriving at the ratings, CRISIL has taken a standalone approach and has not consolidated the business and financial risk profiles of other group entities and subsidiaries of the company, as the management has articulated that no funding support will go to the subsidiary companies in future. Furthermore, AHNL has not extended any corporate guarantee or security for the loans availed by its subsidiary companies.

Key Rating Drivers & Detailed Description

Weaknesses:

* **Weak capital structure and debt protection metrics:** Capital structure is weak, driven by large term debt, however, the minimal repayment over the next three years, expected prepayment of loans and no additional financial support to the subsidiaries benefits the company. Interest cover was at 0.7 times for fiscal 2019 (including the forex losses on ECBs during the year).

* **High geographic concentration and susceptibility to economic downturns:** AHNL generates all its revenue from its hotel in New Delhi and is expected to do so over the long term, with no plans of launching any other hotel in the near future. Dependence on a single location makes the company susceptible to significant adverse changes in demand supply scenarios and to any significant event risk. For instance, the company had undertaken debt in fiscal 2009 to fund a property in Mumbai through a subsidiary, aided by the large operating profit before depreciation, interest and taxes (OPBDIT) levels of Rs 130 crore during fiscal 2008. Subsequent to the investment, the market conditions deteriorated and company's EBITDA levels started to decline, leading to lower cash accrual against large debt obligation.

Strengths:

* **Established market position and association with 'Hyatt' brand:** Benefits from more than three and a half decades of promoters' experience in the hospitality industry and from association with 'Hyatt' brand including its large network and global marketing strategies has led to AHNL's established market position.

* **Healthy revenue from F&B segment supporting operating margin:** F&B segment contributed 47.1% of the total sales in fiscal 2018. Going forward, the revenue from this segment is further expected to increase with incremental revenue from expanded Night club, Business club and Indian cuisine restaurant, thereby supporting the operating margin.

Liquidity

The company, is expected to generate sufficient cash accruals to meet its debt obligations over the medium term. Furthermore, as no funding support is being provided to the subsidiary companies, the cash generated is expected to be sufficient to service the debt or be used for incremental working capital purposes. AHNL has no major capital expenditure (capex) plans over the medium term.

Outlook: Stable

CRISIL believes that AHNL will continue to benefit from the established position in the hospitality industry and association with 'Hyatt' brand. The outlook may be revised to 'Positive' if the revenue improves significantly as a result of increase in its occupancy rate, leading to improvement in operating margin and better cash accrual, or timely and healthy receipts from commercial and residential space, lead to further prepayment of debt obligation. The outlook may be revised to 'Negative' if adverse impact on the occupancy rates and ARR, or higher-than -expected debt-funded capex or investment in group entities, affects its liquidity position.

About the Company

Incorporated in 1980, AHNL operates a five-star hotel property under the brand, Hyatt Regency, in New Delhi. The company was promoted by the Gupta, Jatia and Saraf families in 1980 though the current promoter shareholding is with Jatia family. The hotel has 507 rooms including 51 suits and is equipped with a swimming pool, fitness centre, business centre, banquet hall, salon, night club, business club and restaurants, offering a wide variety of dining options. The hotel also offers a range of high-end service apartments called 'Hyatt Regency Delhi Residence'. AHNL also has two wind turbine generators of 3 megawatt capacity operational in Maharashtra.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs Cr.	273	275.5
Profit After Tax (PAT)	Rs Cr.	-32.7	-2.4
PAT Margin	%	-12	-0.9

Adjusted Debt/Adjusted Networth	Times	1.29	1.6
Interest coverage	Times	0.7	0.93

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Long Term Loan	NA	NA	April-2030	241.41	CRISIL B/Stable
NA	Cash Credit	NA	NA	NA	13.0	CRISIL B/Stable
NA	Proposed Fund-based bank limits	NA	NA	NA	155.59	CRISIL B/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	410.00	CRISIL B/Stable			17-07-18	CRISIL BBB-/Stable	01-06-17	CRISIL BBB-/Stable		--	--
								31-05-17	CRISIL BBB-/Stable			

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	13	CRISIL B/Stable	Cash Credit	13	CRISIL BBB/Stable
Long Term Loan	241.41	CRISIL B/Stable	Long Term Loan	241.41	CRISIL BBB/Stable
Proposed Fund-Based Bank Limits	155.59	CRISIL B/Stable	Proposed Fund-Based Bank Limits	155.59	CRISIL BBB/Stable
Total	410	--	Total	410	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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