

Juniper Hotels Private Limited

April 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	344.38	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	41.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	385.38 (Rs. Three Hundred Eighty- Five Crore and Thirty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Juniper Hotels Private Limited (JHPL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on JHPL's bank facilities will now be denoted as **CARE BB; Stable, ISSUER NOT COOPERATING*/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to bank facilities of Juniper Hotels Private Limited (JHPL) are constrained by leveraged capital structure, weak debt coverage matrices, impact of COVID-19 pandemic on company's FY21 performance, inherent seasonality in hotel industry, susceptible to economic cycle and highly competitive nature of the industry. However, ratings continue to derive strength from extensive experience of promoters, association with Hyatt brand, recovery in occupancy and ARR across all hotel properties in 10M-FY22 and regular support from promoters in form of unsecured loan.

Detailed description of the key rating drivers

At the time of last rating on April 27, 2021, the following were the strengths and weaknesses (updated for the information available from the client).

Key Rating Weaknesses

Leveraged capital structure; albeit successful roll over of certain term loans

JHPL continues to have a weak financial risk profile, marked by high gearing of 4.25x as on March 31, 2021 (P.Y: 2.89x) as there has been a substantial decline in the Networth of the company owing to losses at PAT level in last several years. Further, JHPL's debt coverage indicators deteriorated significantly as cash losses has increased during FY21. However, the company derives support from promoter's contribution as unsecured loans and flexible repayment schedule for the same. JHPL had bullet repayment of unsecured loan availed from JP Morgan Chase Bank, Mumbai and JP Morgan Securities India Pvt. Ltd., falling due on November 25, 2020. However, due to COVID-19 pandemic, the company has availed moratorium for the said facility and new repayment date falls on May 31, 2021 (earlier date November 25, 2020). The said loan is backed by corporate guarantee from Hyatt Hotel Corporation and SBLC from JP Morgan Bank, New York in favour of the lenders. JHPL was successful in roll over of the term loan with revised repayment date at May 31, 2024.

Impact of COVID-19 on hotels' performance during FY21

Hotels and tourism industries were amongst one of the first sectors to be affected due to the global outbreak of Covid-19. The entire value chain which spans aviation, tour operators, travel agents, hotels, restaurants, and other service providers in the tourism industry were impacted. Both business and leisure user segments were affected due to imposition of travel restrictions. JHPL's primary properties (Grand Hyattt Mumbai and Andaz Delhi) derive significant income from business segment. Though normal hotel operations were curtailed, JHPL was able to derive revenue from long term apartments contracts to business travellers already staying at the hotel. Therefore, the hotels were able to meet its operational expenditure from this revenue along with fund infusion from the promoters. During April-Dec, 2020 period, apartments of The Grand Hyatt Mumbai had occupancy rate in between 60% to 70% with ARR of approx. Rs.11,500. For the same period, Hotel Andaz Delhi had occupancy rate between 30% to 40% with ARR of approx. Rs.8400. Further, the company was given contract for quarantine of international passengers coming to India under Vande Bharat mission. Given this circumstance, occupancy for hotels rooms increased from

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

4% in April, 2020 to 30% in July, 2020. For FY21, JHPL has revenue of Rs.187 crore with operating profit of Rs.16.31 crore. The promoters have also extended their support in form of fund infusion of US\$ 9.5 million during FY21.

High susceptibility to economic cycles and operations in highly competitive industry

The hospitality industry is highly fragmented with many local and international players operating across different hotel segments leading to high level of competition in the business. However, the company, on account of its brand name and reputation has been successful in maintaining stable and comfortable occupancy rates. The performance of the hospitality sector is driven by macroeconomic factors like prospects of Indian tourism industry (which in turn is dependent on the overall economy and disposable incomes), competitiveness of Indian tourism, business and leisure travel, foreign tourist arrivals (FTAs), popularizing trend of meetings, incentives, conferences, and exhibitions. The sector is susceptible to downturn in the economy as well as local government policies regulating trade.

Inherent seasonality in the industry

The hotel industry demand is seasonal in nature. Though the peak season for both business and leisure destinations is the same (January – March), during the remaining year both demonstrate different behaviours. While the business destinations maintain constant ORs (5-10% lower than Jan-Mar period) from April – November. However, in December, a sharp correction is witnessed in the business destinations as it coincides with the international holiday period. Leisure destinations on the other hand register lower occupancy rates during May - October period, while the occupancy rates improve in December on account of holiday season.

Key Rating Strengths

Experienced promoters and established brand name

JHPL is promoted by the Saraf group and Hyatt – both owning 50 % each in JHPL. The company is led by Shri Radhe Shyam Saraf, who has experience of more than five decades in the hospitality sector. He is assisted by his sons Shri Arun Saraf and Shri Umesh Saraf having more than two decades of experience in the hospitality sector. Saraf group owns seven other luxury hotels, namely, The Grand (New Delhi), Hyatt Regency (Chennai), Hyatt Regency (Kolkata), Hyatt Place Hampi, Hyatt Regency (Kathmandu), Hyatt Raipur and Yak & Yeti Hotel (Kathmandu) through group companies. Hyatt Hotels Corporation is an American multinational hospitality company that manages and franchises luxury hotels, resorts, and vacation properties. Hyatt manages 850 hotels with 211,000 rooms globally and is listed on NYSE.

Recovery in occupancy and ARR during 9MFY22

JHPL's operating income declined by ~66% to Rs.187 crore in FY21 with operating margin of 8.71% (PY: 32.94%). Decline is on account of COVID-19 pandemic on business operations of the company. All hotel properties are near to airport and depends on leisure and business travellers for its revenue. The same was impacted as movement of individual was restricted following fear of infections. However, for 10MFY22, the company has witnessed recovery in term of occupancy level and ARR.

Grand Hyatt Mumbai

Grand Hyatt, Mumbai is in operations since 2004. The hotel presently has 547 rooms and 150 service apartments. For Grand Hyatt Mumbai, average room rates (ARR) for rooms declined to Rs.4,532 in FY21 from Rs.8,423 in FY20. ARR for apartments declined from Rs.13,459 in FY20 to Rs.11,627 in FY21. Occupancy for hotel rooms stood at 25% for FY21 and 49% for 10M-FY22.

Hyatt Andaz Delhi

The hotel, having 400 rooms became operational in mid - December 2016. However, the 120 apartments became operational only in January 2018. ARR for hotel rooms declined from Rs.7783 in FY20 to Rs.4760 in FY21. Occupancy stood at 42% in FY21 and 50% in 10M-FY22.

Hyatt Regency Ahmedabad

The Hyatt Regency Ahmedabad with 210 rooms, commenced operations in April 2015. Hotel's ARR declined to Rs.3,762 in FY21 from Rs.8,423 in FY20. Average occupancy rate stood at 32% for FY21 as against 64% in FY20 for hotel rooms. For 10M-FY22, ARR stood at Rs.3401 with average occupancy rate of 59%.

Liquidity: Poor

JHPL's liquidity remains poor with continuous cash losses in past several years and weak capital structure. However, the company is supported by promoters through regular fund infusion during FY21 to meet operational and financial obligations of JHPL.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

About the Company: Juniper Hotels Private Limited

Juniper Hotels Private Limited (JHPL) belongs to Saraf Group (holding 50% through Saraf Hotels Limited, Mauritius) (SHL) and the Hyatt Group (holding 50% through Two Seas Holding Limited, Mauritius) (TSHL). The company owns three 5-star deluxe (full service/luxury segment) hotels: 'The Grand Hyatt', at Santacruz (E), Mumbai (operational since December 2004), 'The Hyatt Regency' at Ahmedabad (operational since April 2015) and 'Hyatt Andaz Delhi' (operational since December 2016).

About Hyatt Hotels Corporation:

Hyatt was founded by Jay Pritzker in 1957 when he purchased the Hyatt House motel adjacent to the Los Angeles International Airport. In 2004, substantially all of the hospitality assets owned by Pritzker family business interests, including Hyatt Corporation and Hyatt International Corporation, were consolidated under a single entity whose name was subsequently changed to Hyatt Hotels Corporation. Hyatt Corp. derive revenues from owned and leased hotel operations and franchised and management operations. Hyatt manages 850 hotels with 211,000 rooms globally and is listed on NYSE.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	550.05	187.26	NA
PBILDT	181.20	16.31	NA
PAT	-79.43	-199.60	NA
Overall gearing (times)	2.89	4.25	NA
Interest coverage (times)	0.88	0.09	NA

A: Audited, NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	-	6.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	2029	329.38	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	15.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft	-	-	-	-	35.00	CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - ST-BG/LC	ST	6.00	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4 (27-Apr-21)	1)CARE A4; ISSUER NOT COOPERATING * (19-Mar-21)	1)CARE A4+ (23-Dec-19)	1)CARE A4 (27-Nov-18) 2)CARE A4; ISSUER NOT COOPERATING * (03-Jul-18)
2	Fund-based - LT-Term Loan	LT	329.38	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (27-Apr-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (19-Mar-21)	1)CARE BB+; Stable (23-Dec-19)	1)CARE BB; Stable (27-Nov-18) 2)CARE BB; ISSUER NOT COOPERATING * (03-Jul-18)
3	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (27-Apr-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (19-Mar-21)	1)CARE BB+; Stable (23-Dec-19)	1)CARE BB; Stable (27-Nov-18) 2)CARE BB; ISSUER NOT COOPERATING * (03-Jul-18)
4	Fund-based - ST-Bank Overdraft	ST	35.00	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4 (27-Apr-21)	1)CARE A4; ISSUER NOT COOPERATING * (19-Mar-21)	1)CARE A4+ (23-Dec-19)	1)CARE A4 (27-Nov-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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