Asian Hotels (North) Limited

September 14, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	255.00	**CARE BBB-; Stable (Triple B Minus; Outlook Stable)**	Revised from CARE BB; Stable (Double B; Outlook Stable)
Total Facilities	**255.00 (Rupees Two hundred and Fifty Five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings takes into account the improved operational performance of the company in FY17 (refers to the period April 01 to March 31) as reflected by increment in revenue per available room (RevPar). The ratings also factors in higher revenues from better margin Food & Beverages (F&B) segment which was aided by the launch of new clubs in the hotel. The rating also takes cognizance of prepayment of loans made by the company in FY17 and Q1FY18 (refers to the period April 01 to June 30) from the proceeds of sales of commercial area. The rating continues to derive strength from experienced promoters with long track record of operations, favorable location of the hotel and long-term marketing tie-up with Hyatt International.

The ratings, however, remain constrained by net losses and low debt coverage indicators, foreign currency risk and continued large exposure to group entity.

Going forward, the ability of the company to achieve the envisaged occupancy and room revenues, improve the profitability margins in the competitive scenario and timeliness and adequacy of receipts from sale of commercial space would remain the key rating sensitivities. Further, any increase in company's exposure to group entity shall also be key monitorable.

Detailed description of the key rating drivers

Key Rating Strengths

Improvement in operational performance in FY17: The hotel registered 3.80% growth in RevPAR to Rs. 5,547 in FY17 (PY: Rs. 5,526) leading to increase in room revenue to Rs. 105.84 cr. in FY17 (PY: 102.63). The income from operation increased from Rs. 250.19 cr. crore in FY16 to Rs. 255.62 cr. in FY17, along with improvement in PBILDT margin from 32.22% in FY16 to 34.37% in FY17. The F&B segment (including wine and liquor) continued to contribute majorly to the hotel revenues. The F&B segment generated revenue of Rs. 110.18 cr. in FY17 (PY: Rs. 106.50 cr.) which was 105% of room revenue in FY17 (PY: 103%). The trend of increasing F&B revenue continued in Q1FY18 (refers to the period April 01 to June 30) and the company achieved operational revenue of Rs. 59.72 cr. (Q1FY17: Rs. 56.81 cr.) out of which F&B revenue was Rs. 31 cr. (Q1FY17: Rs.25.75 cr.). The increase in F&B revenue is majorly marked by incremental income from introduction of new clubs in the hotel and increase in banqueting business.

Selling of commercial space and prepayment of loans: The company has developed commercial space aggregating 1,33,600 sq.ft. in a new tower of the hotel. The company has so far sold around 71,400 sq. ft. area and the proceeds of the sales is being partially utilized to pre-pay the bank loans. The company has pre-paid loans of Rs. 22.80 cr. in FY17 and Rs. 25.65 cr. in FY18 (till August, 2017). The same is likely to reduce debt servicing burden in future.

Experienced & resourceful promoters: AHNL, incorporated in 1980, was promoted by Mr. Shiv Jatia. He 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.

Favourable location and marketing tie-up with Hyatt International: The hotel is located in southern part of New Delhi at proximity with 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.

AHNL has agreement with Hyatt group for trade mark, strategic oversight and hotel operations service for its Delhi property under 'Hyatt Regency' brand expiring in December, 2028. Hyatt is a leading global hospitality group with more than 700 properties having ~178,000 rooms across 56 countries as on March 31, 2017 with over 30 years of experience in the Indian markets and over 60 years of experience in International Markets.

Key Rating Weaknesses

Net losses with low debt coverage indicators: AHNL incurred net loss of Rs. 15.27 cr. in FY17 (PY: Rs. 4.72 cr. profit). The overall gearing deteriorated from 1.67x as on March 31, 2016 to 1.72x as on March 31, 2017 and interest coverage ratio remained less than unity in FY17 at 0.89x (PY: 0.69). However, company is likely to have sufficient liquidity in the medium

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

term on account of lower scheduled repayments coupled with likely receipt of funds from sale of area under commercial tower.

Exposure to group entities and foreign currency risk: AHNL has an exposure of Rs. 561.43 crore as on March 31, 2017 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. Out of total cost of Rs. 1,360 cr. Goa project, the project company (LHL) had incurred Rs. 327 crore till March 31, 2017. However, no further fund infusion is expected from AHNL for this project in near future.

AHNL has substantial unhedged foreign currency exposure majorly on account of ECB loan of USD 50.07 million as on March 31, 2017 thereby exposing AHNL to foreign currency risk.

Prospects

AHNL faces stiff competition from other luxury segment hotels present nearby like The Leela, Taj Palace, JW Marriot etc. Even though the demand for hotel rooms in the Delhi NCR is expected to steadily grow in the medium term on account of anticipated increased commercial & tourism activity and growth of the economy, there are several other upcoming luxury hotels from various hospitality chains, which can lead to increased supply in the competitive pool in the next five years. With the expected improvement in investment cycle, the occupancy rates are expected to rise in medium term.

Going forward, AHNL's prospects would depend on improvement in the economic environment and its ability to achieve envisaged ARR and occupancy levels while distinguishing itself among the hotels operating in the vicinity.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's methodology for service companies]
[CARE's methodology for financial ratios (Non-Financial Sector)]
[Rating Methodology – Hotel Industry]

About the Company (AHNL):

Asian Hotel (North) Limited (AHNL; erstwhile Asian Hotels Limited [AHL]) is engaged, in the business of operating a hotel property under the brand, Hyatt Regency, in New Delhi since 1983. AHL was promoted by the Gupta, Jatia and Saraf families in 1980 and the company commenced operations with the commencement of Hyatt Regency hotel in Delhi in 1983. Currently the promoter shareholding is with the Jatia family. AHNL operates a 5-Star hotel 'Hyatt Regency' with 507 rooms and 13 service apartments and five restaurants located at Bhikaji Cama Place, New Delhi. In 2014-15, the company had constructed a new tower at its existing hotel property consisting of 14 floors. The company also has two wind turbine generators of 3 megawatt operational at Sinnar in Maharashtra. The company, through its wholly owned subsidiary Fineline Hospitality & Consultancy Pte. Ltd, holds 80% stake in Leading Hotels Ltd (LHL) that is developing a villa-cum-hotel complex in Goa.

Key performance indicators of the AHNL is as under:

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	250.19	255.62
PBILDT	80.60	87.84
PAT	4.72	-15.27
Overall gearing (times)	1.67	1.72
Interest coverage (times)	0.69	0.89

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	March, 2030	255.00	CARE BBB-; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	255.00	CARE BBB-; Stable	1)CARE BB; Stable (11-Apr-17)	1)CARE BBB- (12-Apr-16)	-	1)CARE BBB- (04-Nov-14)
2.	Fund-based - ST-Term loan	ST	-	-	1)Withdrawn (11-Apr-17)	1)CARE A3 (12-Apr-16)	-	1)CARE A3 (04-Nov-14)

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