

## Asian Hotels (West) Limited

September 04, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	200.00	<b>CARE BBB; Stable (Triple B; Outlook Stable)</b>	Revised from CARE BBB- (Triple B Minus)
Short-term Bank Facilities	15.00	<b>CARE A3+ (A Three Plus)</b>	Revised from CARE A3 (A three)
<b>Total Facilities</b>	<b>215.00 (Rupees Two hundred and Fifteen crore only)</b>		

*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 improvement in both average room rent (ARR) and occupancy. The rating improvement also factors in stabilization of operations of its subsidiary Aria Hotels & Consultancy Services Pvt. Ltd. (AHCSPL) thus negating the fund support from AHWL. The ratings continues to take into account experienced promoters and management, AHWL's operational and marketing tie-up with the Hyatt International group, long track record of operations and favorable location of the Hyatt Regency hotel property (Mumbai).

The ratings, however, remain constrained by moderate financial risk profile marked by losses at net level, competition from existing and upcoming hotels in vicinity and cyclical nature of hotel industry.

Going forward, the ability of AHWL to achieve the envisaged average room revenue (ARR) and occupancy levels, improve the profitability margins in the competitive scenario and maintaining overall gearing ratio would be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Improvement in operational performance in FY17:** The occupancy levels of the hotel registered improved occupancy of 77% in FY17 vis a vis 73% in FY16. Further, the revenue per available room (RevPAR) also reported improvement and had increased from Rs. 5,698 in FY16 to Rs. 5,966 in FY17.

The operating income increased by 2.80% from Rs. 135.39 crore in FY16 to Rs. 139.18 crore in FY17. The PBILDT margins of the company have improved from 22.71% in FY16 to 25.25% in FY17 attributable to higher occupancy level. The improved performance continued in Q1FY18 (refers to the period April 01 to June 30) and the hotel achieved ARR and occupancy of Rs. 7,353 (Q1FY17: Rs. 7,104) and 78% (PY: 75%) respectively.

**Healthy performance of subsidiary company limiting the support required from AHWL:** AHWL's subsidiary Aria Hotels & Consultancy Services Pvt. Ltd. (AHCSPL) (AHWL holding: 82.49% as on March 31, 2017) has developed a 523 room 5-star deluxe hotel (JW Marriot) at Aerocity in New Delhi. The hotel became fully operational in April 2015 and is performing satisfactorily. AHCSPL's operating income increased significantly by 21.77% from Rs. 188 crore in FY16 to Rs. 229 crore in FY17 on account of increase in occupancy and ARR. As company is generating sufficient cash flows, no further fund support is envisaged from AHWL to AHCSPL.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Experienced & resourceful promoters:** Asian Hotels (West) group is headed by Mr. Sushil Gupta, who has a vast experience in the hotel industry and has been associated with development of various hotels across India. Mr. Gupta is also the Chairman of AHCSPL and is the Chairman of Edenpark Hotels Private Limited (which owns The Clarion Collection - Qutab Hotel, New Delhi).

**Long track record of operations and operating and marketing tie up with Hyatt Group:** The Hyatt Mumbai hotel became operational in 2003 and has a long track record of operations. AHWL had entered into an agreement with Hyatt group (Hyatt) for trade mark, strategic oversight and hotel operations service for its hotel under 'Hyatt Regency' brand. Hyatt is a leading global hospitality group with 708 properties across 56 countries as on March 31, 2017 with over 30 years of experience in the Indian markets.

#### Key Rating Weaknesses

**Moderate financial risk profile:** The company has moderate financial risk profile characterized by the net loss of Rs. 4.05 cr. in FY17 (PY: Rs. 3.87 cr. loss) which was majorly on account of high borrowing costs. Overall gearing ratio though moderated but remained comfortable at 0.74 in FY17 (PY: 0.59) and gross cash accruals remained stable at Rs. 8.58 crore (PY: Rs. 8.24 crore).

**Competition:** AHWL faces competition from other luxury segment hotels present in the vicinity like The Leela, Trident BKC, Hilton, ITC, Lalit etc. Further, even though the demand for hotel rooms in Mumbai and other nearby areas 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 all across Mumbai, which can lead to increased supply in the competitive pool in next five years.

#### Prospects

With the expected improvement in investment cycle, the occupancy rates are expected to rise in medium term. Going forward, AHWL'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 (AHWL):

Incorporated in 2007 as Chillwinds Hotels Limited, the company changed its name to Asian Hotels (West) Limited (AHWL) on February 12, 2010 after the demerger of erstwhile Asian Hotels Limited (AHL). AHWL owns a 401-room five-star deluxe hotel 'Hyatt Regency', located in proximity to Chhatrapati Shivaji International Airport, Mumbai. The hotel became operational in 2003. Key performance indicators of the AHWL is as under:

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	135.39	139.18
PBILDT	30.75	35.15
PAT	-3.87	-4.05
Overall gearing (times)	0.59	0.74
Interest coverage (times)	1.33	1.26

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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**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
Fund-based - LT-Term Loan	-	-	March 31, 2030	200.00	CARE BBB; Stable
Non-fund-based - ST-BG/LC	-	-	-	5.00	CARE A3+
Fund-based - ST-Bank Overdraft	-	-	-	10.00	CARE A3+

**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.	Fund-based - LT-Term Loan	LT	200.00	CARE BBB; Stable	-	1)CARE BBB- (23-Sep-16)	1)CARE BBB- (26-Oct-15)	1)CARE BBB- (19-Mar-15)
2.	Non-fund-based - ST-BG/LC	ST	5.00	CARE A3+	-	1)CARE A3 (23-Sep-16)	1)CARE A3 (26-Oct-15)	1)CARE A3 (19-Mar-15)
3.	Fund-based - ST-Bank Overdraft	ST	10.00	CARE A3+	-	1)CARE A3 (23-Sep-16)	-	-
4.	Fund-based - LT-Working Capital Limits	LT	-	-	-	1)Withdrawn (23-Sep-16)	1)CARE BBB- (26-Oct-15)	1)CARE BBB- (19-Mar-15)

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