

APRIL 06, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF CHL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank facilities	52.48	CARE BB (Double B)	Revised from CARE BB+ (Double B Plus)
Total Facilities	52.48		

Rating Rationale

The revision in rating of CHL Limited (CHL) takes into account the moderation in financial risk profile of the company characterized by decline in profitability margins and deterioration in gearing and coverage indicators during FY14 (refers to period April 01 to March 31). The rating continues to be constrained by significant debt funded capital expenditure projects executed in recent past, high exposure to its subsidiary and cyclical nature of the hotel industry. The rating, however, derive strength from the experienced promoters, long track record of operations and operating cum marketing arrangement with leading international hotel chain.

Going forward, the ability of the company to achieve envisaged average room revenue (ARR) & occupancy while improving its profitability margins and stabilization of operations of the hotel being undertaken by the subsidiary would remain the key rating sensitivities.

Background

CHL was originally constituted as Cosmopolitan Builders and Hoteliers Pvt. Ltd. in March 1979 and the name was changed to the present one in December 1997. CHL is promoted by Dr. L.K. Malhotra and Mr DV Malhotra who have business interests in India, Kuwait and UAE. CHL is engaged in the hospitality business. It owns and manages a hotel by the name of "The Suryaa" (Suryaa) located at New Delhi. Suryaa has been operational since October 1982. It is a 5-Star hotel having 242 rooms, two dining restaurant, one coffee shop, bakery shop, bar, fitness center and 4 halls for conference and banquet facilities for 30000 sq.ft of commercial space. CHL has also set up of a new 5 star hotel in Tajikistan through its 70% subsidiary CHL International (CHLI). The Hotel is managed and marketed by Starwood Hotels as "Sheraton Dushanbe Hotel". It consists of 172 rooms, two dining restaurant, one cafe, a sports bar and 1790 sq.mt. of banquet space. The hotel commenced its operations from December 24, 2014.

During FY14, CHL has reported total operating income of Rs.60.24 crore with PAT of Rs.1.27 crore as against total operating income of Rs.59.74 crore and PAT of Rs.5.04 crore during FY13. Furthermore, during 9MFY15 (refers to the period April 01 to December 31), CHL has reported a total operating income of Rs.40.39 crore with net loss of Rs. 2.95 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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