

Juniper Hotels Private Limited

November 27, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	421.22 (enhanced from Rs.70.61 crore)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB; Issuer Not Cooperating (Double B; Issuer Not Cooperating)
Short term Bank Facilities	6.00 (enhanced from Rs.3 crore)	CARE A4 (A Four)	Revised from CARE A4; Issuer Not Cooperating (A Four; Issuer Not Cooperating)
Total	427.22 (Rs. Four hundred twenty seven crore twenty two lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale& Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Juniper Hotels Private Ltd. (JHPL) take into account the leveraged capital structure and low debt service coverage indicators of the company resulting from significant debt funded expansion done in the recent past, cash losses due to high financing costs over the past three years leading to erosion of net worth in spite of increasing revenues from operations, and inherent cyclical nature of hotel industry.

The ratings however derive strength from renowned promoter group having an established global brand, elimination of project execution risk with commencement of operations of the entire Delhi property and increasing revenue per available room (RevPARs) of all its properties in FY18 (refers to the period from April 01 to March 31) while maintaining stable occupancy levels.

The stabilization of operations for the Delhi property, and ability of JHPL to increase its RevPAR further and capital structure are the key rating sensitivities. Further the ability of the company to refinance its term loan from JP Morgan Chase bank is the key rating monitorable.

Detailed description of the key rating drivers

Key Rating Weaknesses

Large size predominantly debt funded expansion resulting in leveraged capital structure and low debt service coverage indicators

JHPL continues to have a weak financial risk profile, marked by high gearing of 5.96x as on March 31, 2018 (P.Y : 3.65x) on account of debt-funded capital expenditure and losses in the past three years due to high finance costs. The interest coverage remained low at 0.65x for FY18 (P.Y : 0.81x). However, comfort is derived from the support of promoters who are infusing funds in form of unsecured loans amounting USD 12 million to be brought in during FY19.

Stretched liquidity profile

TBHL's short term credit profile appears stretched with no major liquid funds on the balance sheet except cash & bank balances and FDs of Rs.15.77 crore as on March 31, 2018. The current and quick ratios of the company remain below unity on account of debt servicing obligations and working capital borrowings. The company also posted cash losses during H1FY19 (refers to the period from April 1 to September 30) thus providing no comfort to liquidity.

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.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Key Rating Strengths

Experienced promoters and established brand name

JHPL is promoted by the Saraf group and Hyatt – both owning 50 % each in the company. It is led by Shri Radhe Shyam Saraf, who has experience of more than five decades in the hospitality sector, and his sons Shri Arun Saraf and Shri Umesh Saraf having more than two decades of experience each in the hospitality sector. Saraf group owns other luxury hotels, namely, The Grand (New Delhi), Hyatt Regency (Chennai), Hyatt Regency (Kolkata), Hyatt Place Hampi, Hyatt Regency (Kathmandu), Hyatt Raipur, Bodhgaya Hotel and Convention Centre, and Yak & Yeti Hotel (Kathmandu) through group companies. The group also has two upcoming projects: Hyatt Regency Lucknow and Hyatt Regency Guwahati.

Improvement in operational performance in FY18

The company registered a growth of ~19% in operating revenues from Rs.393.22 crore in FY17 to Rs.469.09 crore in FY18 primarily on account of higher RevPAR from the Mumbai and Ahmedabad properties and increase in realizations from F&B segment by 45% y-o-y. The hotel room segment (384 keys) of Hyatt Andaz Delhi began operations in December 2016; however the apartment segment (144 keys) became operational only in January 2018. As a result, the operations of the Delhi property are yet to stabilize, and the profitability margin of the company was affected by the loss making Delhi operations.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Service Sector Companies](#)

About the Company

Juniper Hotels Private Limited (JHPL) belongs to Mr Arun Kumar Saraf (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 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).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	393.22	469.09
PBILDT	137.36	115.85
PAT	0.26	-117.73
Overall gearing (times)	3.65	5.96
Interest coverage (times)	0.81	0.65

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

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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
Non-fund-based - ST-BG/LC	-	-	-	6.00	CARE A4
Fund-based - LT-Term Loan	-	-	-	371.22	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE BB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	35.00	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - ST-BG/LC	ST	6.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (06-Apr-17)	1)CARE A4 (19-May-16)	1)CARE A4 (15-Apr-15)
2.	Fund-based - LT-Term Loan	LT	371.22	CARE BB; Stable	1)CARE BB; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (06-Apr-17)	1)CARE BB (19-May-16)	1)CARE BB (15-Apr-15)
3.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB; Stable	1)CARE BB; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (06-Apr-17)	1)CARE BB (19-May-16)	1)CARE BB (15-Apr-15)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)CARE BB (15-Apr-15)
5.	Fund-based - ST-Bank Overdraft	ST	35.00	CARE A4	-	-	-	-

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