

Juniper Hotels Private Limited

December 23, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	402.76	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BB; Stable [Double B; Outlook: Stable]
Short term Bank Facilities	6.00	CARE A4+ [A Four Plus]	Revised from CARE A4 [A Four]
Total	Rs. 408.76 (Rs. Four Hundred and Eight crore Seventy six lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to bank facilities of Juniper Hotels Private Limited (JHPL) factors in improved operation performance in FY19.

The rating continues to derive strength from promoter experience in the hotel industry with established association with “Hyatt”. However, the ratings continues to be tampered by JHPL’s debt funded expansion resulting in leveraged capital structure , continued losses in FY19, stretched liquidity profile, refinancing risk and susceptibility of hospitality segment to economic cycle and competitiveness of the industry.

Rating Sensitivity:

Positive Factors:

- Turnaround at PAT level with margins of 4.00% on consistent basis
- Improvement in overall gearing to below 1.50x

Negative Factors:

- Inability to refinance debt maturing in FY21.
- Any debt-funded capex in coming years leading to deterioration of capital structure beyond 3.00x.

Detailed description of the key rating drivers

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.

Improvement in operational performance in FY19

Grand Hyatt Mumbai:

Grand Hyatt, Mumbai (GHM) is in operations for more than fifteen years now (since 2004). The hotel presently has 547 rooms and 150 service apartments. For GHM, average room rates (ARR) for rooms and apartments improved to Rs.8,856 from Rs.8,379 and to Rs.12,785 from Rs.12,454 in FY19 respectively. However, average occupancy rates for rooms moderated marginally during the year at 74% for rooms and 87% for apartments. The operating margin improved to 39% in FY19 against 30% in FY18.

Hyatt Andaz Delhi:

The hotel, having 400 rooms became operational in mid - December 2016. However, the 120 apartments became fully operational only in June 2019 due to clearance issues. ARR has continues to fall for rooms and apartments. However, the

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

occupancy rates have consistently improved from 28% in FY18 to 52% in FY19. The PBILDT margin of the hotel improved drastically to 17% in FY19 as compared to -4% last year and turned positive for the first time since beginning of operations.

Hyatt Regency Ahmedabad:

The Hyatt Regency, Ahmedabad (HRA) with 210 rooms, commenced operations in April 2015. Occupancy rate declined marginally from 66% in FY18 to 63% in FY19. ARR remains flat at Rs.5718 for FY19 as against Rs.5792 for FY18. The EBITDA margin of the hotel marginally declined to 36% in FY19 as compared to 38% last year on account of lower occupancy.

Key Rating Weaknesses**Leveraged capital structure; refinancing risk**

JHPL continues to have a weak financial risk profile, marked by high gearing of 2.13x as on March 31, 2019 (P.Y : 1.85x) on account of debt-funded capital expenditure and losses in the past three years due to high finance costs. However, comfort is derived from the support of promoters in form of unsecured loans. JHPL has a term loan of Rs. 1235.48 due for repayment in November, 2020. The loan is backed by guarantee of Hyatt Hotels Corporation. Gross cash accruals of JHPL is not sufficient to service this bullet repayment due in November 2020. As per the management the company is looking to refinance the same. Timely refinancing remains key rating monitorable.

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.

Liquidity: Stretched

JHPL's liquidity profile remains stretched with cash & bank balances of Rs.11.30 crore as on March 31, 2019. Further, the average working capital utilization for past 12 months ending September 2019 remained fully utilized. However, the company does not have any major capex coming in next year. Operating cycle of the company is negative as is generally the case with hospitality companies. The company has a repayment of Rs.46.37 Crore in FY20 and Rs.1235.48 crore in FY21 against cash accruals of Rs.96 crore and Rs. 142 crore respectively.

Analytical approach: Standalone**Applicable Criteria:**

[Rating methodology – Hotels](#)

[Rating Methodology - Service Sector Companies](#)

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

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

[Criteria for Short Term Instruments](#)

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

About 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). 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)	FY18 (A)	FY19 (A)
Total operating income	467.78	546.14
PBILDT	114.43	180.70
PAT	-95.49	-98.67
Overall gearing (times)	1.92	2.20
Interest coverage (times)	0.64	0.98

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

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	-	-	2029	352.76	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Non-fund-based - ST-BG/LC	ST	6.00	CARE A4+	-	1)CARE A4 (27-Nov-18) 2)CARE A4; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (06-Apr-17)	1)CARE A4 (19-May-16)
2.	Fund-based - LT-Term Loan	LT	352.76	CARE BB+; Stable	-	1)CARE BB; Stable (27-Nov-18) 2)CARE BB; ISSUER NOT COOPERATING* (03-Jul-18)	1)CARE BB; ISSUER NOT COOPERATING* (06-Apr-17)	1)CARE BB (19-May-16)
3.	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+;	-	1)CARE BB; Stable (27-Nov-18)	1)CARE BB; ISSUER NOT	1)CARE BB

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
				Stable		2)CARE BB; ISSUER NOT COOPERATING* (03-Jul-18)	COOPERATING* (06-Apr-17)	(19-May-16)
4.	Fund-based - ST-Bank Overdraft	ST	35.00	CARE A4+	-	1)CARE A4 (27-Nov-18)	-	-

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:

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