

Press Release

Blue Horizon Hotels Private Limited

March 23, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.510.00 crore
Long Term Rating	ACUITE BBB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B plus**) on the Rs.510.00 crore bank facilities of Blue Horizon Hotels Private Limited (BHHPL).

The rating has been withdrawn on account of request received from the company.

Blue Horizon Hotels Private Limited (BHHPL) was incorporated January, 2007, by Late Mr. A. M. Rama Raju. BHHPL was established with the objective of constructing malls, hotels and commercial complexes as well as residential buildings. BHHPL is currently managed by, Mr. A. C. Srinivasa Raju, Mr. A.V. Nitin Raju and Mr. V. Sachin Raju.

BHHPL derives its revenues through leasing of space at its marquee property, Vega City Mall. The mall has area 4.5 lakh sq. ft. and located at Bannerghatta Road, Bangalore. The mall is fully operational and entire area has been leased out to 144 tenants.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the BHHPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

BHHPL was founded by Late Mr. A. M. Rama Raju in 2007. Now, Mr. A. C. Srinivasa Raju, Mr. A.V. Nitin Raju and Mr. V. Sachin Raju are the promoters and look after the day-to-day operations of the company. The promoters have a decade experience in the field of real estate. Their experience helped in getting a long-term deals with top brands, such as PVR, Lifestyle, SPAR to name a few. The extensive experience of the promoters is reflected through the nearly full occupancy levels of the mall. Acuité believes that BHHPL will continue to benefit from promoters' extensive experience over the near to medium term.

• Healthy cash flows supported by healthy occupancy and diversified clientele

Vega City Mall is one of the largest malls in South Bangalore (with a leasable area of 4.5 lakh sq. ft.) with occupancy of 97 per cent as on October 31, 2019. The mall has over 130 stores which are occupied by a diverse mix of established retail domestic and international brands. The top 8 brands in terms of area occupied include PVR, Lifestyle, SPAR, Fun City Kids Entertainment, H &M, Max, Night Club and Home Centre, are the anchor clients. The tenants have diverse profile including fashion, electronics, hypermarkets and supermarkets, food and beverages, entertainment among others. The business risk profile is also supported by long tenure of the leases with built-in revenue escalations and lock-in periods, thereby providing stability to the business risk profile. Acuité believes that BHHPL will maintain business risk profile supported by the diversified clientele, healthy occupancy and favorable location of Vega City Mall.

Weaknesses

• Susceptibility to lessee' underperformance along with occupancy and renewal risk

BHHPL primarily generates cash flows from lease and license agreements with its tenants at the mall. The company's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals under the lease and license arrangement. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams, thereby affecting BHHPL's debt servicing ability. The renewals leasing at better terms, any significant renegotiations by the lessees can adversely impact the cash flows from the mall. Further, any significant increase in competition from any other large format mall in a competitive market like Bangalore may result in the company facing occupancy and renewal risks.

Liquidity Position: Adequate

Vega City Mall was launched on November, 2017. The area of 4.5 lakh sq.ft. is leased out to 144 tenants. BHHPL's liquidity is likely to be adequate marked by adequate estimated cash inflow in the range of Rs.74-95 crore for FY2020-FY2022, the cash inflow of the company is expected to improve on the account of increase in rental income at the rate of 15% after three years. The company is in the process of refinancing its existing loan with lower interest rate loan and revised repayment terms. Acuité believes that timeliness of such refinancing measures will be critical in order to maintain stable credit profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	67.33	17.28
PAT	Rs. Cr.	-114.21	-46.35
PAT Margin	(%)	-169.62	-253.20
Total Debt/Tangible Net Worth	Times	-7.75	13.94
PBDIT/Interest	Times	0.38	0.27

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Material Covenants

None

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Dec-2019	Proposed Long Term Loan	Long Term	510.00	ACUITE BBB-/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	510.00	ACUITE BBB- (Withdrawn)

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About Acuité Ratings & Research:

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