Press Release

Aria Hotels And Consultancy Services Private Limited

January 31, 2022

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	-	ACUITE A4+ | Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the short-term rating of **'ACUITE A4+'** (read as ACUITE A four plus) on the Rs. 25.00 crore bank facilities of Aria Hotels And Consultancy Services Private Limited.

The rating assigned to the company is on account of slow down in demand in the hospitality industry due to COVID 19 outspread and lockdown thereof. Due to the covid disruptions the company's revenue saw a sharp dip which resulted into net losses and deterioration in the company's financial risk profile in FY21 vis-a-vis FY20. Further the rating takes into account the default status of the promoter entity.

However the team factors in the company's satisfactory performance in pre-covid times and the operational track record. Also, after the second wave of the pandemic the hotel has seen revival in the occupancy level alongwith revival in ARR.

About the Company

Incorporated in the year 2007 Aria Hotels & Consultancy Services Private Limited (AHCSPL) is the owner of J. W. Marriott Hotel located at Aerocity, New Delhi near the Indira Gandhi International Airport, New Delhi. The hotel is spread across a 4.55 acre of land. AHCSPL entered into operating agreement with Marriott Hotels India Private Limited on 18th December 2009 for a period of 26 Years i.e. upto 30th April 2036 for branding, operating and marketing under the "JW Marriott" brand. The hotel achieved its COD on 8th March 2013.
AHCSPL is managing JW Marriott Hotel, New Delhi which comprises of 523 rooms with a total area of 2,76,409 sq. ft. further the hotel has 5 food and beverages facilities including K3 all day dining restaurant, JW Lounge, DBC (Bakery), Executive Lounge and one Japanese Restaurant to be operational from January 2022. The total area of 20,430 sq. ft. is dedicated for the food and beverages segment. The hotel has 1 Large Ball Room and 5 Meeting Room at ground floor, 1 Small Banquet for 150 persons at lower ground level and a Small Ball Room with 2 Meeting Room on first floor. The hotel has recreational facilities which includes Gym, Swimming Pool, Spa and Salon with a total area of 13,982 sq. ft. The hotel also has 685 car parking slots in the basement.
AHSCPL also has a commercial and retail space with a total area of 1,32,940 sq. ft. out of which around 80,000 sq. ft. is given on long term contract and the rest space is rented to other corporates.

About the Group

Asian Hotels West Limited (AHWL) was incorporated on 8th January 2007 as Chillwinds Hotels Private Limited and was renamed to its current name on 12th February 2010. Asian Hotels Limited and AHWL joined hands under a scheme of arrangement & demerger in which the Hyatt Regence Mumbai part of Asian Hotels Limited was demerged and vested in AHWL. The company operates a 401 key 5-star hotel under the brand name "Hyatt Regency" which is located near Sahar Airport Mumbai. Further, AHWL holds 99.99% stake in Aria Hotels & Consultancy Services Private Limited. The company has defaulted on its debt repayment obligations and made a declaration of default on 28th May 2021.

Analytical Approach

The team has considered the standalone business and financial risk profile of Aria Hotels And Consultancy Services Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

> Experienced Management with strong track record of operations

The promoter of the company Mr. Sandeep Gupta, Mr. Sudhir Gupta and Mrs. Vinita Gupta, is qualified and well experienced in the same industry. Most of the directors on board have more than three decades of experience in the hospitality industry. Further JW Marriott, Aerocity, New Delhi is operational since almost 9 years that gives and advantage in terms of understanding of the customer preference and consumer behaviour.

> Favourable location coupled with operating agreement with JW Marriott

The hotel is located at the hospitality district near the Indira Gandhi International Airport, New Delhi. Further the company has entered into 26 years of operating agreement with JW Marriott for branding, operating and marketing ending on 30th April 2036.

> Improving occupancy and ARR

The occupancy & ARR of the hotel has seen a northward movement with occupancy reaching upto 75% further the ARR of the company has improved from a level of Rs. 4063 in Q1FY21 to Rs. 8200 in December 2021. The growth in occupancy and ARR will result into better topline and an improved bottom line in FY22.

Weaknesses

> Impact of COVID 19 outspread

The outspread of COVID 19 in the entire world resulted into a nationwide lockdown in the month of April & May 2020. The company being in the hospitality industry was most severely hit as the industry was one of the first to be closed and among the last to open. This resulted into sharp dip in the occupancy of hotel culminating to sharp dip in revenue. The occupancy started gaining traction in H2FY21 however the second wave of the pandemic stopped the growth march and a fresh dip was seen in Q1FY22. The company will incurr net losses in FY22 however the losses will be lower vis-a-vis FY21 as the company is gaining traction and achieved Occupany of 65% and ARR of Rs. 7715 in Q3FY22. As a result of improved occupancy the company in 9MFY22 has already achieved a topline of Rs. 107 Cr. with EBITDA of Rs. 16.57 Cr.

> Deteriorating financial risk profile

The net worth of the company deteriorated from Rs. 120.56 Cr. in FY19 to Rs. 14.60 Cr. on account on incessant losses incurred by the company in past three years through FY21. It is further expected that the company will incur losses in current fiscal and the networth will go negative. The company is highly leveraged with debt equity standing at 49.67x (PY: 6.14x) in FY21. Further the debt protection matrix of the company has shown a declining trend in past three years which took a nose dive in FY21 as can be seen by DSCR and ICR of the company which stood at 0.18x and 0.19x (PY: 1.41x and 1.62x) respectively, in FY21.

> Adequate liquidity position of the company

The company has negative cash accruals of Rs. 57.72 Cr. against a maturing debt obligation of Rs. 9.25 Cr. in FY21. Further the company has CPLTD of Rs. 8.40 Cr. in FY22 and 18.10 Cr. in FY23 against which the company is expected to have negative cash accruals in FY22 and cash accruals of ~Rs. 11 Cr in FY23. However the company's liquidity is supported by unencumbered cash of Rs. 13.30 Cr. as on 31st December 2021. Also, the company has unutilized GECL 3.0 of Rs. 135 Cr. Few of company's fixed expenses include per month interest expenses of around Rs. 5.5 Cr. (includes lease liability) and DIAL fees of Rs. 3.25 Cr. per quarter.

> Default in parent entity

The parent company Asian Hotels West Limited a listed entity on BSE and NSE declared default on 28th May 2021 on account of weak business performance and stretched liquidity profile as a result of disruption in business operations due to lockdown and restrictions imposed to contain COVID 19 outspread.

ESG Factors Relevant for Rating

For the hotel industry, the exposure to environmental risks is minimal. Certain key issues like GHG emissions, air pollutant emissions, energy efficiency, environmental management, waste, water efficiency and water pollution are material to the industry. Further, the practices adopted for employees including employment quality, human rights, employee safety and equal opportunity are of high materiality. The primary material issue for the governance performance is maintaining strong business ethics. Certain issues like audit committee functioning, board diversity, financial audit and control and shareholder rights also hold significance for the industry.

The company has operating agreement with the JW Marriott which ensure that the quality of services offered and the products offered are of the best quality. Further the company has its internal quality control team which monitors the quality and hygiene in the hotel and restaurant. The company always abide by the labour laws and hence has the employee welfare policy in place also the company as full-fledged HR policy in place which ensures the SHE (Safety, Hygiene, Environment) in the company. As far as the equal opportunity in employment is concerned the company has several female staffs in all the levels as can be seen from the board of directors as well wherein the company has seven directors out of which two are female directors that shows the diversity in the board of the company.

Rating Sensitivities

> Company's ability to increase its revenue and become profitable
> Improvement in the ARR and Occupancy to pre covid levels
> Improvement in the networth and financial risk profile
> Any adverse impact on the operating and financial risk profile of the company

Material covenants

None

Liquidity Position: Adequate

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Outlook: Stable

Not Applicable

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

> For tangible net worth claculation Acuite has not considered the security deposit from lease of premises as part of net worth.
> Forward looking DSCR do not include the GECL portion for covering the operating expenses.
> Interest expenses calculated includes lease liabilities.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	97.55	298.77
PAT	Rs. Cr.	(101.26)	(2.49)
PAT Margin	(%)	(103.80)	(0.83)
Total Debt/Tangible Net Worth	Times	49.67	6.14
PBDIT/Interest	Times	0.19	1.62

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

None

Any other information

None

Applicable Criteria

• Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
• Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ | Assigned
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A4+ | Assigned

Contacts

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.