

Press Release

Aria Hotels And Consultancy Services Private Limited

March 29, 2023



Rating Reaffirmed & Withdrawn

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Bank Loan Ratings	25.00	-	ACUITE A4+ Reaffirmed & Withdrawn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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed and withdrawn the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 25.00 crore bank facilities of Aria Hotels And Consultancy Services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The rating has been withdrawn on account of the request received from the company and NOC received from the banker, on Acuite's policy of withdrawal of ratings.

Rating Rationale

Acuite has taken into account the fact that the operating income of the company has improved in the financial year 2022. The revenue reported by the company in FY 22 is Rs. 156.61 Crore as against Rs. 97.55 Crore. In FY 21, there was a slow down in demand in the hospitality industry due to COVID 19 outbreak and lockdown thereof, the overview of which has changed due to rise in demand which is evident from the increase in revenue. However, the company is making negative profits where its PAT is maintained at Rs. (77.82) crore in FY 22 and is not having cash accruals to meet its debt repayments. The financial profile of the company is stretched marked by negative Cash Accruals, negative coverage ratios and Total Outside Liabilities/ Total Net Worth.

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) and Executive Lounge. 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.

AHCSPL also has a commercial and retail space with a total area of 1,32,940 sq. ft.

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 had 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 an 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 to 51% in FY 22 and way ahead upto October 22 to 81%. Further, the ARR of the company has improved from a level of Rs. 4794 in FY21 to Rs. 6923 in FY22. The growth in occupancy and ARR will result into better top-line and an improved bottom line in FY23.

Weaknesses

Intensive Working Capital Management

The working capital management of the company is maintained at intensive level marked by negative working capital days of (367) days in FY 22 as compared to (423) days in FY 21. The creditors days have improved yet high at 408 days in FY 22 as against 470 days in FY 21. The working capital utilization of the fund-based facility i.e., Rs. 7.50 Crores of Cash Credit facility running with Union Bank of India for the last 6 months ending December 2022 is 7.58%.

Poor liquidity profile of the company:

The company has poor liquidity as can be seen from negative cash accruals of the company at Rs. 26.35 Cr. against a maturity debt obligation of Rs. 8.64 Cr. viz-a-viz. Rs. 57.72 Cr. against a maturing debt obligation of Rs. 9.25 Cr. in FY21. The cash and bank balance has declined in FY 22 and the same is being recorded at Rs. 3.33 Cr. As against Rs. 6.78 Cr. in FY 21.

Stretched Financial Risk Profile

The financial profile of the company is stretched marked by negative Cash Accruals, negative coverage ratios and Total Outside Liabilities/ Total Net Worth. The company is making losses and is not having cash accruals to meet its debt repayments. The gearing level remains negative in FY 22 at -11.48 Times as against 49.67 Times in FY21. The coverage indicators DSCR and ICR are maintained at 0.56 times and 0.63 Times respectively.

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

Not Applicable

Material covenants

None

Liquidity Position

Poor

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Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	156.61	97.55
PAT	Rs. Cr.	(77.82)	(101.26)
PAT Margin	(%)	(49.69)	(103.80)
Total Debt/Tangible Net Worth	Times	(11.48)	49.67
PBDIT/Interest	Times	0.63	0.19

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Jan 2022	Proposed Bank Facility	Short Term	23.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

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