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ASIAN HOTELS (WEST) LIMITED

11th July, 2020

Manager Listing Department The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400001 <u>Scrip Code: 533221</u>	Manager Listing Department The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai – 400051 <u>Scrip Code: AHLWEST</u>
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Dear Sir,

Sub: Intimation of downgrade in Credit Rating

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that 'India Ratings and Research' has downgraded the credit rating for the bank facilities availed by the Company. The revision in the rating is on account of expected negative impact on operational performance of the Company's hotel due to pandemic COVID – 19.

Please find below the details of the revision in ratings:

Facilities	Amount (million)	Rating	Previous Rating/ Outlook
Term Loan	2267.08	IND BBB-/ RWN	IND BBB/ Negative
Fund based Working capital limits	270	IND BBB-/ RWN /IND A3/ RWN	IND BBB/ Negative /IND A3+

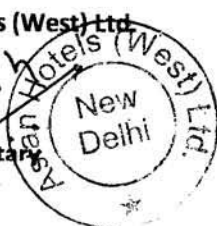
Copy of the intimation received by the Company on 11th July, 2020 from 'India Ratings and Research', has been attached for your reference.

You are requested to kindly take the same on record.

Thanking you

For Asian Hotels (West) Ltd.

Vivek Jain
Company Secretary



OWNERS OF :



HYATT
REGENCY
MUMBAI

India Ratings Downgrades Asian Hotels (West) to 'IND BBB-'; Places on RWN

09

JUL 2020

By [Anant Agarwal](#)

India Ratings and Research (Ind-Ra) has downgraded Asian Hotels (West) Limited's (AHWL) Long-Term Issuer Rating to 'IND BBB-' from 'IND BBB' and has simultaneously placed it on Rating Watch Negative (RWN). The Outlook was Negative. The instrument-wise rating actions are as follows:

Instrument Type	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Term loan	March 2033	INR2,267.08	IND BBB-/RWN	Downgraded; placed on RWN
Fund-based working capital limits		INR270	IND BBB-/RWN /IND A3/ RWN	Downgraded; placed on RWN

KEY RATING DRIVERS

COVID-19 to Impact Operating Performance: The RWN indicates the possibility of AHWL's operational, credit and liquidity profile being negatively impacted in FY21 and FY22 due to a delayed recovery of the hospitality sector. This is likely to stem from the continued uncertainty around the pick-up in travel demand even once the threat of COVID-19 subsides and the travel bans are lifted.

Weak Business Outlook and Refinancing Risk: The downgrade reflects Ind-Ra's expectation that AHWL's average room rent (ARR) and occupancy levels will be adversely impacted in FY21, given the company reported low revenue from hotel operations during 1QFY21. It continues to incur monthly fixed cost expenses of INR20 million to INR30 million. The ARR and occupancy levels assumed by Ind-Ra for 2HFY21 are also subject to further downside risks due to the uncertainty associated with the pandemic. Therefore, Ind-Ra believes the company could report operating losses in FY21 if the operating environment does not improve.

AHWL has provided a long-term security amount of INR320 million to its subsidiary Aria Hotels and Consultancy Services Pvt. Ltd. AHCSPL; 'IND BBB-/RWN' for acquiring its commercial space; a part of the area is further sub-let to other tenant on a short-term basis. AHWL could also face refinancing risk in FY21 in case it is unable to scale up its hotel operations in 2HFY21 or recover this long-term security deposit if it decides to exit the long-term lease agreement or further sublet it to a new tenant on a long-term lease basis. AHWL receives total monthly lease rental income of INR3.10 million which will continue to support cash flows during FY21.

AHWL's total outstanding debt at FYE20 was INR2,456.40 million, of which term loans were INR2,302.75 million. The total principal repayment for FY21 is INR110 million, of which the company has already prepaid INR38.40 million. AHWL has availed the Reserve Bank of India-prescribed moratorium on its overall debt from March to August 2020. Ind-Ra will monitor the development with respect to the repayment of term loans' interest and principal accrued during the moratorium period.

AHWL's operating performance deteriorated in FY20, during which the hotel achieved an ARR and an occupancy level of INR8,265 (FY19: INR8,375) and 71% (76%), respectively, and booked a revenue of INR1,371.78 million (FY19: INR1,488.42 million). Its operating margins declined to 28% in FY20 from 31% in FY19 due to the higher fixed cost component in the overall cost.

Liquidity Indicator - Poor AHWL's average use of the fund-based limits of INR270 million was around 50% during the four months ended June 2020. The company had unencumbered cash and equivalents of just INR45 million, at end-June 2020. AHWL's cash flow from operations were positive but low at INR120.34 million in FY20 (FY19: INR352.03 million). Ind-Ra expects it to turn negative during FY21 on account of a decline in the EBITDA (FY20: INR385.31 million, FY19: INR471.22 million).

Weak/ Credit Metrics: AHWL's net leverage (net debt/EBITDA) deteriorated to 6.11x in FY20 (FY19: 5.08) and interest coverage (operating EBITDA/gross interest expense) to 1.57x (1.97x) due to the fall in the EBITDA margins. The agency expects the credit metrics to deteriorate further in the short-to-medium term due to the decline in EBITDA.

Experienced Promoters: AHWL is the flagship company of Asian Hotels West group, which has prime interests in the hospitality business. AHWL is the holding company of AHCSPL and owns the hotel Hyatt Regency in Mumbai. The group was founded by Sushil Gupta, the chairman of AHWL and AHCSPL, who has over three decades of experience in the hotel industry, and has been associated with the development of various hotels, primarily J.W. Marriott (New Delhi), Hyatt Regency (Mumbai), Qutab Hotel (New Delhi), Hyatt Regency (New Delhi) and Hyatt Regency (Kolkata).

Tie-ups with Established Global Brands:AHWL continues to benefit from its long-term management contracts with established global brand Hyatt Regency (Hyatt Group) for its hotel property. The company continues to benefit from the management's expertise and has access to the online reservation systems and marketing strategies of Hyatt Regency.

RATING SENSITIVITIES

The RWN indicates that the rating may be affirmed or downgraded. The RWN will be resolved once clarity emerges about the longevity and severity of COVID-19. The RWN resolution also depends on clarity with respect to the repayment of debt accrued during the moratorium period and liquidity support by way of the recovery of its long-term security deposit from AHCSPL and its impact on AHWL's credit and liquidity profile.

COMPANY PROFILE

AHWL was incorporated on 8 January 2007 as Chillwinds Hotels Private Limited and its name was changed to present on 12 February 2010. The company entered into a Scheme of Arrangement & Demerger with Asian Hotels Limited, under which Hyatt Regency Mumbai of the Asian Hotels was demerged and vested in the company.

AHWL operates a 401-room five-star hotel in Mumbai and has partnered with Hyatt Hotels India for branding, operating and marketing the hotel under the Hyatt Regency brand.

FINANCIAL SUMMARY

Particulars	FY20	FY19
Revenue (INR million)	1,371.78	1,488.42
EBITDAR (INR million)	385.31	471.22
Total debt (INR million)	2,456.40	2,398.53
Operating EBITDA/gross interest expenses (x)	1.57	1.97
Total adjusted net debt/operating EBITDA(x)	6.11	5.08
Source: AHWL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	17 Dec 2019	28 Dec 2018
Issuer rating	Long-term	-	IND BBB-/ RWN	IND BBB/ Negative	IND BBB/Stable
Fund-based working capital limits	Long term/Short term	INR270	IND BBB-/ RWN /IND A3/ RWN	IND BBB/ Negative /IND A3+	IND BBB/ Stable /IND A3+
Term Loan	Long term	INR2,267.08	IND BBB-/ RWN	IND BBB/ Negative	IND BBB/ Stable

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

[Corporate Rating Methodology](#)

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