



Press Release

AKM Hotels Private Limited

March 28, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00	IVR BBB-/ Stable (IVR Triple B Minus; with Stable Outlook)	Assigned	Simple
Total	50.00	Rupees Fifty Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB- with a Stable outlook for the bank loan facilities of AKM Hotels Private Limited (AHPL).

The rating draws comfort from the experienced and resourceful promoters, favourable location, collaboration with Wyndham Hotel & Resorts, Inc. However, these strengths are partially offset by project implementation risk and inherent risk of the industry along with intense competition.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes AHPL's will continue to benefit from tie-up with Wyndham Hotel & Resorts, Inc, USA. The industry outlook is also improving led by improved travel sentiment, pent-up demand for leisure and business travel, supported by increased bookings on account of weddings and significant uptick in MICE (meetings, incentives, conferences, and exhibitions). The sector is on track to achieve or even surpass the pre-Covid level occupancies in FY2023.

IVR has principally relied on the standalone audited financial results of AHPL upto 31 March 2022, and projected financials for FY2023-FY2028, and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins
- Timely completion of the project
- Timely servicing of debt obligations

Downward Factors

- Significant cost overrun and delay in completion of the project
- Deterioration in debt protection metrics and overall gearing



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- Slowdown in saleability of rooms and banquet resulting in collections lower than expected

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters:**

Overall activities of AHPL are managed by two directors with Mr. Ashwini Kumar Mehra, Managing Director and Mr. Deepak Mehra, Director. Both have more than 2 decades of experiences in hotel industry. They are supported by qualified and well experienced management team. The promoters are resourceful as Rs. 128 crore which is required for land and building structural cost has already been fully funded through promoters' contribution. The land is owned by the promoter's and building structure is already in place which shows commitment of promoters towards the project.

- **Favorable location of property:**

The location of the property is at M.G. Road, New Delhi which is most prime areas and is well connected to airport, railway station and major tourist attractions. The company has opportunity to tap customers from Delhi and Haryana.

- **Collaboration with Wyndham Hotel & Resorts, USA:**

The company has signed letter of intent (LOI) for technical, franchise, management & marketing arrangement with Wyndham Hotel & Resorts, Inc., United States of America (USA), to operate a hotel under brand the Ramada Plaza. Wyndham Hotel & Resorts, Inc. is an American hotel company based in New Jersey, USA. It is the largest hotel franchisor in the world, with more than 9,000 hotels and resorts located in over 80 countries. It has a portfolio of 22 hotel brands, including Baymont, Days Inn, Howard Johnson, La Quinta, Ramada, Super 8 and Travelodge. The signed LOI with prestigious hospitality major Wyndham Hotel & Resorts for its Ramada brand depicts inherent strength in the project.

- **Project update:**

AHPL is undertaking the work like Interior, Mechanical, Electrical and Plumbing (MEP), Landscape, Furniture & Fixtures is herein referred to as the Project Cost (Rs. 81.18 crore). This cost is funded through mix of sanction term loan of Rs. 60 crore (73.91%) and promoters' contribution of Rs. 21.18 crore (26.09%). The building structure is already in place which shows commitment of promoters towards the project. Till 31st January 2023, Rs. 42.66 Crore (52.55%) project cost has already been incurred.



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Key Rating Weaknesses

- **Project implementation risk:**

The project is under construction and tentative date of commencement of operation is from 1st July 2024 as per banker but as per the company management they expect to start commercial operations before hand by September 30, 2023. Therefore, project implementation risk arises till the construction is fully complete. Any delay in construction will adversely affect future revenue and cash accrual, therefore, remain a key rating driver over the medium term. Construction progress as per schedule is critical for maintaining regular cash flow from customers.

- **Inherent risk of the industry along with intense competition:**

The company is exposed to the cyclical nature inherent in an intensely competitive hospitality sector, which could result in fluctuations in cash inflows because of volatility in general economy and exogenous shocks, which may impact the debt servicing ability of the company. Further, AHPL will remain susceptible to the inherent cyclical nature in the hotel and tourism industry. There is intense competition from other players.

Analytical Approach: For arriving at the ratings, IVR has analysed AHPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Service Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for Assigning Rating Outlook](#)

Liquidity – Adequate

The company has an adequate liquidity position. The hotel is under construction which is funded by debt equity mix with sanctioned term loan of Rs. 60 crore. The company projected to generate gross cash accruals within the range of Rs. 5.84 crore -Rs. 26.70 Crore against a current portion of long-term debt (CPLTD) range of Rs. 1.04 crore -Rs. 8.00 Crore for FY2024-FY2028, With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.



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About the Company

AKM Hotels Private Limited (AHPL) was incorporated in December 2003. It is currently being managed by Mr. Ashwini Kumar Mehra, Director and Mr. Deepak Mehra, Director. It is currently setting up a five-star luxury hotel in M.G. Road, Delhi under RAMADA PLAZA brand which is spread over 2.90 acres. The hotel will have 101 rooms with all facilities and 5 high end banquets. The project commercial operations date (COD) is 1st July 2024 as per banker and the company management expects to complete the projects before the COD.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	0.00	0.00
PAT	0.06	0.07
Total Debt	0.00	6.11
Tangible Networkth	7.38	7.45
EBITDA Margin (%)	-	-
PAT Margin (%)	91.57	78.35
Overall Gearing Ratio (x)	0.00	0.82

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	50.00	IVR BBB-/Stable (Assigned)	-	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Sep 2032	50.00	IVR BBB-/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-AKMHotels-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).