



Press Release

AKM Hotels Private Limited

April 2, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	50.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	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 reaffirmed the long-term rating at IVR BBB- with stable outlook for the bank loan facilities of AKM Hotels Private Limited (AHPL).

The rating continues to draw comfort from the experienced and resourceful promoters, favourable location, collaboration with Radisson Hospitality, 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 Radisson Hospitality, Inc. 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).

IVR has principally relied on the audited financial results of AHPL's up to 31 March 2023, 10MFY24 unaudited results and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Upward Factors

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

Downward Factors



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

Favourable 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 Radisson Hospitality, Inc, USA:

The company has signed letter of intent (LOI) for technical, franchise, management & marketing arrangement with Radisson Hotel Group., United States of America (USA), to operate a hotel under brand the Radisson. Radisson Hospitality, Inc. is an American multinational hospitality company based in Minnesota, United States. It has presence over 120 countries under 9 different brand names: Radisson Collection, Radisson Blu, Radisson, Radisson Red, Radisson Individuals, Park Plaza, Park Inn by Radisson, Country Inn & Suites by Radisson, Prizeotel. Radisson has global presence with more than 1,250 hotels worldwide and above 214,940 rooms under its hotel chain business. The signed LOI with prestigious hospitality major Radisson Hospitality, Inc for its Radisson brand depicts inherent strength in the project.

Project update:

AHPL is undertaking the work like Interior, Mechanical, Electrical and Plumbing (MEP), Landscape, Furniture & Fixtures, herein referred to as the Project Cost (Rs. 102.50 crore). This cost is funded through mix of sanction term loan of Rs. 60 crore (58.53%) and promoters' contribution of Rs. 42.50 crore (41.46%). The project commercial operations date is July 1st 2024. The building structure is already in place which shows commitment of promoters



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towards the project. Till 31st January 2024, Rs. 83.75 Crore (81.70%) project cost has already been incurred.

Key Rating Weaknesses

Project implementation risk:

During October 2023 to December 2023, the construction activities was occasionally halted due, inclusion of additional activities in Graded Response Action Plan (GRAP). The final date of commencement of operation is 1st July 2024. Therefore, project implementation risk remains till the construction is fully complete, however, more than ~82% construction completed till 31st Jan 2024. Any further 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 cyclicity 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 cyclicity 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. 16.58 crore -Rs. 44.47 Crore against a current portion of long-term debt (CPLTD) range of Rs. 1.04 crore -Rs. 8.00 Crore for FY2025-FY2029, With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

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



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currently setting up a five-star luxury hotel in M.G. Road, Delhi under Radisson 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.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	0.00	0.00
EBITDA	0.00	0.00
PAT	0.07	-0.02
Total Debt	6.00	29.91
Tangible Networkth	7.55	19.70
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall Gearing Ratio (x)	0.79	1.52

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 March 28, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	50.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Term Loan	-	-	Sep 2032	50.00	IVR BBB- /Stable
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AKM-Hotels-apr24.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](#).