



Press Release

Aria Hotels and Consultancy Services Private Limited

May 10, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	536.26	IVR BB+ / Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	536.26			

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Aria Hotels and Consultancy Services Private Limited derive comfort from Experienced promoters and management, Strong brand name, Adequate financial flexibility given its ability to raise fresh LRD loans on the unencumbered commercial properties and Improvement in the 9MFY22 financial and operational performance. These are partially offset by Impact of Covid-19 on revenues and profitability, Stressed capital Structure and Macro-economic factors and seasonal uncertainty.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in revenues, profitability metrics and liquidity

Downward Factors

- Further weakening of operational and financial performance of the company impacting the debt coverage indicators or liquidity
- Deterioration in capital structure.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management

The company is currently managed by Mr. Sandeep Gupta s/o Mr. Sushil Gupta as the Chairman and Managing Director of the company. He is an alumnus of Notre Dame University, USA with specialization in finance and marketing with an experience of 25 years in the hotel industry and is associated with the company since inception. Mr. Samir Agarwal, CFO of the company, is a Chartered Accountant having an experience of more than 15 years in the field of finance, auditing, contract negotiation, and taxation etc. Mr. Nitesh Gandhi, General Manager JW Marriott, Aerocity and Cluster General Manager Rajasthan, has over 17 years of experience in luxury hotel operations, guest services, revenue management and business development. Ms. Julie Sachde, Director of Operations, has over 16 years of experience in Human Resources Management, Employment Laws and Compliances. She is also the Vice President at WICCI NCR Hospitality & Tourism Council. Mr. Sandeep Pande, Director (Culinary), has over 28 years of experience in diverse cuisines, culinary arts and planning banquets. He has lead chefs and kitchen staff at hotels and hospitality groups across India and abroad.

Strong brand name

The company has tied-up with Marriott Hotels India Private Limited (Marriott) for branding, operating and marketing of the hotel under the 'JW Marriott' brand. JW Marriott is one of the world's most recognized hotel brands with a global reputation for service, comfort and value. Marriott International Inc. is a global leading hospitality company with more than 6500 properties in 127 countries and territories worldwide under its management. The agreement dated December 18, 2009, is valid for an initial period of 30 years with an extension option of seven years. AHCSPL would be paying operating incentive, marketing and royalty fees to Marriott (~5% to 7% of hotel revenue).



Press Release

Adequate financial flexibility given its ability to raise fresh LRD loans on the unencumbered commercial properties

AHSCPL has a commercial and retail space with a total area of 1,32,940 sq. ft. out of which 75360 sq ft has been sublicensed for long term, 48800 sq. ft has been sublicensed on short term and remaining 8780 Sq. ft. used by hotel as restaurant and banquet space. The short-term sublicensed area fetched an income of Rs 12.63 Cr. during FY 2021. The LRD (lease rental discounting) facility of Rs. 20 Cr. was availed by the company during FY2014 from Union bank of India against its lease receivables on 11,000 Sq. ft. area. The debt has been paid in full in August 2021 ahead in advance before the due date of repayment. The said asset has fetched an income of Rs.12.63 Cr. during FY2021. AHCSPL can anytime avail LRD facility of at least minimum amount of Rs. 50-60 Cr. against the existing lease receivables which can provide additional liquidity headroom if required at any future date.

Improvement in the 9MFY22 financial and operational performance

For the 9MFY22 the overall operations and financial performance of the company have improved on a year-on-year basis. The occupancy levels have seen continuous growth over the past 9 months as compared to corresponding previous year on back of reopening of the economy post COVID-19 pandemic. Further, the Average Room Rate (ARR) has improved thus resulting in increased revenue growth coupled with improved EBITDA levels.

Key Rating Weaknesses

Impact of Covid-19 on revenues and profitability

The pandemic has severely impacted the hospitality sector, especially during last quarter of FY20, from Feb-20 onwards till first half of FY21; affecting the revenues and profitability of the companies engaged in this sector. AHCSPL revenues fell from Rs. 304.57 Cr. in FY20 to Rs. 102.88 Cr. in FY21 coupled with the losses of Rs. 101.33 Cr. in FY21. The revenue recovery momentum to pre-Covid levels will be a key monitorable factor going forward.



Press Release

Stressed capital Structure

Overall capital structure of the company has remained stressed due to term loan amount of Rs. 521.59 Cr. against the net worth of Rs. 178.81 Cr. The stress in capital structure is reflected in the overall gearing at 3.08x in FY21 against 1.98x in FY20.

Macro-economic factors and seasonal uncertainty

Hotel industry being cyclical and dependent on the general economic scenario. The company is exposed to the changes in the macro-economic factors and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors which leads to inherent cyclicity in the hospitality industry. These risks can impact the occupancy rate of the company and thereby the company's profitability along with a drop in ARR's.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of the company is backed by sanctioned and undisbursed debt of Rs.135 Cr., minimal utilized working capital limits at 33.50% during the past 12 months period ended Dec-21. Unencumbered Cash and Bank balance of Rs.13.30 Cr. as on 31st Dec 2021.

About the Company:

Aria Hotels and Consultancy Services Pvt. Ltd. (AHCSPL) incorporated as of May 2007, is the owner of the "J.W. Marriott Hotel" (Hotel). AHCSPL has developed a 523-room 5-star deluxe hotel at Aero city, in proximity to Indira Gandhi International Airport (IGIA). AHCSPL entered into agreement with Marriott Hotels India Private Limited (Marriott) for operations



Press Release

and branding of the hotel under the brand name of 'JW Marriott' for an initial period of 30 years (till 2036) with an extension option of 7 years. The hotel is spread across 4.55 Acre of land and has 5 food and beverages facilities including K3 all day dining restaurant, JW Lounge, DBC (Bakery), Executive Lounge and one Japanese Restaurant, Adrift. AHCSPL is a subsidiary of Asian Hotels (West) Ltd. AHWL owns hotel Hyatt Regency, Mumbai property located near Sahar Airport, Mumbai.

Financials (Standalone):

(In Crore)

For the year ended/ As on*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Income	304.57	102.88
PAT	-2.75	-101.33
Total Debt	529.16	537.99
Tangible Net Worth	273.21	178.81
PAT margin (%)	-0.90	-98.50
Overall Gearing Ratio (x)	1.98	3.08

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	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.	Term Loans	Long Term	528.76	IVR BB+ / Stable	-	-	-
2.	Cash Credit	Long Term	7.50	IVR BB+ / Stable	-	-	-



Press Release

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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
Term Loan	-	-	Dec-35	161.30	IVR BB+ / Stable
Term Loan	-	-	Dec-35	80.54	IVR BB+ / Stable
Term Loan	-	-	Dec-35	6.32	IVR BB+ / Stable
Term Loan	-	-	Dec-35	15.98	IVR BB+ / Stable
Term Loan	-	-	Dec-35	63.75	IVR BB+ / Stable
Term Loan	-	-	Dec-35	4.59	IVR BB+ / Stable
Term Loan	-	-	Dec-35	11.79	IVR BB+ / Stable



Press Release

Term Loan	-	-	Dec-35	12.70	IVR BB+ / Stable
Term Loan	-	-	Dec-35	68.25	IVR BB+ / Stable
Term Loan	-	-	Dec-35	4.95	IVR BB+ / Stable
Term Loan	-	-	Dec-35	50.87	IVR BB+ / Stable
Term Loan	-	-	Dec-35	3.68	IVR BB+ / Stable
Term Loan	-	-	Dec-35	9.50	IVR BB+ / Stable
Term Loan	-	-	Dec-35	25.43	IVR BB+ / Stable
Term Loan	-	-	Dec-35	2.00	IVR BB+ / Stable
Term Loan	-	-	Dec-35	1.99	IVR BB+ / Stable
Term Loan	-	-	Dec-35	5.12	IVR BB+ / Stable
Cash Credit	-	-	Revolving	7.50	IVR BB+ / Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Aria-Hotels-May22.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 www.infomerics.com.