



Press Release

Aria Hotels and Consultancy Services Private Limited

February 06, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	376.59	IVR BBB- / Positive Outlook [IVR Triple B Minus with Positive Outlook]	Reaffirmed and outlook revised	Simple
Funded Interest Term Loan	43.45	IVR BBB- / Positive Outlook [IVR Triple B Minus with Positive Outlook]	Reaffirmed and outlook revised	Simple
Cash Credit	7.50	IVR BBB- / Positive Outlook [IVR Triple B Minus with Positive Outlook]	Reaffirmed and outlook revised	Simple
Total	427.54	(Rupees Four Hundred Twenty-Seven Crore and Fifty-four Lakhs Only)		

Details of Facilities are in Annexure 1

Detailed Rationale-

The revision of Outlook to Positive reflects improvement in Aria Hotels and Consultancy Services Private Limited (AHCSPL) improved financial profile during FY23 which is expected to sustain in FY24, and beyond which will in turn expected improvement in credit profile.

The ratings continue to derive comfort from experienced promoters & management, strong brand name, prime location of the hotel property, adequate financial flexibility given its ability to raise fresh Lease Rental Discounting (LRD) loans on the unencumbered commercial properties and improved Industry scenario for hospitality sector. However, ratings are partially constraints by competition from other brands, macro-economic factors and seasonal uncertainty.



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Key Rating Sensitivities:

Upward Factors

- Ability of achievement of revenue with higher occupancy and higher average room rent (ARR) leading to overall improvement in credit profile.

Downward Factors

- Any decline in occupancy or ARR leading inability to achievement of expected revenue leading lower than expected improvement in credit profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improved operating performance led by higher occupancy and ARR:** AHCSPL revenue has improved to Rs.349.56 crore in FY23 a growth of 118.66% as compared to FY22. This growth is led by improved occupancy levels which has improved to 83% in FY23 (FY22: 54%); while ARR improved to Rs.11,400 in FY23 (FY22: Rs. 6,600). AHCSPL has reported revenue of Rs.193.41 crore for H1FY24 with ARR and occupancy of Rs.15,747 and 75% respectively.

With higher occupancy and higher ARR, EBITDA margins improved to 42.79% in FY23 (FY22: 28.18%); Infomerics expects with better industry dynamics, AHCSPL operating performance is likely to sustained at FY23 levels.

Improved albeit stretched credit profile, expected to improve further:

AHCSPL credit profile improved in FY23 with overall gearing improved to 3.16x in FY23 as compared to 5.02x in FY22; while TOL/TNW improved to 3.61x in FY23 (FY22: 5.73x). Improvement in credit profile is backed by improved operating performance. Infomerics expects gearing to improve further in FY24 and beyond with expected improvement in operating performance along with absence of any debt led capex.



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

AHCSPL has a commercial and retail space with a total area of 1,32,940 sq. ft. of which around 1,24,160 sq. ft. i.e., 93% is rented at the end of March 23, remaining (i.e., 8,780 sq. ft.) is used by hotel as restaurant and Banquet space. The said asset has fetched an income of ~Rs.17 crore during FY2023. AHCSPL can anytime avail LRD facility of at least minimum amount of Rs.50-60 crore against the existing lease receivables which can provide additional liquidity cushion.

- **Strong brand name**

AHCSPL 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. AHCSPL has signed agreement in 2009 with Marriott for period of thirty years with an extension option of seven years.

- **Experienced promoters**

AHCSPL is currently managed by Mr. Sandeep Gupta as the Chairman and Managing Director.

- **Prime location of the property**

The hotel property lies in the hospitality district at Delhi Aerocity and benefits from its strategic location, as it is adjacent to IGI Airport and well connected with Central Business Districts (CBD) of Delhi and Gurgaon.



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Key Rating Weaknesses

- **Geographical concentration of revenues and competitive pressures**

Owing to the geographic concentration of its room inventory in Delhi, the company would remain exposed to any adverse region-specific development and risks. Also, competition from other brands in the micro market may impact the ARR and occupancy levels.

- **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 cyclical 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 ARRs.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning rating outlook](#)

[Rating Methodology for Service Sector Entities](#)

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

[Criteria on Parent/Group Support](#)

Liquidity – Adequate

The liquidity profile of the company is backed by an average unutilized working capital limit of Rs. 7.50 crore at the end of December 2023. and Unencumbered Cash and Bank balance of Rs. 56.46 crore as on September 30, 2023.



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About the Company

Aria Hotels and Consultancy Services Private Limited (AHCSPL) incorporated as of May 2007, is the owner of the “J.W. Marriott Hotel” (Hotel). 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). AHWL owns hotel Hyatt Regency, Mumbai property located near Sahar Airport, Mumbai.

Financials (Standalone):

	(Rs. Crore)		
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)	H1FY24
Total Operating Income	156.61	349.56	193.41
EBITDA	41.80	149.58	79.17
PAT	-77.82	46.52	32.48
Total Debt	541.04	494.15	447.73
Tangible Net worth	107.86	156.32	156.32
EBITDA Margin (%)	28.18	42.79	40.94
PAT Margin (%)	-48.68	13.18	16.79
Overall Gearing Ratio (times)	5.02	3.16	-

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
PR Date		31-Jan-2024			01-Dec-2022	10-May-2022	
1	Term Loan	Long Term	376.59	IVR BBB-; Positive	IVR BBB-; Stable	IVR BB+; Stable	--
2	Funded Interest Term Loan	Long Term	43.45	IVR BBB-; Positive	IVR BBB-; Stable	IVR BB+; Stable	--
3	Cash Credit	Long Term	7.50	IVR BBB-; Positive	IVR BBB-; Stable	IVR BB+; Stable	--

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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



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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
Long Term – Rupee Term Loan	–	–	Dec – 2035	376.59	IVR BBB- / Positive
Long Term – Funded Interest Term Loan	–	–	Dec – 2035	43.45	IVR BBB- / Positive
Long Term – Fund Based – Cash Credit	–	–	–	7.50	IVR BBB- / Positive

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AriaHotels-feb24.pdf>



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**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.

