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ASIAN HOTELS (WEST) LIMITED

12.03.2021

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

Please find below the details of the revision in ratings:

Facilities	Amount (million)	Rating	Previous Rating/ Outlook
Term Loan	2207.65	IND BB+/Negative	IND.BBB-/ RWN
Fund based Working capital limits	270	IND BB+/Negative/IND A4+	IND BBB-/ RWN /IND A3/ RWN

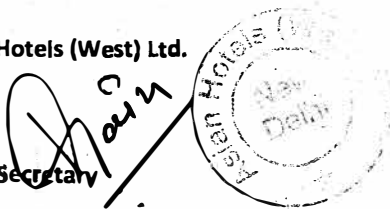
Copy of the intimation received by the Company on 12th March, 2021 from 'India Ratings and Research' (having detailed reason of rating downgrade), has been attached for your reference.

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 BB+' /Negative; Off RWN

12

MAR 2021

By Anant Agarwal

India Ratings and Research (Ind-Ra) has downgraded Asian Hotels (West) Limited's (AHWL) Long-Term Issuer Rating to 'IND BB+' from 'IND BBB-', while resolving the Rating Watch Negative (RWN). The Outlook is Negative. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	March 2033	INR2,207.65 (reduced from INR2,267.08)	IND BB+ /Negative	Downgraded; Off RWN
Fund-based working capital limits	-	-	-	INR270	IIND BB+ /Negative/IND A4+	Downgraded; Off RWN

The downgrade and resolution of RWN reflect AHWL's continued losses in 9MFY21 and the potential adverse impact of the COVID-19 pandemic on the company's FY22 financials, leading to weaker-than-expected credit metrics and a poor liquidity position.

The Negative Outlook reflects Ind-Ra's expectation of a further weakening of AHWL's liquidity position over the near term, if occupancy levels remain muted and the guaranteed emergency credit line (GECL; COVID-19 demand loan) is not disbursed.

KEY RATING DRIVERS

Weak Business Outlook: The downgrade reflects AHWL's continued weaker-than-expected performance in 3QFY21, on account of international travel restrictions and work-from-home policies implemented by companies and the overall economic disruptions severely impacting AHWL's occupancy levels (9MFY21: 26%, FY20: 71%) and average room rent (ARR; INR5,512, INR8,265). The company booked revenue of INR201.44 million in 9MFY21 (9MFY20: INR1,042.15 million, FY20: INR1,371.78 million) and EBITDA losses of INR56.64 million (INR280.19 million, INR385.31 million), given the high fixed-cost component in the overall cost. The agency expects the hotel operations to remain impacted in the short-to-medium term on account of the likelihood of the extended impact of the COVID-19 pandemic on the global travel and hospitality industry. However, Ind-Ra expects corporate and leisure travel to improve with the commencement of the vaccination programme and improving economic outlook, along with the easing of restrictions to lead to a sequential improvement in the occupancy levels beyond 1HFY22.

Corporate Governance: The ratings also factor in the multiple exit of senior management executives during 2HFY21, who are yet to be replaced by the company's board. Moreover, in 3QFY21 results, the auditors have noted of raising of a corporate governance issue by one of the whole-time executive director and filing of a complaint to The Securities and Exchange Board of India and the National Company Law Tribunal by certain shareholders during 4QFY21. Ind-Ra will continue to monitor future developments regarding these issues.

Liquidity Indicator - Poor: At 9MFYE21, AHWL had cash and equivalents of about INR67.37 million (FYE20: INR103.05 million, FYE19: INR6.45 million). The company's average use of the fund-based limits was around 53% during the 12 months ended January 2021. AHWL had availed the Reserve Bank of India-prescribed moratorium of the term loans and other fund-based facilities with the instalments/interest being rescheduled within the overall tenure of the term loans. Moreover, the company availed an INR385 million GECL for working capital purposes; however, the same is yet to be disbursed. The agency believes AHWL would require funding either in the form of GECL and/or equity infusions over the next six-to-12 months to service its debt obligations.

Weak Credit Metrics: AHWL's net leverage (net debt/EBITDA) deteriorated to 6.11x in FY20 (FY19: 5.08x) and interest coverage (operating EBITDA/gross interest expense) to 1.39x (1.79x), due to a decline in the EBITDA margins to 28.09% (31.66%). The agency expects the credit metrics to deteriorate further in the short-to-medium term, due to the likely decline in the EBITDA and an increase in the total debt levels (9MFY21: INR2,602.79 million, FYE20: INR2,456.40 million, FYE19: INR2,398.53 million).

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.

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 Aria Hotels and Consultancy Services Private Limited (AHCSP: 'IND BBB'/Negative) and owns the hotel Hyatt Regency in Mumbai. The group was founded by Sushil Gupta, the Ex-chairman of AHWL and the present chairman of AHCSP, 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).

RATING SENSITIVITIES

Positive: Resolution of corporate governance issues, along with a substantial improvement in the scale of operations and the EBITDA margins, along with an improvement in the liquidity position indicated by DSCR above 1.1x, on a sustained basis, could lead to the Outlook revision to Stable.

Negative: Future developments that could, individually and collectively, will result in a negative rating action are as follows:

- lower-than-expected scale of operations or/and operating margins;
- DSCR falling below 1.1x;
- absence of any improvement in the liquidity position.

COMPANY PROFILE

AHWL was incorporated on 8 January 2007 as Chillwinds Hotels Private Limited and was changed to present name 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 at 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
Interest coverage (x)	1.39	1.79
Net leverage (x)	6.11	5.08
Source: AHWL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook/Rating Watch		
	Rating Type	Rated Limits (million)	Rating	9 July 2020	17 December 2019	28 December 2018
Issuer rating	Long-term	-	IND BB+/Negative	IND BBB-/RWN	IND BBB/Negative	IND BBB/Stable
Fund-based working capital limits	Long-term/Short-term	INR270	IND BB+/Negative/IND A4+	IND BBB-/RWN /IND A3/RWN	IND BBB/Negative /IND A3+	IND BBB/Stable /IND A3+
Term loan	Long-term	INR2,207.65	IND BB+/Negative	IND BBB-/RWN	IND BBB/Negative	IND BBB/Stable

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level 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
Short-Term Ratings Criteria for Non-Financial Corporates

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