Apeejay Surrendra Park Hotels Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 424.03 crore (enhanced from Rs. 395.98 crore)	[ICRA]A+ (Stable) reaffirmed
Fund Based Limits	Rs. 30 crore*	[ICRA]A+ (Stable) reaffirmed
Fund Based Limits	Rs. 15 crore (reduced from Rs. 25 crore)	[ICRA]A1+ reaffirmed
Non Fund based Limits	Rs. 15 crore	[ICRA]A1+ reaffirmed
Commercial Paper/Short Term Debt	Rs. 30 crore*	[ICRA]A1+ reaffirmed

** The total borrowings under CP/STD programme and fund based working capital limits from banks to be limited Rs. 30 crore.*

ICRA has reaffirmed the [ICRA]A+ (pronounced ICRA A plus) rating of the Rs. 424.03 crore[1] term loans (enhanced from Rs. 395.98 crore) and the Rs. 30 crore fund based bank limits of Apeejay Surrendra Park Hotels Limited (ASPHL)[2]. The outlook on the long term rating is Stable. ICRA has also reaffirmed the short term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 15 crore fund based bank limits (reduced from Rs. 25 crore) and the Rs. 15 crore non fund based bank limits of ASPHL. ICRA has also reaffirmed the short term rating of [ICRA]A1+ to the Rs. 30 crore commercial paper/ short term debt programme of the company. The total borrowings under CP/STD programme and fund based working capital limits from banks to be limited Rs. 30 crore.

The rating reaffirmation takes into account the improved financial performance of ASPHL in terms of higher profitability, driven by the increase in occupancy and ARRs across all properties, which has led to improvement in debt coverage indicators as well. The ratings continue to derive comfort from ASPHL's established brand - 'THE PARK'- in the Indian hospitality industry, and its presence across key cities which, coupled with a high share of food and beverage income, provides diversification in cash flows. ICRA notes that ASPHL has launched a new brand – 'Zone by THE PARK' - in the four star segment, which is being operated under a hotel management contract. This increasing focus on growing the business through management contracts would reduce its capital requirement in business while further increasing its presence. Moreover, a fixed fee as well as a share on the profits on these managed properties would help the company improve its business returns, which remain at moderate levels at present. The ratings continue to derive comfort from the company's conservative capital structure, the financial flexibility enjoyed by the company from being a part of the diversified Apeejay Surrendra Group and the healthy relationship with domestic banks with proven ability to refinance debt at better terms. ICRA also notes that ASHPL's membership of the Starwood Preferred Guests (SPG) programme from March 2016, in addition to its existing status as part of the Design Hotels, is expected to further establish its position in the international & domestic luxury hotel industry.

The long-term rating, however, is constrained by the subdued, notwithstanding improvement in the previous year, debt coverage and return indicators of the company. The Indian hospitality industry has experienced a prolonged downturn over the past seven years; on account of excess supply and significant pipeline inventory in several key markets in India. The industry performance has continued to suffer, in spite of relatively stronger demand levels in recent periods. Going forward, with expected moderation in incremental room supply, overall room rates are expected to witness some buoyancy. While overall room addition in the country is likely to moderate, some of the key markets for ASHPL would continue to witness substantial additions. However, ICRA notes that the location of the hotel properties as well as the strong food and beverage segment would provide some cushion for the company. The extent of increase in room rates, on the back of healthy occupancy levels, would be a key determinant of ASPHL's credit profile going forward.

[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

ICRA

Company Profile
ASPHL is a part of the diversified Apeejay Surrendra Group based in Kolkata. A private equity firm has a 15% stake in ASPHL. The company has a collection of seven owned and operating luxury boutique hotels with an inventory of 1,108 rooms, diversified across Bangalore, Chennai, Hyderabad, Kolkata, Navi Mumbai, New Delhi, and Vishakhapatnam. In addition, the company also manages a 30-room boutique hotel in Goa under the brand THE PARK and a luxury cruiser ('Apsara') with eight rooms. The company has also launched 'Zone by THE PARK in 2014-15, and currently has four operational properties at Coimbatore, Jaipur, Chennai and Raipur with a total inventory of 222 rooms. ASPHL is planning additional four hotels with 210 rooms under management contract under the brand THE PARK and eight hotels with 906 rooms under management contract under the brand Zone by THE PARK. In the near term, the total room inventory of owned and managed properties is expected to increase to 2484 from the existing 1368 rooms.

Recent Results
During FY2016, as per provisional financials, ASPHL recorded a profit after tax (PAT) of Rs. 14.6 crore on the back of an operating income (OI) of Rs. 319.55 crore as against an OI and net loss of Rs. 299.74 crore and Rs. 2.8 respectively during FY2015.

August 2016

For further details please contact:
Analyst Contacts:
Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Kaushik Das (Tel. No. +91 33 7150 1104)
kaushikd@icraindia.com

Ekta Banka (Tel. No. +91 33 7150 1172)
ekta.banka@icraindia.com

Relationship Contacts:
Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	