

October 28, 2020

IHHR Hospitality Private Limited - Update on Material Event

Summary of Rated Instrument:

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Term Loan	248.70	[ICRA]BBB (Negative); outstanding
Fund Based – Working Capital Facilities	10.00	[ICRA]BBB (Negative); outstanding
Total	258.70	

Material Event

IHHR Hospitality Private Limited (IHHR) shared its provisional consolidated results for FY2020 with ICRA on October 18, 2020. The financial statements indicate that its flagship property– Ananda in the Himalayas – has been demerged into a separate company w.e.f. April 1, 2018. This followed a composite scheme of arrangement, which was approved by the National Company Law Tribunal (NCLT) in November 2019. The Ananda property now stands housed in a sister concern – IHHR Hospitality Ananda Private Limited (IHHR Ananda).

Impact of the Material Event

ICRA is undertaking a detailed assessment of impact of the demerger on the credit profile of IHHR, which would include discussion with company’s management and its lenders. The Ananda property, was a key asset for the company, contributing nearly 25% to its revenues and nearly one-third to its operating profits (in FY2019). The demerger of the same will therefore have a significant impact on scale and profitability metrics of IHHR. As per the Scheme, no external borrowings have been transferred to IHHR Ananda. Given the assets’ strategic importance, the demerger of the same, in absence of appropriate recourse on IHHR Ananda’s cash flows, could adversely impact IHHR’s financial profile.

ICRA notes that IHHR has submitted a one-time restructuring request with its lender in September 2020, in accordance with the Reserve Bank of India (RBI) circular dated August 6, 2020. As the company had applied for restructuring, it did not service its debt obligation due in September end 2020 (as disclosed in the monthly non-default statement) after making the restructuring request. ICRA has not considered the delay in meeting debt obligation as default, in line with the stance explained in its press release dated September 15, 2020 on loan restructuring and rating implications ([Click here](#)). The lender is currently assessing the company’s proposal. IHHR’s liquidity profile was characterized by with cash balances of around Rs. 28 crore¹ as on September 30, 2020 apart from maintenance of debt service reserve account (DSRA) for one quarter debt repayment obligations. Furthermore, the promoters have committed to infuse Rs. 30 crore equity into the company in FY2021, as per the requirement. ICRA would continue to monitor the developments around the restructuring process and assess its impact on IHHR’s credit profile and will accordingly take suitable rating action, in case warranted.

The previous detailed rating rationale is available on the following link: [Click here](#)

¹ As indicated by the management

Analyst Contacts

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Shamsher Dewan

+91 124 4545328

supriob@icraindia.com

Ritu Goswami

+91 124 4545826

ritu.goswami@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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