

January 22, 2021

## Bhutan Ventures Hospitality Private Limited: Update on entity

### Summary of rating action

Instrument*	Previous Rated Amount (US\$ million)	Current Rated Amount (US\$ million)	Rating Action
Long-term Loan	30.00	30.00	[ICRA]BB-&, rating watch with developing implications; outstanding
<b>Total</b>	<b>30.00</b>	<b>30.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

Owing to the ongoing Covid-19 pandemic, the operations of Bhutan Ventures Hospitality Private Limited (BVHPL or the company) have been adversely impacted by the restrictions on international travel. As a result, BVHPL had initially availed a moratorium from its lenders on its quarterly term loan principal repayments due in the quarters ending June 2020 and September 2020. Thereafter, in September 2020, the company had applied to its lender<sup>1</sup> for restructuring its term loans<sup>2</sup> under the local regulatory guidelines of the Hong Kong Monetary Authority. The same was applied for before the due date of payment of interest for the September 2020 quarter. Subsequently, the company missed its payment, but the same was not considered as a default by ICRA in line with the principles outlined in the document published by ICRA titled, "Loan Restructuring and Rating Implications", available [here](#).

ICRA notes that the application for loan restructuring has been approved by the lenders in December 2020, while the company has also repaid the overdues pertaining to the scheduled interest payouts for the quarter ended September 30, 2020.

The rating continues to be on Watch with Developing Implications and ICRA would resolve the Watch shortly, on the basis of the revised terms of the restructuring plan.

### Key rating drivers

#### Credit strengths

Refer to the previous detailed rationale on the following link: [Click here](#)

#### Credit challenges

Refer to the previous detailed rationale on the following link: [Click here](#)

<sup>1</sup> The Hong Kong branch of a Scheduled Commercial Bank based in India

<sup>2</sup> The application was for the deferment of interest as well as principal for a period of 24 months, starting from the quarter ending June 2020 till the quarter ending March 2022, with repayments resuming from the quarter ending June 2022.

## Liquidity position: Stretched

Refer to the previous detailed rationale on the following link: [Click here](#)

## Rating sensitivities

**Positive Triggers** – Refer to the previous detailed rationale on the following link: [Click here](#)

**Negative Triggers** – Refer to the previous detailed rationale on the following link: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating methodology for entities in the Hotel Industry</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on standalone financial statements of the company.

## About the company

Incorporated in May 2013, Bhutan Ventures Hospitality Private Limited is a joint venture between three promoters—Mr. Dasho Sangay Wangchuk, Mr. Chalermchai Mahagitsiri from Thailand, and Sunny Orient Investments, which is a wholly-owned subsidiary of Cordoba Homes Limited. The company was incorporated to develop luxury resorts at five key tourist locations in Bhutan—at Thimphu, Paro, Punkakha, Gangtey and Bumthang. BVHPL has entered into a management contract with Sustainable Luxury Management (Thailand) Limited under its Six Senses brand, for the management of all these five properties. Six Senses currently operates spas and luxury resorts at many international locations across Europe, West Asia, Africa and Asia Pacific. In February 2019, the business of Six Senses was acquired by the IHG Group (InterContinental Hotels Group) from the private equity fund, Pegasus Capital Advisors, for a cash consideration of \$300 million.

The project was conceptualised considering the growing popularity of Bhutan in international tourism as well as the limited availability of high-end luxury properties, which is in line with the Government of Bhutan’s policy of promoting ‘high-value and low impact’ tourism.

## Key financial indicators

Refer the previous detailed rationale on the following link: [Click here](#)

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Current Rating (FY2021)					Rating History for the Past 3 Years		
	Type	Amount Rated	Amount Outstanding*	Rating		FY2020	FY2019	FY2018
				22-Jan-2021	30-Oct-2020	23-Jul-2019	-	-
Long-term loan	Long-Term	30.00	27.00	[ICRA]BB-&; rating watch with developing implications, Outstanding	[ICRA]BB-&; rating watch with developing implications	[ICRA]BB (Stable)	-	-

Amount in US\$ million; \*as on September 30, 2020

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (US\$ million)	Current Rating and Outlook
NA	Long-term loan	Oct-14	6M Libor+350 bps	Dec-30	30.00	[ICRA]BB-; rating watch with developing implications

Source: Bhutan Ventures Hospitality Private Limited

### Annexure-1: List of entities considered for consolidated analysis – Not applicable

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