

Taj GVK Hotels and Resorts Limited

Instrument	Amount rated in Rs. crore	Rating Action
Term Loans	270.00	[ICRA]A+ (Stable), reaffirmed
Short term fund based	30.00	[ICRA]A1+, reaffirmed
Short term non fund based (sub-limit)	(11.00)	

ICRA has reaffirmed the long-term rating of [ICRA]A+ (pronounced ICRA A plus) outstanding on Rs. 270.00 crore term loans facilities of Taj GVK Hotels and Resorts Limited (“TAJGVK” / “the Company”). The long term rating carries stable outlook. ICRA has also reaffirmed the short term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 30.00 crore short term fund based facilities and Rs. 11.00 crore non fund based sub-limit facilities.

The ratings continue to reflect the Company’s dominant position in the Hyderabad market, with consistent Revenues per Available Room (RevPAR) premiums to market average. The Company enjoys a strong parentage and management being owned and managed by the “GVK group” and The Indian Hotels Company Limited (IHCL) (rated [ICRA]AA (Stable) / [ICRA]A1+). The rating also draws comfort from the company’s relatively healthy capital structure and limited repayment obligations in the near future; the company had refinanced its entire long-term debt with lower cost debt in July 2014 resulting in nil repayments until July 2016. The deferment of part of the capital expenditure plans is further expected to ease the pressure on liquidity and capital structure in the near term. The ratings also consider the proposed geographical diversification planned into Mumbai (through its joint venture) which is expected to reduce the dependence on the Hyderabad luxury market.

The ratings continue to be constrained by the continued weakness in the performance of its key markets of Hyderabad (~66% of room inventory) and Chennai (~20% of room inventory). The company continued to be affected by sluggishness in operating metrics (Average Room Rate (ARR) and Occupancy) across its properties in 2014-15. While the Chennai market was impacted by supply glut emanating from sustained inventory additions over the last four years, the Hyderabad market was dually impacted by large supply additions in the last four to five years and also due to dampening of demand due to political agitations relating to the Telangana movement. However, overall revenues improved for the first time in four years, albeit marginally, as room revenues increased on the back of occupancy led improvement in RevPAR post the resolution of the Telangana issue. However, Food & Beverages (F&B) income remained stagnated owing to competition. The sluggishness in RevPARs coupled with increase in operating expenses led to compression in operating margins resulting in the company reporting its first ever losses during 2014-15. The consolidated financial profile of the company will depend on the stabilization of new property being launched under JV at Mumbai International Airport (MIAL)

Quarterly revenues have witnessed improvement in the last four quarters growing by 4%-5% from Q2, 2014-15 to Q4, 2014-15 and by a healthy 15.3% during Q1, 2015-16. The same was aided by revival in demand post the easing of political situation on the back of the bifurcation of Andhra Pradesh and Telangana leading to occupancy led growth in RevPAR. The healthy growth in revenues also resulted in improvement of margins during Q1, 2015-16 aiding the company in reporting net profits during the traditionally weak Q1 for the first time in three years.

Company Profile

Incorporated in 2000, TAJGVK Hotels & Resorts Limited (TAJGVK) is a joint venture between Indian Hotels Company Limited and the Hyderabad based GVK Group. IHCL holds around 25.5% stake in TGVK while the GVK group holds about 49.5% stake; balance is held by the public.

* For complete rating scale and definitions, please refer ICRA’s website (www.icra.in) or other ICRA Rating Publications



TAJGVK currently has six 5-star/D properties with a cumulative inventory of 1,083 rooms. Of these four 5-star hotel properties are located in Hyderabad - an inventory of 714 rooms, viz. Taj Krishna, Taj Deccan (Residency), Taj Banjara and Vivanta by Taj, Begumpet. The company also owns a 149 room hotel in Chandigarh (Taj Chandigarh) and a 220 room property in Chennai (Taj Club House).

Recent Results

TAJGVK posted revenues of Rs.249.5 crore and a loss of Rs. 1.8 crore during fiscal 2014-15 compared to revenues and profit after tax of Rs. 244.9 crore and Rs. 8.7 crore respectively in preceding fiscal.

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