

United Hotels & Properties Private Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 12.97 crore (reduced from Rs. 34 crore)	Upgraded to [ICRA]B
Fund Based Limits	Rs. 3.00 crore (enhanced from Rs. 1 crore)	Upgraded to [ICRA]B
Unallocated Limits	Rs. 19.03 crore	[ICRA]B/[ICRA]A4 assigned

ICRA has revised the long-term rating assigned to Rs. 12.97 crore (reduced from Rs. 34 crore)¹ term loans and Rs. 3 crore (enhanced from Rs. 1 crore) fund based bank limits of United Hotels & Properties Private Limited (UHPL)² from [ICRA]B- (pronounced ICRA B minus) to [ICRA]B (pronounced ICRA B). ICRA has also assigned ratings of [ICRA]B and [ICRA]A4 (pronounced ICRA A four) to the unallocated bank lines of UHPL.

The upgrade in the long-term rating and assignment of the short-term rating take into account improvement in the performance of Bhubaneswar and Pune properties during FY2016, which is likely to result in an increase in turnover and profits for the company. While assigning the ratings, ICRA has factored in the business and financial risk profiles of UHPL and its group companies - S. P. Jaiswal Estates Private Limited (SPJEPL; rated [ICRA]B+/[ICRA]A4), Orianna Hospitalities Private Limited (OHPL; a 100% subsidiary of UHPL), Sharadhayane Lakshmi Hotels Pvt Ltd (SLHPL; a 100% subsidiary of SPJEPL), HHI Resorts Private Limited (HRPL; a 100% subsidiary of SPJEPL) and Hind Palace Private Limited. The ratings take into account UHPL's stretched liquidity position as cash accruals from the business remain inadequate to meet the large debt repayment obligations. The ratings also take note of its weak financial profile reflected by a nominal net-worth and profits, the unfavourable capital structure, and subdued debt coverage indicators during FY15, along with its vulnerability to cyclicity associated with the hotel industry.

ICRA notes that although the occupancy levels for Pune property have witnessed a significant improvement in FY2016, the RevPar continues to remain low, especially in light of the large capex undertaken to set up the property. ICRA notes that the Pune hotel market has seen large room additions in the past and that is likely to keep a check on any significant increase in the ARRs, at least over the near term.

The ratings draw comfort from UHPL being a part of the HHI Group, experience of the promoters in the hotel industry, and the favourable location of the Pune hotel, its proximity to the airport. While the hospitality industry performance continues to be exposed to economic cycles, ICRA notes that the high F&B income across all the properties, lends stability to the revenues and is likely to support revenue growth for the HHI Group, going forward.

ICRA expects the cash accruals from the business to increase significantly to meet the debt servicing obligations. However, in case of funding requirements, ICRA expects timely support from the group entities and/or promoters to meet its debt obligations.

Company Profile

Incorporated in 1992, UHPL was acquired by the present management in 2007. UHPL had leased out its assets (land, building and other equipment) at Bhubaneswar to S. P. Jaiswal Estates Private Limited (SPJEPL), the flagship company of the HHI Group, till FY12. From FY13, the company is managing the Bhubaneswar property and has set up a 3-star hotel at Pune, branded The HHI Pune.

Recent Results

During FY15, UHPL reported a net profit of Rs. 0.80 crore on an operating income (OI) of Rs. 24.82 crore.

April 2016

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.



For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91 33 7150 1100)
jayantac@icraindia.com

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**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: **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: **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: **9845022459**Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **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: **989986490**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: **989986490**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: **9845022459**Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500