

Samaroh Hospitality LLP

August 04, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	9.15	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total facilities	9.15 (Rupees Nine crore and Fifteen Lakh only)		

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Samaroh Hospitality LLP (SHL) is primarily constrained on account of its stabilization of operations and salability risk associated with predominantly debt funded project. The rating is, further, constrained on account of cyclical and competitive nature of industry with dependence on tourist arrivals.

The rating, however, favorably takes into account the experienced management in the hotel industry coupled with strategically located hotel property in Indore.

The ability of the company to stabilize its operations and ability to achieve the projected OR and ARR for the hotel in a highly competitive industry are the key rating sensitivity.

Detailed description of key rating drivers

Key Rating Weaknesses

Stabilization risk associated with the hotel

SHL has completed construction work on the hotel and started its operations from November, 2016. The company has incurred total cost of Rs.16.54 crore towards the project which was funded through term loan of Rs.9.75 crore, unsecured loans from promoters & relatives of Rs.0.97 crore and remaining through partner's capital. Hence, post-implementation project risk pertaining to stabilization of operations and saleability risk is high especially in the backdrop of a predominantly debt-funded cap-ex with repayment obligations commenced from September 2016.

However, within four months of operations the hotel has generated income of Rs. 1 crore.

Cyclical and Competitive nature of the industry with dependence on tourist arrivals

The hospitality industry is highly sensitive to the untoward events such as slowdown in the economy. Indore hotel industry is primarily dependent on Foreign Tourist Arrivals (FTA) which in turn is dependent on the global economy. These factors combine to form a very uncertain scenario. The muted growth was attributed to continuing slowdown in source countries.

Indore registered double digit growth in ARR and OR primarily due annual events which sees a regular inflow of tourists in the prime season. The city is also becoming a destination for theme weddings. These factors ensure a consistent inflow of tourists in the city and thereby catering to the supply of the hotel industry.

Key rating strengths

Experienced management in the hotel industry

Mr. Sanjay Somani, Mr. Randeep Singh, partners, have vast experience in the hotel industry and looks after overall functions and food and beverage functions respectively in the firm. Mr. Guneet Singh, Chartered Accountant by qualification, looks after accounts and finance functions of the firm. Further, Mr. Yogesh Maheshwari and Mr. Shantanu Singh Thakur, has experience of seven years and looks after event management and house-keeping functions. Further, all the partners of the firm are assisted by qualified second tier management.

Location advantage

The hotel property is located strategically nearby regional park, bhanwar kua and mid of the Indore city. In recent times, it has also become a key MICE (Meetings, Incentives, Conferences and Exhibitions) destination catering to large incentive tours, corporate residential meetings and weddings

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Financial ratios – Non-Financial Sector
Rating Methodology- Hotel Industry

About the Company

Samaroh Hospitality LLP (SHL) was formed in October 2014 as a limited liability partnership by Mr. Sanjay Somani, Mr. Randeep Singh Saluja, Mr. Shantanu Singh Thakur, Mr. Yogesh Maheshwari, Mr. Vicky Saluja and Mr. Guneet Singh Saluja and shares profit and loss in the ratio of 25%:25%:20%:5%:5%:20% respectively. The firm was formed with an objective to establish a hotel at Indore (Madhya Pradesh) with brand name “The Solaris”. The hotel facility is constructed at 1,20,000 square feet area with total 53 rooms having three categories viz. standard, deluxe and premium. Further, the hotel property has a cafeteria, two restaurants one at roof top and other near swimming pool, one banquet hall with capacity of 250 persons and marriage garden with capacity of 2000 person.

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Brief Financials (Rs. crore)	Not Applicable
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Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December, 2021	9.15	CARE B+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	9.15	CARE B+; Stable	-	-	-	-

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