

Gujarat JHM Hotels Limited

November 02, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	94.12 (Reduced from 103.72)	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	1.80	CARE BBB+; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	0.25	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings reaffirmed to the bank facilities of Gujarat JHM Hotels Ltd. (GJHL) factors in long standing experience of its parent in the hospitality industry, operational synergies on account of common brand name 'Marriott' and competitive advantage from its established presence and low competition in Surat.

The ratings continue to derive strength from growth in its TOI marked by improvement in RevPAR (Revenue Per Available Room) during FY23 (refers to the period April 01 to March 31) of both five-star hotel properties in Surat, reputed customer base, comfortable profitability and moderate debt coverage indicators.

The above rating strengths, however, continue to remain constrained by GJHL's moderate capital structure and its presence in a cyclical hospitality industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in its scale of operations and improvement in its Revenue per available room (RevPAR) leading to improvement in PBILDT margins to 40%
- Improvement in its capital structure with overall gearing of less than 1 times.

Negative factors

- Decline in its RevPAR resulting in its PBILDT margin going below 25% on a sustained basis leading to adverse impact on its debt coverage indicators
- Liquid investments declining to a level below Rs.20.00 crore on sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects sustenance in GJHL's performance given strong revival of the hospitality industry along with efficiently managing its liquidity.

Detailed description of the key rating drivers:

Key strengths

Established operations of the company with operational synergies arising from common management:

GJHL has an operational track record of over three decades and has established a strong foothold in Surat's premium hotel market with two properties i.e. Surat Marriott Hotel (SMH) and Courtyard by Marriot (CBM) having a room inventory of over 350 keys. While SMH caters to tourists and leisure travellers and is strategically located close to Central Business District in proximity to some of the major textile and diamond business establishments of Surat. CBM is located near Hazira port, an evolving industrial zone, making it attractive to business travellers arriving at Surat. Moreover, GJHL has appointed Noma Hotels Private Limited (NHPL; one of the JHM group companies) to manage both of its properties, which yields operational synergies on account of common brand name "Marriott".

Long standing experience of the promoters:

GJHL is a part of JHM Hotels group, USA, which operates a multi-brand hotel chain spread over 43 hotels with over 7,200 rooms across the USA and also in India. The group is associated with multiple brands such as Marriott, Starwood, Hilton, and Hyatt in

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

the US hospitality sector. The group owns and manages assets of approximately USD 1 billion internationally. JHM Hotels LLC, the holding company of GJHL, looks after the Indian operations of the group.

Improvement in scale of operation led by improved Occupancy and ARR

During FY23, GJHL's scale of operations grew by 37.64% y-o-y to Rs.130.63 crore (vis-à-vis Rs.96.15 crores in FY22). This was led by improved occupancy levels from 52% in FY22 to 73% in FY23 and ARR from Rs.6528 in FY22 to Rs.7419 in FY23 for Surat Marriott Hotel & improved occupancy levels from 65% in FY22 to 72% in FY23 and ARR from Rs.4416 in FY22 to Rs.5601 in FY23 for Courtyard Marriott (Hazira). The same was owing to increased demand as Surat being industrial hub.

Reputed customer base

Surat Marriott Hotel and Courtyard by Marriot are among the very few 5 – star hotels in Surat. Therefore, they attract more corporate clients primarily executive and company professionals as their clients. Top ten customers attract contribution of 9.33% to sales in FY23.

Comfortable profit margins

Operating profitability of the company remained healthy, marked by PBILDT margin of 32.84% in FY23 (vis-à-vis 37.20% in FY22). Although, operating margin has declined in FY23 owing to increased expenditure on overheads (mainly employee cost) and admin cost to improve their customer services. Also, in the past financial years the employees were not paid full salary due to Covid scenario. During FY23, the staff were paid full salary as well as compensated for the past deduction. Company reported improvement in PAT margin from 2.20% in FY22 to 8.52% in FY23 owing to lower depreciation cost and higher non-operating income (towards profit on sale of asset and bad debts recovered) reported during the current year. GJHL reported GCA of Rs.34.01 crore in FY23 (vis-à-vis Rs. 26.19 crore in FY22).

Key weaknesses

Moderate capital structure and improvement in debt coverage indicators

Capital structure of the company remained moderate, as marked by the overall gearing of 1.26 times as on March 31, 2023 (vis-à-vis 1.49 times as on March 31, 2022). The same improved owing to repayment of term debt during the year. The adjusted overall gearing after netting off investments from total debt stands at 0.97 times as on March 31, 2023.

Debt coverage indicators remained comfortable on account of increase in profitability margin, marked by interest coverage of 3.86 times in FY23 (vis-à-vis 3.45 times in FY22) and TD/GCA improved to 3.39 times as on March 31, 2023 (vis-à-vis 4.56x as on March 31, 2022) owing to decline in total debt outstanding and improvement in margins.

Macro-economic factors and seasonal uncertainty

The company is exposed to the changes in the macro-economic factors, industrial growth, and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors which leads to inherent cyclicity in the hospitality industry.

These risks can impact the occupancy rate of the company and thereby the company's profitability. Further, industry is highly competitive in nature with presence of large number of organized and unorganized players in the market along with online aggregators. These risks have been partially mitigated by the company with rebranding of its hotel to 'Courtyard Marriott' which has a strong brand image.

Liquidity: Adequate

GJHL's liquidity remains adequate on account of a healthy levels of liquid investments with negative operating cycle and very low utilization level of its fund-based working capital limit. The average maximum utilization and average utilization of its fund based working capital limits stood comfortable at 22.92% and 2.38% during last 12 months ended September 2023. Further, GJHL has liquid investments in form of bonds (TATA Motors Ltd & Uttar Pradesh Power Corporation Limited) of Rs.24.34 crore and cash and bank balance of Rs.12.52 crore as on March 31, 2023. GJHL's cash flow from operations remained healthy at Rs.42.41 crore in FY23 (vis-à-vis Rs.35.74 crore in FY22). Further, it has ballooning repayment structure and the cash accruals are sufficient to meet repayment obligation.

Assumptions/Covenants – Not Available

Environment, social, and governance (ESG) risks – Not Applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Promoted by Rama family of JHM Hotels Group of USA in 1985, Gujarat JHM Hotels Ltd (GJHL) owns and operates two five-star hotel property namely Surat Marriott hotel, Surat and Courtyard Marriot, Hazira, Surat.

Surat Marriott hotel comprises of 209 rooms, two restaurants and five banquet facilities at Surat. The management and operations of the hotel property was carried out under 'The Gateway Hotel' brand, by The Indian Hotels Co. Ltd. till September 2019. However, since October 2019, GJHL has entered into a Franchisee Agreement with Global Hospitality Licensing S.A.R.L. (Marriott International Inc. group) of Luxembourg for a period of 20 years for managing the hotel under the brand of 'Courtyard Marriott'. Further, GJHL had set up a five-star hotel at Hazira, under the brand of 'Courtyard Marriott', which commenced operations from November 2017 and is spread across seven floors, comprising of 126 rooms and 7 suites along with facilities such as a banquet hall, three restaurants, spa, gym and conference rooms. The hotel has 5 meeting rooms spread across 7,976 sq ft.

JHM Hotels Group has a considerable presence in the hospitality sector and operates a multi-brand hotel chain at key destinations in USA since 1973. Also, GJHL has wind power generation capacity of 8.80 MW.

GJHL has two wholly owned subsidiary viz. Auro University (AU) which is an educational institute at Hazira, Surat and Regency Rent a cab Private limited which is engaged in liquor trading.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	4MFY24 (Prov.)
Total operating income	96.15	130.63	38.45
PBILDT	35.77	42.91	15.53
PAT	2.12	11.13	6.75
Overall gearing (times)	1.49	1.26	NA
Interest coverage (times)	3.45	3.86	4.10

A: Audited UA: Unaudited NA: Not Available Prov.: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	2.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	September 2027	92.12	CARE BBB+; Stable
Non-fund-based - LT/ ST-Derivative Limits		-	-	-	1.80	CARE BBB+; Stable / CARE A3+
Non-fund-based - ST-Forward Contract		-	-	-	0.25	CARE A3+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	92.12	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Nov-22)	1)CARE BBB; Negative (04-Mar-22) 2)CARE BBB; Negative (26-May-21)	1)CARE BBB+; Negative (31-Mar-21) 2)CARE BBB+ (CW with Negative Implications) (01-Apr-20)
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (23-Nov-22)	1)CARE BBB; Negative (04-Mar-22) 2)CARE BBB; Negative (26-May-21)	1)CARE BBB+; Negative (31-Mar-21) 2)CARE BBB+ (CW with Negative Implications) (01-Apr-20)

3	Non-fund-based - LT/ ST-Derivative Limits	LT/ST*	1.80	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (23-Nov-22)	1)CARE BBB; Negative / CARE A3 (04-Mar-22) 2)CARE BBB; Negative / CARE A3 (26-May-21)	1)CARE BBB+; Negative / CARE A3+ (31-Mar-21) 2)CARE BBB+ / CARE A3+ (CW with Negative Implications) (01-Apr-20)
4	Non-fund-based - ST-Forward Contract	ST	0.25	CARE A3+	-	1)CARE A3+ (23-Nov-22)	1)CARE A3 (04-Mar-22) 2)CARE A3 (26-May-21)	1)CARE A3+ (31-Mar-21) 2)CARE A3+ (CW with Negative Implications) (01-Apr-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not Available

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Derivative Limits	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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