SAMHI Hotels Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	228.32	CARE A-; Positive	Upgraded from CARE BBB+; Positive
Long Term / Short Term Bank Facilities	0.68	CARE A-; Positive / CARE A2+	Upgraded from CARE BBB+; Positive / CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has upgraded the ratings assigned to the bank facilities of SAMHI Hotels Limited (SHL) from 'CARE BBB+ / CARE A2' to 'CARE A- / CARE A2+' with a continuance of positive outlook.

The revision in ratings considers the strengthening of SHL's business risk profile, as evidenced by robust revenue growth and expansion in operating profitability during FY24 and 9MFY25 (refers to period April 01 to December 31) factored through healthy same-store Average Room Rate (ARR) growth and robust occupancy trend across all the segments largely benefitting from the favourable industry dynamics, sustained demand, and premium micro-market and brand positioning of SHL's assets. CARE Ratings anticipates that SHL's operating performance will remain stable over the medium term, supported by its established market presence, cost-efficiency measures and the long-term partnerships with renowned international hotel brands for branding, marketing, and operational management.

The ratings also factor in the sequential improvement in leverage and coverage ratios post IPO as total debt (including lease liabilities and excluding accrued interest on borrowings) brought down from Rs. 2,580 crore as of March 31, 2023 to Rs. 2,123 crore as of March 31, 2024 and there is notable reduction in finance cost in FY24 and 9MFY25 achieved through refinancing at lower rates. CARE also take cognizance of the positive trajectory in Net Debt/PBILDT (pre-ESOP) improving to 6.08x as of March 31, 2024 and further improvement in 9MFY25 to 4.92x underscoring improved cash flow generation and enhanced debt servicing capacity. CARE also forecasts that the leverage position will continue to improve going forward. The positive outlook considers CARE Ratings' belief that SHL's credit profile will continue to benefit from the upcycle in the hotel industry, rebranding of existing hotels and additions of new rooms.

However, the rating strengths are partially offset by competition risk, revenue vulnerability arising from the inherent cyclicality of the hospitality industry, and sensitivity to economic fluctuations.

CARE notes a qualified report over the company's internal financial control for FY2024 related to specific information technology systems CARE understand same pertains to systemic gaps in information technology systems maintained by the operator, and that corrective measures are in progress. Past delays in statutory and MSME payments have significantly reduced, with no overdue amounts currently.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly improving financial profile, debt reduction and improving coverage and liquidity indicators with Net debt/Pre-ESOP PBILDT remaining around 3.8x or below on a sustained basis.
- Improving scale of operations and sustained current healthy operating margins, translating in expansion of return on capital employed (RoCE).

Negative factors

- Weakening of operating performance due to lower-than-estimated ARR and/or occupancy resulting in material compression in operating margin on a sustained basis
- Financial risk profile weakens with Net debt/Pre-ESOP PBILDT above 5x on sustained basis

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

Analytical approach: Consolidated
CARE Ratings has taken a consolidated view of the parent (SHL) and its subsidiaries considering significant business, managerial and financial linkages between the parent and the subsidiaries. SHL has also extended support to its subsidiaries, in the form of DSRA shortfall undertaking or corporate guarantee as well as unsecured term loans.
The consolidated list of entities considered are mentioned in Annexure-6 below.

Outlook: Positive
The positive outlook considers CARE Ratings' belief that SHL's credit profile will continue to benefit from the upcycle in the hotel industry, rebranding of existing hotels and additions of new rooms. Sustained improvement in profitability, reduction in interest cost is expected to improve the company's free cash flow further, consequently improving leverage, and supporting overall credit profile. However, outlook may be revised back to stable if the expected improvement in profitability and leverage is not achieved as envisaged over the medium term.

Detailed description of key rating drivers:

Key strengths

Improving operational metrics amidst industry's upward cycle:
SHL reported a healthy growth in the operational performance in FY24, with total operating income (TOI) reaching Rs. 957 crore, a ~30% YoY growth (FY23: Rs. 738.57 crore), driven by sustained demand traction, improved average room rates (ARR), and higher occupancy levels. In 9MFY25, TOI stood at Rs. 811 crore, marking a 20% YoY increase. The company's Pre-ESOP PBILDT margin remained stable at approximately 33.94% in FY24 (FY23: 31.18%) and improved to 37.85% in 9MFY25 (9MFY24: 31.30%). The ESOP cost stood at Rs. 45.9 crore in FY24 and Rs. 13.3 crore in 9MFY25.

As of December 31, 2024, SHL operates 32 hotels with 4,939 keys across three segments: Upper Upscale and Upscale (1,074 keys), Upper Mid-Scale (2,305 keys), and Mid-Scale (1,560 keys). The company has leveraged increasing corporate travel demand, improved pricing strategies, and premium positioning of assets to drive performance witnessed by rising occupancy levels and pricing across all segments around 73-74% along with improvement in ARRs leading to an increase in RevPAR to Rs. 4174 and Rs. 4475 in FY24 and 9MFY25.

In October 2024, SHL acquired Innmar Tourism and Hotels Private Limited for an enterprise value of Rs. 205 crore through internal accruals. The acquisition includes a 142-room operational hotel in Whitefield, Bangalore, along with adjacent land. The hotel will undergo phased renovations for rebranding whilst being operational into a Tribute by Marriott. SHL also plans to develop a 220-key hotel under Marriott's Westin brand on the additional land, with both projects expected to be completed by FY28-29.

Additionally, SHL signed a long-term variable lease agreement for an office building through its wholly owned subsidiary Duet India Hotels (Hyderabad) Private Limited, on November 07, 2024. SHL plans to convert it into a 170-room hotel under Marriott's W brand, marking the brand's debut in Hyderabad. This aligns with SHL's asset-light strategy, leveraging variable lease models to drive cost efficiency.

Going forward, the company's pipeline of organic room additions across its hotels, the new expansion projects, asset-light expansions through management contracts and variable lease models alongside the favourable demand outlook for the hospitality industry supported by rising travel, MICE activities and the demand-supply mismatch across major cities shall support the company's overall performance and ensure sustenance of SHL's growth momentum going forward as well, which is also a key monitorable.

Partnerships with leading global hospitality brands for branding, marketing and operating hotels
SHL is an institutional multi-branded hotel ownership company and has established long-term agreements with international hospitality management firms to operate its properties under globally recognized brands. The company has partnered with Marriott for 'Courtyard by Marriott,' 'Fairfield by Marriott,' 'Four Points by Marriott,' 'Sheraton by Marriott,' and 'Renaissance by Marriott'; with Hyatt for 'Hyatt Place' and 'Hyatt Regency'; and with IHG for 'Holiday Inn Express. These partnerships provide access to established brand standards, marketing networks, and operational expertise.

The 142-room Caspia Delhi hotel is only one hotel in its portfolio which remains unbranded. Additionally, SHL has entered into an agreement with Marriott for the Westin and W brands in the upper upscale segment, as well as the Tribute Portfolio.

PAN-India presence with favourable locations of hotels across regions
SHL's hotel portfolio is spread across key gateway cities in India, including Ahmedabad, Bangalore, Chennai, Coimbatore, Delhi, Goa, Gurgaon, Greater Noida, Hyderabad, Kolkata, Nashik, Pune, Jaipur, and Vizag. More than 90% of its properties are situated in Tier-I cities, positioning the company to benefit from strong corporate and leisure travel demand.

The portfolio is diversified across multiple cities, price segments, and hotel operators, which helps mitigate the impact of market fluctuations in any single location. Additionally, with a presence in major business hubs, SHL is well-placed to capitalize on the demand-supply dynamics of the hospitality sector, supporting a stable outlook for room occupancy in the medium term.

Strong management having extensive experience in the hospitality sector
SHL was founded by Ashish Jakhanwala and Manav Thadani. SHL's management team has strong domain expertise, successful project implementation, management capabilities and long-standing global relationships in the hotel industry. SHL's team has extensive experience in the hotel and real estate industry through their association with internationally renowned companies.

Key weaknesses

Moderated Capital Structure though gradually improving:
SHL's capital structure has historically been highly leveraged and remains at elevated levels, though has been gradually improving with profitability growth and strategic debt refinancing. Following SHL's IPO in FY24, the company reduced its total debt (including lease liabilities and excluding accrued interest on borrowings) from Rs. 2,580 crore as of March 31, 2023, to Rs. 2,123 crore as of March 31, 2024. However, as of December 31, 2024, total debt (including lease liabilities and excluding accrued interest on borrowings) stood at Rs. 2,225 crore, marginally higher than Rs. 2,121 crore in the previous year, reflecting ongoing investments in expansion and asset acquisitions.

The company's debt coverage metrics have improved driven by enhanced operational performance. As of March 31, 2024, Total Debt/PBILDT improved to 8.03x (pre-ESOP: 6.08x) while Net Debt/PBILDT declined to 7.47x (pre-ESOP: 6.08x) from FY23 levels. This positive trend continued in 9MFY25, with Net Debt/PBILDT further reducing to 5.14x (9MFY24: 7.59x) and Net Debt/pre-ESOP PBILDT decreasing to 4.92x (PY: 6.37x), reflecting stronger cash flow generation and improved debt servicing capacity.

During 9MFY25, SHL successfully refinanced multiple loans, resulting in a substantial reduction in finance costs from Rs. 287 crore in 9MFY24 to Rs. 173 crore in 9MFY25. Consequently, the company's interest coverage ratio improved significantly to 1.73x as of December 31, 2024, compared to 0.63x in the prior year.

Going forward, SHL stands to benefit from its long-term loan tenors of 10–12 years, which provide financial stability and mitigate repayment pressures. CARE Ratings understands, with no major incremental debt expected, further reduction in debt and ROI improvement, the credit profile is expected to improve over medium term with reduced leverage.

Positive outlook is on account of expected improvement in profitability and reduced interest cost which is expected to improve the company's free cash flow further, consequently improving leverage, and supporting overall credit profile. However, outlook may be revised back to stable if the expected improvement in profitability and leverage is not achieved as envisaged over the medium term.

Regional movements and competition risk:
Although the risk is largely mitigated owing to diversification in terms of geographies, hotel-operators and hotel-segments and favourable micro locations of the group's assets, going forward the pace of the recovery in the economic cycle and stabilisation of the hotel properties in competitive markets will be critical for the company's financial risk profile.

Vulnerability of revenues due to inherent industry cyclicality, economic cycles and exogenous events:
Operating performance of the properties remains vulnerable to seasonal industry, general economic cycles and exogenous factors (geopolitical crisis, terrorist attacks, and disease outbreaks, among others). Nonetheless, the risk to revenues is partially mitigated by SHL's geographically diversified portfolio in prominent business districts allowing it to withstand any demand vulnerability related to a particular micro-market.

Liquidity: Adequate
SHL's liquidity position is adequate with consolidated cash and bank balance of around Rs. 161.6 crore, inclusive of DSRA balance of ~Rs. 78 crore as on December 31, 2024 and undrawn overdraft lines of over Rs. 95.11 crore as on December 31, 2024. Against this, SHL has scheduled principal repayments of Rs. 127 crore in FY26.

The company had acquired a single hotel property in Bengaluru in October'24 for Rs. 205 crore through internal accruals. The company also sold off its stake in Duet Chennai OMR and the proceeds realised amounting to Rs. 53.5 crore have been utilised to prepay its existing debt in Q4FY25.

CARE Ratings anticipates no incremental debt for SHL's ongoing capital expenditure to the tune of Rs. 150-180 crore annually to be entirely funded by internal accruals. Going forward, the company aims to sustain an adequate liquidity buffer, ensuring financial flexibility to support its expansion initiatives.

Environment, social, and governance (ESG) risks

The ESG profile of SHL supports its credit risk profile. The sector has a moderate environmental and social impact.
Environment: The company is focused on energy and resource conservation measures and has implemented solar water heating and central building automation systems at certain properties and is actively working towards reducing the carbon footprints. It has also set up energy-efficient variable refrigerant flow based air-conditioning units, heat pumps to transfer energy gained in air-conditioning to heat water for showers and kitchens, and motion detection sensors to reduce energy consumption.

Social: The company work closely with hotel operators in establishing the overall human resource policies and establish training and motivational programs for employees at the hotels aimed at promoting employee well-being. Further, the company adopted a corporate social responsibility policy in compliance with the Companies Act, 2013 and has a Corporate Social Responsibility Committee under Section 135 of the Companies Act 2013 in place.

Governance: The company has a sound governance architecture that upholds responsible and ethical conduct. It has a dedicated committee to proactively lead risk management. Further, 50% composition of the Board of Directors is constituted by independent directors.

Applicable criteria

Definition of Default
Consolidation
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hotels & Resorts
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Incorporated on December 28, 2010, SHL is a hotel investment and development company. It was founded by Ashish Jakhanwala and Manav Thadani with focus on ownership of internationally branded hotels in the business segment, across key cities in India. SHL came up with a book-built IPO of listing dated September 22, 2023, on BSE and NSE.

Brief Financials - Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	739	957	811
PBILDT	228	264	299
PAT	-339	-235	40
Overall gearing (times)	-3.86	3.64	3.57
Interest coverage (times)	0.44	0.77	1.73

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE A-; Positive
Fund-based - LT-Term Loan		-	-	31/03/2030	223.32	CARE A-; Positive
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.68	CARE A-; Positive / CARE A2+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	223.32	CARE A-; Positive	-	1)CARE BBB+; Positive (15-Feb-24) 2)CARE BBB (RWD) (17-Apr-23)	1)CARE BBB; Stable (07-Dec-22) 2)CARE BBB; Stable (07-Apr-22)	1)CARE BBB (CW with Negative Implications) (06-Apr-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	0.68	CARE A-; Positive / CARE A2+	-	1)CARE BBB+; Positive / CARE A2 (15-Feb-24) 2)CARE BBB / CARE A3+ (RWD) (17-Apr-23)	1)CARE BBB; Stable / CARE A3+ (07-Dec-22) 2)CARE BBB; Stable / CARE A3+ (07-Apr-22)	1)CARE BBB / CARE A3+ (CW with Negative Implications) (06-Apr-21)
3	Fund-based - LT-Cash Credit	LT	5.00	CARE A-; Positive	-	1)CARE BBB+; Positive (15-Feb-24) 2)CARE BBB (RWD) (17-Apr-23)	1)CARE BBB; Stable (07-Dec-22) 2)CARE BBB; Stable (07-Apr-22)	1)CARE BBB (CW with Negative Implications) (06-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of 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-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of Consolidation	Rationale for consolidation
1.	SAMHI Hotels (Ahmedabad) Private Ltd	Full	Wholly owned subsidiaries
2.	CASPIA Hotels Private Limited	Full	
3.	SAMHI Hotels (Gurgaon) Private Ltd	Full	
4.	SAMHI JV Business Hotels Private Ltd	Full	
5.	Barque Hotels Private Limited	Full	
6.	Paulmech Hospitality Private Limited	Full	
7.	Ascent Hotels Private Limited	Full	
8.	Argon Hotels Private Limited (Before as Xenon)	Full	
9.	Duet Hotels (Pune) Pvt. Ltd.	Full	
10.	Duet Hotels (Hyderabad) Pvt. Ltd.	Full	
11.	Duet Hotels (Ahmedabad) Pvt. Ltd.	Full	
12.	Duet Hotels (Jaipur) Pvt. Ltd.	Full	
13.	Duet Hotels (Chennai OMR) Pvt. Ltd. (Till February 2025)	Full	
14.	Duet Hotels (Chennai) Pvt. Ltd.	Full	
15.	Duet Hotels (Bangalore) Pvt. Ltd.	Full	
16.	Duet Hotels (Navi Mumbai) Pvt. Ltd.	Full	
17.	ACIC Advisory Pvt. Ltd.	Full	
18.	Innmar Tourism and Hotels Private Limited	Full	

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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