Samhi JV Business Hotels Private Limited

May 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	299.70	CARE A- (RWP)	Placed on Rating Watch with Positive Implications
Long Term / Short Term Bank Facilities	40.00	CARE A- / CARE A2+ (RWP)	Placed on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed the ratings assigned to the bank facilities of SAMHI JV Business Hotels Private Limited (SJV) on 'Rating Watch with Positive Implications' following the recent announcement done by the parent company, SAMHI Hotels Limited (SHL) on stock exchange. This development follows SHL's board meeting, where the company approved entering into definitive agreements with Reco Bellflower Private Limited, an affiliate of GIC Pte. Ltd. (GIC) involving three wholly-owned subsidiaries—Ascent Hotels Private Limited, SAMHI JV Business Hotels Private Limited, and Innmar Tourism and Hotels Private Limited (collectively, the "Target Companies").

As part of the proposed transaction, the GIC will subscribe to equity instruments in one or more tranches to acquire a 35% equity stake in Ascent Hotels Private Limited and Innmar Tourism and Hotels Private Limited through primary purchase; and SAMHI JV Business Hotels Private Limited through primary and secondary purchase with SHL retaining the controlling interest in these three subsidiaries. Of the total investment, around Rs. 580 crore will be utilized for debt reduction across the SAMHI Group, Rs. 149 crore will be allocated toward capital expenditure for the Westin-Tribute dual-branded hotel in Whitefield, Bengaluru over the next two years, and the balance will cover transaction-related expenses. As a result, significant deleveraging is expected in the near to medium term, with a potential improvement in debt coverage metrics.

In light of the proposed equity infusion and strategic partnership with GIC, CARE Ratings has placed the on 'Rating Watch with Positive Implications' (RWP). The placement on RWP reflects CARE Ratings' view that the transaction, upon successful completion, is expected to materially strengthen SHL's financial risk profile through deleveraging and enhanced liquidity. The anticipated reduction in consolidated debt, coupled with infusion of growth capital and retention of strategic control and economic interest by SHL, may positively impact key credit metrics, including the net debt/PBILDT ratio.

CARE Ratings will continue to closely monitor the progress of the transaction, including the timely completion of the proposed equity infusion, application of funds toward debt reduction and capex, and the resultant improvement in financial metrics.

CARE Ratings Limited (CARE Ratings) has considered the combined financials of SAMHI JV Business Hotels Private Limited (SJV), Argon Hotels Private Limited (AHPL) and Barque Hotels Private Limited (BHPL) on account of strong operational and management linkages between all the companies owing to same management team and same line of service, referred as "Combined Portfolio" below. Also, there is cash flow fungibility among these three entities. Further in the rating assessment strong operational and financial linkages with the parent entity; Samhi Hotels Limited is also factored in.

The ratings upgrade factor in the strong financial, management and operational linkages with the parent entity Samhi Hotels Ltd and overall improvement of SHL's (parent entity) business risk profile. The ratings assigned to the bank facilities of SJV has considered the improvement in the combined portfolio's operational performance reflected through healthy revenue growth and expansion in the operating profitability during FY24 (refers to period from April 01 to March 31) and 9MFY25 (refers to period from April 01 to December 31). The ratings also draw comfort from the tie-up with Mariott Hotels, Hyatt Hotels and IHG for branding, marketing and operating the hotel properties. The ratings also factor in the sequential improvement in leverage and coverage ratios post IPO at the consolidated level of parent 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 from 10.04x as of March 31, 2023 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.

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

CARE Ratings expects parent, SHL's operating performance to remain stable over the medium term, supported by its established market presence and cost-efficiency measures. Additionally, long-term partnerships with renowned international hotel brands for branding, marketing, and operational management, along with ongoing capital recycling efforts, provide further financial resilience.

SJV's ratings also reflect the strategic importance of the combined portfolio to SHL as well as its strong management. Ratings also consider combined portfolio's operational and financial linkages with SHL besides the demonstrated support it has received from SHL in the past, which is expected to continue going forward. SHL has also extended a corporate guarantee to the combined portfolio.

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.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improved operational and coverage metrics.
- Improving credit profile of the parent entity, SHL.

Negative factors

- Weakening in financial and operational metrics leading to continued negative cash accruals on sustained basis or any un-envisaged capex.
- Significant change in extended support or deterioration in parent's credit profile.

Analytical approach: Combined

CARE Ratings has considered a combined view on SJV, AHPL and BHPL. These are combined due to common management team, strong operational linkages and operating under a common brand. Ratings also derive comfort from the parent entity and factoring strong operational, management and financial linages from parent company SHL. Previously, SHL extended a corporate guarantee to the combined portfolio.

Outlook: Not Applicable

Detailed description of key rating drivers:

Key strengths

Improving operational metrics amidst industry's upward cycle:

The three entities on a combined basis reported notable improvements witnessed by the ARR (combined average) surging to Rs. around Rs. 5556 in FY24 and around Rs. 5750 in 9MFY25, while the occupancy (combined average) rates have steadily improved from a low of 24% in FY21 to 76% in FY24 and remained stable at 71% in 9MFY25 period given that the industry's strongest half is yet to come. The combined total income improved substantially in FY23 at Rs. 325.13 crore and improved by 12.14% in FY24 to Rs. 364.59 crore. In 9MFY25, the TOI witnessed a Y-o-Y growth of 8% to Rs. 286.46 crore while the profitability remains strong and has improved Y-o-Y.

Parent, 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.

Strategic importance to SHL with DSRA shortfall undertaking provided by the parent entity and strong operational linkages with the parent
The combined portfolio's revenue contributed 38% and 35% to SHL's revenue at consolidated level in FY24 and 9MFY25 respectively. As a subsidiary of SHL, the combined portfolio is strategically important for SHL to maintain its presence in its key markets. Operationally, all three entities are well integrated with SHL, with common business relationships, shared resources such as marketing and finance functions, etc., being centrally managed. Earlier, SHL had also provided corporate guarantee to the combined portfolio and intends to extend any kind of support it may require in the future for its expansion and /operational purposes. CARE Ratings believes SJV would remain strategically and operationally integral to SHL's growth plans. SHL has also provided unsecured loans to the combined portfolio and these entities shall continue to receive support from the parent entity as and when required as articulated by the management and demonstrated in past. These loans from Parent have no fixed repayment schedule.

Tie-up with reputed global brands such as Mariott, Hyatt and IHG:
The company benefits from diversification across cities, price-points and hotel operators, which reduces the impact of market volatility in any of the key markets. SJV has entered into management contracts with Marriott Hotels for operating, marketing and royalty of the two hotels. While AHPL & BHPL are operating under Fairfield by Marriott and Holiday Inn Express respectively.

Key weaknesses

Moderated Capital Structure though gradually improving:
At a combined portfolio net worth has eroded completely. Total external debt outstanding (including lease liabilities) as on March 31, 2023, from Rs. 865 crore to Rs. 684 crore as on March 31, 2024 and stood at Rs. 659.13 crore as on December 31, 2024, (against Rs. 694.96 crore as on December 31, 2023). SHL has also provided unsecured loans and shall continue to receive support from the parent entity as and when required as articulated by the management and demonstrated in past. These loans from parent do not carry any interest rate and have no fixed repayment schedule.

At the parent's level, 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 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, disease outbreaks, etc.). 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

The combined portfolio has adequate liquidity marked by negative working capital cycle and moderate cash and bank balance of Rs. 41 crore inclusive of the DSRA balance of Rs. 29 crore as on December 31, 2024. Against this, repayments due in FY26 is Rs. 21 crore at the combined level. Further, the liquidity is aided with demonstrated track record of support from the holding company-SHL.

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.

Applicable criteria

Definition of Default
Consolidation and Combined Approach
Factoring Linkages Parent Sub JV Group
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 February 15, 2011, SAMHI JV Business Hotels Private Limited (SJV) was converted into a joint venture between SHL and Luxury Singapore Holding Company Pte. Limited with SHL having 67% shareholding. In August 2018, SHL acquired remaining 33% in SJV, pursuant to which SJV became wholly owned subsidiary of SHL. SAMHI JV currently owns the Fairfield by Marriott Bangalore Outer Ring Road with 170 keys and Courtyard by Marriott Bangalore Outer Ring Road with 166 keys.

Brief Financials – Combined* (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	325.13	364.59	287.00
PBILDT	108.90	120.31	NA
PAT	-161.41	6.35	
Overall gearing (times)	NM	NM	
Interest coverage (times)	0.24	0.86	

*Note: CARE Ratings has considered a combined view on SJV, AHPL and BHPL and hence the above table demonstrates the combined financials of the three entities. These are combined due to common management team, strong financial and operational linkages under the umbrella of parent SHL.

A: Audited UA: Unaudited; Note: these are latest available financial results, NA: Not Available

About the Parent – SAMHI Hotels Limited

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-Term Loan		-	-	31/03/2027	299.70	CARE A- (RWP)
Fund-based - LT/ ST-Bank Overdraft		-	-	-	40.00	CARE A- / CARE A2+ (RWP)

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	299.70	CARE A- (RWP)	1)CARE A-; Positive (03-Apr-25)	1)CARE BBB+; Positive (01-Apr-24)	-	-
2	Fund-based - LT/ ST-Bank Overdraft	LT/ST	40.00	CARE A- / CARE A2+ (RWP)	1)CARE A-; Positive / CARE A2+ (03-Apr-25)	1)CARE BBB+; Positive / CARE A2 (01-Apr-24)	-	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Bank Overdraft	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.	Barque Hotels Hotels Private Ltd	Full	Operational and financial linkages
2.	Argon Hotels Private Limited (Before as Xenon)	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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