

FEBRUARY 06, 2015

CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF SAMHI HOTELS PRIVATE LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	63.60	CARE BBB (Triple B)	Revised from CARE BB+ (Double B Plus)

Rating Rationale

The revision in the rating of SAMHI Hotels Private Limited (SHPL) factors in the infusion of funds by International Finance Corporation (IFC) and stabilization of the operations of SHPL's Bangalore hotel.

The rating continues to factor in the promoters' experience in the hospitality space, professional and qualified management team, strategic investments from established PE firms and tie-up with established international brands for branding, marketing and operating hotel properties.

The rating is however constrained by the presence of significant portion of the group's room inventory in the development stage or nascent stage of operations leading to funding as well as execution risk, expected dependence on the parent for interest servicing and principal repayment of the group's projects in the medium term and oversupply situations in various markets in India owing to challenging economic scenario and huge supply additions. SHPL also faces significant competition risk in the budget hotel segment.

Going forward, the ability of the company to achieve desired occupancy levels and average room rents (ARRs) under the current environment and the completion of the group's ongoing projects within envisaged cost and timeline are the key rating sensitivities.

Background

Incorporated on December 28, 2010, SHPL is a hotel investment and development company. SHPL was founded by Mr Steve Rushmore, Mr Ashish Jakhanwala and Mr Manav Thadani with focus on ownership of internationally branded hotels in the business segment, across key cities in the Indian sub-continent.

SHPL owns a four star hotel property under the brand name "Fairfield by Marriott" (148 key) located at Rajajinagar, Bengaluru. The hotel started commercial operations in October 2013, ahead of its envisaged COD (April, 2014). SHPL is also developing a hotel property in Chennai under the brand "Fairfield by Marriott".

SHPL through several acquisitions under its various subsidiaries has developed a portfolio of over 3,700 rooms across 25 properties in 11 Indian cities under international brands such as Courtyard by Marriott, Hyatt Place, Fairfield by Marriott, Four Points by Sheraton (Starwood Hotels) and Formule1 (Accor Hotels), of which nine hotels are operational and the rest are in various stages of development.

In FY14 (refers to the period April 01 to March 31), SHPL had achieved total operating income of Rs.18.15 crore (Rs.5.29 crore in FY13) and PAT of Rs.0.47 crore (Rs.1.08 crore in FY13).

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

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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