

SAMHI JV Business Hotels Private Limited

Instrument	Amount	Rating Action
	Rs. crore	March 2016
Term Loans	186	[ICRA]BBB- (stable); reaffirmed
Non-fund-based Limits	15	[ICRA]A3; reaffirmed

ICRA has reaffirmed the rating assigned to Rs. 186.00 crore¹ term loans of SAMHI JV Business Hotels Private Limited (SJVPL)² at **[ICRA] BBB-** (pronounced ICRA Triple B minus). The rating carries a **stable** outlook. ICRA has also reaffirmed the rating assigned to Rs. 15 crore non-fund-based limits of SJVPL at **[ICRA]A3** (pronounced ICRA A three).

The reaffirmation takes into account completion of the hotel 13 months ahead of scheduled commercial operations date (SCOD) and encouraging performance of the hotel in the first three months of operations on the back of healthy demand from IT companies located in its immediate vicinity.

The ratings continue to draw comfort from SJVPL's experienced management team, its large and reputed institutional investors, and its tie-up with Marriott Group to develop and operate business hotels in India. Marriott holds 33% stake in SJVPL and SAMHI Hotels Private Limited (SHPL; rated BBB by ICRA), is the majority shareholder with 67% stake. The agreement with Marriott Group provides capital as well as access to Marriott's strong brand, its best practices, its established client base and its global reservation system. SJVPL has developed a 336 room combo hotel property on Outer Ring Road in Bangalore (Karnataka), of which 166 rooms are being developed under the brand *Fairfield by Marriott* and 170 under *Courtyard by Marriott*. The project got completed in December 2015 against its SCOD of December 2016, which reflects positively on the company's project management capabilities. The rating further draws comfort from favourable location of the company's hotel, which is in close proximity to large IT and ITES space at Outer Ring Road (ORR) in Bangalore (Karnataka).

The rating is, however, constrained by SJVPL's leverage (60% of the project cost is funded through debt) which will lead to large outflows towards debt servicing & repayment and consequently may put pressure on cash flows, at least till the ramp-up of occupancies and ARR. In case of any cash shortfall, adequate and timely infusion by the parent {SAMHI Hotels Private Limited (SHPL), rated BBB by ICRA} becomes critical. The rating is also constrained by inherently high operating leverage of the hospitality industry which increases the reliance on remunerative Revpars to sustain profitability, cyclical nature of revenue generation owing to economic or seasonal cycles.

Going forward, stabilization of the operations coupled with timely and adequate infusions by the parent, if and when required, will remain key rating sensitivities.

Company Profile

SAMHI JV Business Hotels Private Limited (SAMHI JV) is a company incorporated by SAMHI Hotels Pvt. Ltd., (67%) & Marriott Group through Luxury Singapore Holding Company Pte Ltd., (33%) for the purpose of developing a 336 room combo hotel -170 room upscale Hotel under the brand 'Courtyard by Marriott' and 166 room budget Hotel under the brand 'Fairfield by Marriott' at Outer Ring Road (ORR), Bengaluru, Karnataka. The hotel's scheduled commence operations date (SCOD) is December 2016; however, it started operations in December 2015. SJVPL is 67% subsidiary of SAMHI Hotels Pvt Ltd (SHPL) which owns multiple properties across India. SHPL, incorporated in December 2010, was founded by Mr. Ashish Jakhawala and Mr. Manav Thadani. SAMHI is sponsored by reputed institutional investors including Equity International, GTI Capital Group, International Finance Corporation (IFC) and Goldman Sachs. On a consolidated basis, SHPL has a portfolio of ~3,900 rooms across 25 properties under international brands such as Sheraton, Courtyard Marriott, Hyatt Place, Hyatt regency, Four Points Sheraton, Fairfield Marriott, and Formule1. Of these, 16 hotels are operational and the rest are in various stages of development.

March 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating definition please refer to ICRA website www.icra.in or any of the ICRA Rating Publications



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