

SAMHI Hotels (Gurgaon) Private Limited

Instrument	Amount	Rating Action
	In Rs. Crore	July 2016
Term Loans	125 (enhanced from 110)	[ICRA]BBB- (stable); assigned

ICRA has assigned **[ICRA] BBB-** (pronounced ICRA Triple B minus) rating to Rs. 125.00 crore¹ (enhanced from Rs. 110 crore) bank limits of SAMHI Hotels (Gurgaon) Private Limited (SGPL)². The rating carries a **stable** outlook.

The rating draws comfort from SGPL's experienced management team, its large and reputed institutional investors, and its tie-up with Hyatt Group to develop and operate a 176 key hotel in Gurgaon (Haryana). The agreement with Hyatt Group provides strong brand recognition and offers SGPL access to Hyatt's best practices, established client base and its global reservation system. The rating also takes into account favorable debt terms with ballooning repayment & comfortable moratorium period, which is likely to limit pressure on company's cash flows over the short to medium term. The rating further draws comfort from favourable location of the company's hotel in city of Gurgaon (Haryana), with proximity to large commercial and industrial areas such as Udyog Vihar, DLF Cyber City, Iffco Chowk and National Highway-8.

The rating is however constrained by delay in receiving approvals for certain facilities which adversely impacted the pricing and occupancy of the property in FY2016. This, together with the increase in debt from Rs. 110 crore to Rs. 125 crore, is likely to increase the financial support required for the property during stabilization phase. Further, part of the new loan of the company is in foreign currency and the un-hedged portion of the foreign currency loan exposes the company to exchange rate risks. In FY2016, low RevPARs (as hotel is in ramp-up phase), increase in debt and loss on account of adverse exchange movement led to net losses of Rs. 18.16 crore (provisional) on turnover of Rs. 20.87 crore (provisional).

ICRA also notes that Hyatt Place is a relatively new hotel brand in India and its acceptability and suitability for the Indian market is yet to be demonstrated. The rating is also constrained by inherently high operating leverage of the hospitality industry which increases the reliance on remunerative Revpars to sustain profitability, and cyclical nature of revenue generation owing to economic or seasonal cycles. In case of any cash shortfall, adequate and timely infusion by the parent (SAMHI Hotels Private Limited, rated BBB by ICRA) becomes critical.

Going forward, movement in operating metrics of the hotel coupled with timely and adequate infusions by the parent, as and when required, will remain key rating sensitivities.

Company Profile

SAMHI Hotels (Gurgaon) Private Limited (SGPL), incorporated in 2006, has developed an upscale hotel, Hyatt Place, on Old Delhi-Gurgaon road in Udyog Vihar in Gurgaon (Haryana). The hotel has 176 rooms and commenced operations in November 2014. SGPL is a subsidiary of SAMHI Hotels Private Limited (SHPL).

SHPL, incorporated in December 2010, was founded by Mr. Ashish Jakhanwala and Mr. Manav Thadani. SHPL is sponsored by institutional investors including Equity International, GTI Capital Group, International Finance Corporation (IFC) and Goldman Sachs. SHPL owns an operational midscale hotel property under the brand name "Fairfield by Marriott" (148 key) located at Rajajinagar, Bengaluru. The hotel commenced operations in October 2013. In addition, SHPL owns an under-construction property, Fairfield Marriott at Sriperumbudur (Chennai). The hotel will have 150 rooms and is likely to be operational in FY2019. Through various joint ventures and subsidiaries, SHPL has a portfolio of over 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.

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

Recent results

SAMHI Hotels (Gurgaon) Private Limited (SGPL) reported operating income of Rs. 5.59 crore & net loss of Rs. 7.28 crore in FY2015 and operating income of Rs. 20.87 crore (provisional) & net loss of Rs. 18.16 (provisional) crore in FY2016.

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