

## Rating Rationale

Shree Naman Hotels Private Limited

19<sup>th</sup> June 2017

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 486.88 Cr of Shree Naman Hotels Private Limited**

### Particulars

| Facility Rated        | Amount (Rs. Crs) |               | Tenure  | Rating *   |  |
|-----------------------|------------------|---------------|---|--|--|
|                       | Previous         | Present       |   | Previous   | Present  |
| <b>Fund Based</b>     | <b>399.99</b>    | <b>376.88</b> | <b>Long Term</b>  | <b>BWR BBB-</b><br>(Pronounced as BWR Triple B Minus)<br>Outlook: Stable | <b>BWR BBB-</b><br>(Pronounced as BWR Triple B Minus)<br>Outlook: Stable<br><b>Reaffirmation</b> |
| <b>Non-Fund Based</b> | <b>140.00</b>    | <b>110.00</b> | <b>Short Term</b>   | <b>BWR A3</b><br>(Pronounced as BWR A Three)                             | <b>BWR A3</b><br>(Pronounced as BWR A Three)<br><b>Reaffirmation</b>                             |
| <b>Total</b>          | <b>539.99</b>    | <b>486.88</b> | <b>INR Four hundred &amp; eighty six crores and eighty eight lakhs only</b> |  |  |

^ Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings

### Ratings Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY14 – FY16, FY17 provisional financial statement, projected financial results of FY18 – FY19 and publicly available information and information/clarification provided by the company's management.

The ratings have, inter alia, factored long track record of the Group and experienced promoters in construction and hospitality industry; association with the international brand, Accor, S.A., for their leading hotel brand 'Sofitel'; strategic location in the suburban business district of Mumbai (BKC) and domestic airport. BWR also factored moderate improvement in the operational aspect and financial risk profile of the company in FY 17.

The rating is however constraint, by competition from presence of established hotels in the vicinity; weak financial risk profile observed in FY16 however, the financial risk profile has improved in FY17 with cash



profit. It is also reserved on account of vulnerability to general industry risks - cyclical, general economic slowdown and other concerns.

Going forward, sustaining the growth in the revenue coupled with improvement in the profitability, debt coverage would be the key rating sensitivities.

### **Rating Outlook: Stable**

BWR believes the **Shree Naman Hotels Private Limited's** business risk profile will be **Stable** over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' or 'Positive' in case the revenues and profit show improvement/deterioration.

### **About the Company**

SNHPL is a joint venture between Shree Naman Developers Pvt. Ltd. (SNDPL – 60.10%) and Accor Group of France (39.90%), for setting up a 302 room 5 star luxury hotel at Bandra Kurla Complex (BKC) in Mumbai. The hotel is being operated by Accor under its '*Sofitel*' brand and is Accor's flagship project in India under this brand. Accor has around 120 hotels globally under the premium '*Sofitel*' brand. The Sofitel brand relies on its French origins to create ambiance, elegance, and sophistication in all aspects of its service.

The Board includes representatives from both promoters and is supported by experienced management team. The board comprises of Mr. Jayesh Shah, Mrs. Suchita Shah and Mrs. Preeti Shah from the Naman group and Mr. Rajat Roy from the Accor group.

### **Company Financial Performance**

The net sales have increased by ~10% in FY16 and stood at Rs. 124.45 Cr, with a net loss of Rs. 77.93 Cr as against Rs. 111.14 Cr of net sales and net loss of Rs. 65.11 Cr in FY15. The OPM stood at 13.63% in FY16. The quantum of loss has increased in FY16, majorly on account of few extra ordinary expenses. However, as per the provisional FY17, SNHPL has achieved net revenue of Rs. 133.16 Cr with a decreased net loss of Rs. 18.00 Cr.

NHPL has infused capital of Rs. 30.20 Cr at a premium in FY16 and the TNW stood at negative Rs. 73.53 Cr vis-à-vis negative Rs. 25.12 Cr in FY15. However, considering the interest free USL of Rs. 309.33 Cr, the TNW improves further with an adjusted gearing ratio of 1.60X in FY16. Subsequently, in May 2017, the company has converted ~340 Cr of USL into equity and Rs. 15 Cr in preference shares which will be reflected in FY18, converting TNW into positive. The liquidity position and the debt coverage metrics remained flat in FY16 & 17 and considerably modest.

**Rating History for the last three years (including withdrawn/suspended ratings)**

| Sl. No. | Instrument/Facility              | Current Rating (Year 2017) |               |                                    | Rating History             |      |                           |
|---------|----------------------------------|----------------------------|---------------|------------------------------------|----------------------------|------|---------------------------|
|         |                                  | Type                       | Amount        | Rating                             | 18 <sup>th</sup> Feb 2016, | 2015 | 26 <sup>th</sup> May 2014 |
| 1       | Term Loan                        | Long Term                  | Rs. 376.88 Cr | BWR BBB- (Outlook: Stable)         | BWR BBB- (Stable)          | NA   | BWR BBB- (Stable)         |
| 2       | Bank Guarantee/ Letter of Credit | Short Term                 | Rs. 110.00 Cr | BWR A3 (Pronounced as BWR A Three) | BWR A3                     | NA   | BWR A3                    |

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.