

July 20, 2010

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF SAHARA HOSPITALITY LTD.

Rating Assigned

Facilities/Instruments	Amount (Rs. crore)	Rating¹	Remarks
Long-term Bank Facilities	469.11	'CARE BBB' [Triple B]	Reaffirmed
Short-term Bank Facilities	20.00	'PR3' [PR Three]	Reaffirmed
Total Facilities	489.11		

Rating Rationale

The ratings continue to derive strength from the strong parentage of the company, locational advantage of the hotel with close proximity to Mumbai airport and to new commercial business districts of North Mumbai, affiliation with World Hotels under their deluxe category and the increase in operating margins in FY2008-09.

The ratings are, however, constrained by the modest cash flows considering slowdown in the hospitality sector due to global economic recession, project risk associated with debt-funded expansion plans and inherent cyclicity of the hotel industry.

The ability of SHL to achieve higher level of revenue per available room (RevPAR) from the existing operations and execute the expansion project as per schedule is the key rating sensitivity.

Company Profile

SHL is a 100% subsidiary of one of the Sahara Group companies i.e. Sahara Prime City Limited (SPCL). SHL purchased the erstwhile 'Centaur Hotel' near Mumbai domestic airport in FY03. The name of the hotel was subsequently changed to 'Sahara Star Hotel'. SHL operates Sahara Star Hotel with an inventory of 223 rooms and enjoys locational advantage as it is located in the vicinity of the Mumbai airport. SPCL, the real estate company of Sahara Group, has developed residential projects which include townships, premium group housing projects, hospitals hotels etc. SHL has reported a total income of Rs.109.71 crore in FY09 when compared to Rs.86.64 crore in FY08. In FY09, the PBILDT and PAT margins were 35.03% and 3.96% respectively.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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

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