

August 26, 2010

**CARE HAS REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF
GUJARAT JHM HOTELS LTD****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	68.26 (Enhanced from Rs. 26.26 crore)	'CARE BBB' (Triple B)	Reaffirmed
Short-term Bank Facilities	2.00	'PR3+' (PR Three Plus)	Reaffirmed
Total Facilities	70.26		

Rating Rationale

The ratings continue to take into account GJHM's established operations as an owner of a five star hotel at Surat which is being operated by Indian Hotels Co. Ltd and the strong promoter background of JHM group, USA. The ratings are, however, constrained by relatively small size of operations with a single property causing revenue concentration risk and its moderate financial risk profile. The ratings are also constrained by the risk associated with the new project which is largely debt funded and expected increase in competition with upcoming hospitality projects by other players in the city. Company's ability to complete the project without any time or cost overrun along with improvement in financial risk profile by maintaining profitability and improving network base is the key rating sensitivity.

Company Profile

Incorporated in 1985, GJHM was promoted by Rama family of JHM Group, USA. The group operates multi-brand hotel chain at key destinations in USA since 1973. GJHM owns a 206-room five star hotel including two restaurants and five banqueting facilities at Surat, Gujarat. Presently, operations are managed by IHCL under 'The Gateway Hotel' on management contract.

Hotel was operated at moderate occupancy level with improvement in Average Room Rate (ARR) over a period of last five years. GJHM renovated entrance lounge, lobby area, room interior of hotel and also added 76 rooms which became fully operational in FY09. For FY10, Hotel was operated at moderate occupancy level. Room revenue contributed 49% of the total income followed by food & beverages income which remained at around 37% for FY10. Over the years, GJHM has set up windmills with an installed power generation capacity of 8.80 MW.

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

As per the provisional result for FY10, GJHM reported operating income of Rs.38.56 crore with PAT of Rs.2.47 crore, against the total income of Rs.36.36 crore and net loss of Rs.0.32 crore in FY09 (Audited).

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CARE has 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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