

## Rajasthan Fort and Palace Private Limited

March 20, 2023

| Facilities/Instruments     | Amount (₹ crore)              | Rating <sup>1</sup> | Rating Action |
|----------------------------|-------------------------------|---------------------|---------------|
| Long Term Bank Facilities  | 15.73<br>(Reduced from 27.47) | CARE BB+; Stable    | Reaffirmed    |
| Short Term Bank Facilities | 6.00                          | CARE A4+            | Reaffirmed    |
| Short Term Bank Facilities | 5.00                          | CARE A4+            | Reaffirmed    |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings to the bank facilities of Rajasthan Fort and Palace Private Limited (RFPPL) factors in modest scale of operations, inherent industry risk of cyclicity/seasonality and competition associated with the hotel industry. The ratings are further constrained on account of exposure to group companies.

These ratings however, derive strength from experienced management, healthy PBILDT margins, strategic location of hotel and moderate financial risk profile.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in TOI coupled with sustained PBILDT margins resulting in total debt to gross cash accruals (TDGCA) of below 1.5x on sustained basis
- Sustained capital structure with overall gearing ratio below unity

#### Negative factors

- Decline in TOI by more than 30% from envisaged level and PBILDT margin going below 25% on sustained basis
- Any un-envisaged increase in debt resulting in deterioration of overall gearing ratio above 2.5x
- Any further significant increase in exposure to group entities

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the RFPPL shall sustain its operational metrics and financial risk profile over the medium term.

### Key weaknesses

#### Modest scale of operations

At present, RFPPL has one operational hotel in Jaisalmer, Rajasthan with total 84 keys representing a modest scale of operations. The revenue of the company increased in FY22 (refers to period April 1 to March 31) to Rs.51.18 crore from Rs.22.78 crore in FY21. Further, on the back of improved average room rate (ARR) and stable occupancy due to increased domestic tourism and business travel activity, RFPPL is likely to achieve substantial growth in TOI in FY23. The scale of operations, however, remains modest and sustainability of recent performance remains to be seen, given cyclicity and seasonality associated with hotel business.

#### Inherent industry risk of cyclicity/seasonality

The company is exposed to the changes in the macro-economic factors, industrial growth, and tourist arrival growth in India, international and domestic demand supply scenarios, competition in the industry, government policies and regulations and other socio-economic factors, which leads to inherent cyclicity in the hospitality industry. These risks can impact the occupancy rate of the company and, thereby, the company's profitability. The hospitality sector also has an inherent feature of cyclicity where first part of the fiscal is low compared to the second half driven by weddings, festivals and lean period in hospital sector.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Exposure to group companies**

During FY19, the company had acquired 75% stake in USA based Capital Hotel Investment Group Inc. with total investment of Rs.5.17 crore for foraying in hospitality business in USA. However, in FY22, the same was disinvested. The company has extended loans and advances of Rs.3 crore in FY22 to its group entity. Any higher-than-expected loans and advances to group entities may remain strain the liquidity and will remain key monitorable.

**Competition from existing hotels in Jaisalmer**

The Indian hotel industry is highly fragmented and region specific in nature with presence of large number of organized and unorganized players spread across all regions. Leisure destinations like Jaisalmer are highly dependent on tourist arrivals and it receives a mix of domestic as well as foreign tourists during the season. Further, Jaisalmer, where the property of the company is situated, has many heritage hotel properties, one small branded and two non-branded luxury properties.

**Exposure to risk related to ongoing capex**

The company is expected to enter into lease deed for 90 years with Madhya Pradesh Tourism Board for development of Mahendra Bhawan, Panna. The cost of the same is expected to be around Rs.30-32 crore which is expected to be funded through internal accruals or unsecured loans from promoters. Any cost or time overruns and funding of the project will remain key monitorable over the medium term.

**Key strengths****Experienced management and diversified areas of operations for the MRS group**

Mr Meghraj Singh Shekhawat (key promoter) has around three decades of experience in the hospitality industry marked by his stints with Taj Group and other hotels in Gulf countries. The promoters are assisted by Mr Peter Dessa (director), who has more than 40 years of experience in the hospitality industry and supports promoters in strategic decision making for the company. Mr Manvendra Singh Shekhawat has more than a decade's experience in this industry. Suryagarh Hotel was conceptualized by him and the whole project was executed under his guidance. The group also operates two heritage hotels namely Laxmi Niwas Palace and Narendra Bhawan, in Bikaner Rajasthan. RFPPL is part of MRS group which has varied interests ranging from hospitality, sand excavation, toll collection and royalty collection through its group concerns.

**Healthy PBILDT margins**

The company's PBILDT margins improved to 43.24% in FY22 from 30.76% in FY21 on account of ramp up in scale and cost cutting measures undertaken by management. The margins however, moderated to 35.67% in 9MFY23 (refers to period April 1 to December 31) on account of increased fixed cost. The margins for FY23 are estimated to be around pre-COVID level and remain healthy over the medium term.

**Strategic location of the hotel**

The hotel Suryagarh is located en-route to the sand dunes of Sam, 15 kms from the town of Jaisalmer. Furthermore, tourist attractions like the famous Sonar Quila (Jaisalmer Fort) are located near the hotel site. The site is also located at two hour's drive from Barmer region where a petroleum refinery complex is proposed to come up. Most of the demand for the hotel comes from the tourists visiting Jaisalmer, customers seeking destination wedding as well as film shooting fraternity.

**Moderate financial risk profile**

The overall gearing ratio improved to 0.56x as on March 31, 2022 from 1.52x as on March 31, 2021 supported by reduction in debt level on the back of steady accretion to reserves. The overall gearing is expected to remain comfortable over the medium term in the absence of any large debt-funded capex.

Interest coverage ratio improved to 8.11x in FY22 from 2.37x in FY21. The same is likely to remain healthy over the medium term. The total debt to gross cash accruals (TDGCA) improved to 1.21x in FY22 from 10.09x in FY21. The same is expected to remain comfortable over the medium term and the sustenance of the same remains key monitorable.

## Liquidity: Adequate

The liquidity of the company remains adequate marked by generation of healthy gross cash accruals of Rs.14-15 crore against repayment obligation of Rs.2.7-3.2 crore over the medium term. The average of max monthly utilisation remained at 96% for the past 12 months through February 2023. Sizeable portion of RFPPL internal accruals is likely to be committed towards planned capex, which could impact overall liquidity and is a key monitorable.

**Environment, social and governance (ESG) risks:** Not applicable

## Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry Classification

| Macro Economic Indicator | Sector            | Industry         | Basic Industry   |
|--------------------------|-------------------|------------------|------------------|
| Consumer Discretionary   | Consumer Services | Leisure Services | Hotels & Resorts |

Rajasthan Fort and Palace Private Limited (RFPPL), based out of Jaipur (Rajasthan), was incorporated in September 2004 by Mr. Meghraj Singh Shekhawat along with his family members. RFPPL was incorporated with a purpose to construct luxury boutique hotel in Jaisalmer, Rajasthan. The hotel is constructed on 2.35 lakh sqft (1sf) area and it is operating the hotel under the name of "Suryagarh". Currently, it has 84 rooms offering 8 types of rooms differentiated by areas spanning from 350 Sq. Ft. to 2749 Sq. Ft. Further, it provides amenities like swimming pool, gym, spa, game zones, conference room, meditation rooms and restaurants. RFPPL is a part of the Meghraj Singh Shekhawat (MRS) Group. The group has varied interests ranging from hospitality, sand excavation, toll collection and royalty collection through its group concerns. Group concerns include Shiva Corporation India Limited (rated CARE BBB; Stable/CARE A3+), Shivpuja Construction Private Limited, Golden Triangle Fort and Palace Private Limited, Dev Dashrath Mining & Tolls LLP, Kuberkamna Marbles Pvt. Ltd. Ridhi Sidhi Housing Private Limited (rated: CARE BB+; Stable/CARE A4+) and Gorbandh Marbles Private Limited.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | 9MFY23 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income     | 22.78              | 51.18              | 36.93       |
| PBILDT                     | 7.01               | 22.13              | 13.10       |
| PAT                        | 1.53               | 13.41              | NA          |
| Overall gearing (times)    | 1.52               | 0.56               | NA          |
| Interest coverage (times)  | 2.37               | 8.11               | 9.49        |

A: Audited; UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA: Nil**

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

| Name of the Instrument             | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|------------------------------------|------|------------------|-----------------|---------------|-----------------------------|---|
| Fund-based - LT-Bank Overdraft     |      | -                | -               | -             | 2.88                        | CARE BB+; Stable                          |
| Fund-based - LT-Term Loan          |      | -                | -               | 31/01/2027    | 12.85                       | CARE BB+; Stable                          |
| Fund-based - ST-Bank Overdraft     |      | -                | -               | -             | 4.00                        | CARE A4+                                  |
| Fund-based - ST-Bank Overdraft     |      | -                | -               | -             | 1.00                        | CARE A4+                                  |
| Non-fund-based - ST-Bank Guarantee |      | -                | -               | -             | 6.00                        | CARE A4+                                  |

#### Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                              |                  | Rating History                              |   |   |   |
|---------|--|-----------------|------------------------------|------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating           | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1       | Fund-based - LT-Term Loan              | LT              | 12.85                        | CARE BB+; Stable | -   | 1)CARE BB+; Stable (22-Dec-21)              | 1)CARE BB+; Stable (09-Dec-20)              | 1)CARE BB+; Stable (21-Nov-19)              |
| 2       | Fund-based - ST-Bank Overdraft         | ST              | 4.00                         | CARE A4+         | -   | 1)CARE A4+ (22-Dec-21)                      | 1)CARE A4+ (09-Dec-20)                      | 1)CARE A4+ (21-Nov-19)                      |
| 3       | Fund-based - LT-Bank Overdraft         | LT              | 2.88                         | CARE BB+; Stable | -   | 1)CARE BB+; Stable (22-Dec-21)              | 1)CARE BB+; Stable (09-Dec-20)              | 1)CARE BB+; Stable (21-Nov-19)              |

|   |                                    |    |      |          |   |                        |                        |                        |
|---|------------------------------------|----|------|----------|---|------------------------|------------------------|------------------------|
| 4 | Fund-based - ST-Bank Overdraft     | ST | 1.00 | CARE A4+ | - | 1)CARE A4+ (22-Dec-21) | 1)CARE A4+ (09-Dec-20) | 1)CARE A4+ (21-Nov-19) |
| 5 | Non-fund-based - ST-Bank Guarantee | ST | 6.00 | CARE A4+ |   |                        |                        |                        |

\*Long term/Short term.

### Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

### Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument             | Complexity Level |
|---------|------------------------------------|------------------|
| 1       | Fund-based - LT-Bank Overdraft     | Simple           |
| 2       | Fund-based - LT-Term Loan          | Simple           |
| 3       | Fund-based - ST-Bank Overdraft     | Simple           |
| 4       | Non-fund-based - ST-Bank Guarantee | Simple           |

### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

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