Radhegovindkripa Developers Private Limited

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	35.97 (Reduced from 39.98)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Radhegovindkripa Developers Private Limited (RGKDPL) continues to derive strength from established track record of operations of its strategically located hotel property under the "'Marriott Spa & Resorts" brand, growing scale of operations with improvement in average room revenue (ARR) and occupancy rate (OR) during FY24 (FY refers to the period April 01 to March 31), healthy profitability which however moderated in FY24 and adequate liquidity.

The rating, however, continues to remain constrained on account of RGKDPL's leveraged capital structure, moderate debt coverage indicators, geographical concentration risk with competition from existing hotels in Jaisalmer and inherent cyclicality of the hospitality industry with dependence on tourist arrivals.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in RGKDPL's operating performance resulting in significant growth in its total operating income (TOI) and improvement in profitability
- Improvement in capital structure led by overall gearing below 1.50 times and networth base of more than Rs.40 crore
- Improvement in debt coverage indicators with PBILDT interest coverage of more than 3x and total debt/ GCA below 5x on sustained basis

Negative factors

- Reduction in OR and ARR over a prolonged period, thereby affecting its liquidity & debt coverage indicators
- Decline in RGKDPL's TOI below Rs. 35 crore and/or decline in PBILDT margins below 20%
- Withdrawal of surplus liquidity or amount maintained as Debt Service Reserve Account (DSRA) leading to significant deterioration in liquidity.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's expectation that RGKDPL's will sustain its performance backed by strong revival of the hospitality industry along with maintenance of its operational efficiency in the medium term.

Detailed description of key rating drivers:

Key strengths

Growing scale of operations and moderate profitability

During FY24, RGKDPL reported healthy y-o-y growth of 16% in its total operating income (TOI) to Rs.45.75 crore as compared to Rs.39.32 crore in FY23. The growth in scale of operation was on account of increase in average room revenue along with improvement in occupancy rate to Rs. 9,119 per room and 53% in FY24 respectively as compared to Rs. 9,054 per room and 49% in FY23. Furthermore, PBILDT margin moderated to 21.73% in FY24 from 32.55% in FY23 owing to increase in directors' remuneration as well as employee cost and repairs and maintenance expense incurred in FY24. However, no major repairs are expected to be incurred over the medium term.

Long track record of operations and management agreement with Marriott International

RGKDPL's hotel property has been operational since 2016, and the management has entered into a marketing-cum-management agreement with USA-based luxury hotel chain "Marriott International" for the brand "Marriott Spa & Resorts" for an initial term of 30 years with automatic renewals of two ten-year terms. Marriott International is the leading hospitality player worldwide with a global distribution network of more than 7,000 hotels in 131 countries under 30 brands. Being a member of the Marriott

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

International network, the hotel enjoys benefits like advertising, promotional programs for the hotel on a global basis and access to Marriott's reservation system and loyal customer base**.**

Strategic location of the hotel

The hotel is located in the heart of Jaisalmer city; 3.50 km from railway station, 1.50 km from bus stand and around 15 km from the airport. Furthermore, tourist attractions like the Gadisar Lake and Sonar Quila (Jaisalmer fort) are in proximity to the hotel site. The famous sand dunes of Sam and Khuri are also located in vicinity and are easily accessible from hotel. Most of the demand for the hotel is expected to come from the tourists visiting Jaisalmer.

Key weaknesses

Leveraged capital structure and moderate debt coverage indicators

Capital structure of RGKDPL remains moderate marked by overall gearing of 2.12x on FY24 end as against 1.91x at FY23 end. The moderation in gearing is primarily due to reclassification of unsecured loans of Rs.10 crore from quasi equity to debt, in line with subordination terms stipulated by lender. Debt coverage indicators remained moderate marked by PBILDT interest coverage of 1.83x in FY24 as against 1.81x in FY23. Also, TD/GCA improved to 6.75x in FY24 as against 8.96x in FY23 owing to higher GCA.

Competition from existing hotels in Jaisalmer and inherent cyclicality of the hospitality industry and dependence on tourist arrivals

The Indian hotel industry is highly fragmented and region specific in nature with presence of large number of organized and unorganized players. Moreover, leisure destinations like Jaisalmer are highly dependent on tourist arrivals and is largely seasonal in nature with peak season from October to March. Moreover, the hospitality industry is highly cyclical in nature and sensitive to any untoward events such as slowdown in the economy or pandemic. However, with relaxation of travel restrictions and improvement in connectivity the industry is reporting recovery in bookings for destination weddings and Meetings, Incentives, Conference/Conventions and Exhibitions/ Events (MICE) activities.

Liquidity: Adequate

RGKDPL had adequate liquidity with a negative operating cycle, maintenance of Debt Service Reserve Account (DSRA) in the form of fixed deposit for the principal debt repayment obligation for 6 months and free cash and bank balances of Rs. 7.84 crore at FY24 end. Additionally, company had GCA of Rs. 9.24 crore in FY24 as against debt repayment obligation of around Rs. 4-5 crore in coming years. CARE Ratings expects overall liquidity to improve with healthy growth in occupancy levels and ARRs.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hotels & Resorts
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Radhegovindkripa Developers Pvt Ltd (RDPL) is promoted by G K Group (GKG) with an objective to foray into hospitality business. GKG has been promoted by Maheshwari family and is engaged in businesses ranging from gems and jewellery to real estate. RDPL has developed 135 rooms luxury resort property which is being marketed by USA based Marriott International under the brand of "Jaisalmer Marriott Resort and Spa". The hotel has 1 indoor restaurant, a roof top restaurant, 3 event rooms for business meetings/conferences and modern facilities including a swimming pool, a gymnasium, spa, conferencing facilities, kids club and extensive parking space. The hotel commenced partial operations (90 rooms) of hotel property from October 29, 2016, and full operations from November 10, 2016.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	39.32	45.75
PBILDT	12.80	9.94
PAT	0.93	2.66
Overall gearing (times)	1.91	2.21
Interest coverage (times)	1.81	1.83

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	July 2030	35.97	CARE BBB-; Stable

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	35.97	CARE BBB-; Stable	-	1)CARE BBB-; Stable (21-Nov-23)	1)CARE BB+; Stable (05-Jan-23)	1)CARE BB-; Stable (03-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact Us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: +91-079-4026 5611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: +044-2850 1001 E-mail: pradeep.kumar@careedge.in	Anuja Parikh Associate Director **CARE Ratings Limited** Phone: +91-079-4026 5616 E-mail: anuja.parikh@careedge.in Harsh Shah Analyst **CARE Ratings Limited** E-mail: Shah.Harsh@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in