

Rajasthan Fort and Palace Private Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	17.00 (Enhanced from 6.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	5.00 (Enhanced from 1.00)	CARE A3	Reaffirmed
Short-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Rajasthan fort and Palace Private Limited (RFPPL) continues to derive strength from growing scale of operations, satisfactory capital structure, experienced management and strategic location of the hotel (Suryagarh, Jaisalmer). RFPPL's profitability, though moderated in FY24 (refers to April 01 to March 31), continues to remain healthy.

However, rating strengths continue to remain constrained considering on-going large size capex, inherent industry risk of cyclicity/seasonality and competition associated with the hotel industry.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to certain short-term bank facilities of RFPPL with immediate effect, as the company has surrendered the limit in full and there is no amount outstanding under the facilities as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving RFPPL's operating performance resulting in total operating income (TOI) of over ₹100 crore with profit before interest, lease rentals, depreciation and tax (PBILDT) margin of over 35%.
- Geographic diversification of operations.

Negative factors

- Lower occupancy levels over a prolonged period, affecting its liquidity and debt coverage indicators.
- Un-envisaged increasing debt, resulting in deteriorating overall gearing ratio above 1.5x.
- Exposure to group entities by way of investment or loans & advances exceeding 20% of the company's net worth.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings expects RFPPL to sustain its operational and financial performance in the near to medium term backed by positive outlook of the hospitality industry.

Detailed description of key rating drivers:

Key strengths

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

Growing scale of operations with healthy profitability

RFPPL witnessed robust growth of ~27% in its TOI in FY24, with TOI rising to ₹80.16 crore from ₹63.08 crore in FY23. This growth is attributed to an increase in room revenue (contributing ~50-55% of TOI), and an increase in food and beverages (F&B) revenue (contributing ~40-42% of TOI). The surge in room revenue is primarily driven by ~18% rise in average room rate (ARR), while maintaining a healthy occupancy ratio (OR).

In H1FY25 (refers to April 01 to September 30), RFPPL reported TOI of ₹9.75 crore. With Jaisalmer being a tourist location with seasonal skewness towards the second half and a favourable near-term demand outlook, CARE Ratings expects RFPPL to maintain revenue growth.

The PBILD margin remained healthy despite decline by 844 bps to 27.41% in FY24 compared to 35.85% in FY23. The moderation in margin is majorly on account of an increase in employee costs.

Satisfactory capital structure

The company's capital structure stood satisfactory with an overall gearing of 0.49x as on March 31, 2024 (0.45x as on March 31, 2023). Gearing levels are projected to remain below unity in the near-to-medium term. The company's net worth improved to ₹62.09 crore as on March 31, 2024, from ₹52.12 crore as on March 31, 2023. Although debt coverage indicators moderated in FY24, however, remained comfortable marked by total debt to gross cash accruals (TD/GCA) of 2.08x (PY: 1.36x) and interest coverage of 4.83x (PY: 9.40x).

Experienced and resourceful management

RFPPL is part of the MRS group, which has varied interests ranging from hospitality, sand excavation, toll collection and royalty collection through its group concerns. Manvendra Singh Shekhawat, the Managing Director, brings over a decade of experience in the industry. He conceptualised the Suryagarh Hotel and successfully led its execution. Raghvendra Singh Shekhawat, Director, holds a degree in Hotel Management and has ~10 years of experience, overseeing the hotel's support functions. Promoters are assisted by Peter Dessa (Director), who has over 40 years of experience in the hospitality industry and supports promoters in strategic decision making for the company. The Suryagarh hotel was conceptualised by him and the whole project was executed under his guidance. The group also operates two heritage hotels Laxmi Niwas Palace and Narendra Bhawan, in Bikaner Rajasthan.

Strategic location of hotel

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

Key weaknesses**Exposure to project risk**

The company has entered lease deed for 90 years with Madhya Pradesh Tourism Board for development of Mahendra Bhawan, Panna and Kyoti Fort, Rewa with an upfront payment of ₹10.63 crore. The cost for the development is expected to be ~₹75-100 crore which needs to be spent over five years. Further, RFPPL is undertaking capital expenditure (capex) at Suryagarh to increase the number of keys with a total outlay of ~₹20 crore. Total outflow in FY25 is estimated at ~₹40-45 crore, which will be largely funded by term loans from a non-banking finance company (NBFC). Cost or time overruns and funding of the project will remain key monitorable in the medium term.

Inherent industry risk of cyclical/seasonality

The company is exposed to changes in macroeconomic 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 lead to inherent cyclical/seasonality in the hospitality industry. These risks can impact the hotel's occupancy rate, and hence, its profitability. The hospitality sector also has an inherent feature of cyclical/seasonality, where the first part of the fiscal is low compared to the second half, driven by weddings, festivals and lean period in the hospitality sector.

Competition from existing hotels in Jaisalmer

The Indian hotel industry is highly fragmented and region-specific with presence of large number of organised and unorganised players spread across all regions. Leisure destinations such as Jaisalmer highly depend on tourist arrivals and receive a mix of domestic and foreign tourists during the season. Jaisalmer, where the company's property is situated, has many heritage hotel properties, one small branded and two non-branded luxury properties.

Liquidity: Adequate

The company's liquidity remains adequate marked by generation of healthy GCA of ₹18-20 crore against minimal repayment obligations. Average of maximum monthly utilisation remained at 77% for 12 months ending October 31, 2024. The company generated cash flow from operations of ₹21.62 crore (PY: ₹23.81 crore) in FY24. Un-envisaged debt-funded capex may strain liquidity will remain key monitorable in the medium term.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Leisure services	Hotels & resorts

RFPPPL based in Jaipur (Rajasthan) was incorporated in September 2004 by Meghraj Singh Shekhawat and his family. RFPPPL was incorporated with the purpose to construct luxury boutique hotel in Jaisalmer, Rajasthan. The hotel is constructed on 2.35 lakh sqft (1sf) area and is operating under the name "Suryagarh". Currently, it has over 100 rooms of eight types differentiated by areas spanning from 350 Sq. Ft. to 2749 Sq. Ft. It provides amenities such as swimming pool, gym, spa, game zones, conference room, meditation rooms and restaurants. RFPPPL 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. The group concerns include Shiva Corporation India Limited (rated CARE BBB; Stable/CARE A3+) and Ridhi Sidhi Housing Private Limited (rated: CARE BBB-; Stable / CARE A3) among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	63.08	80.16	9.75
PBILDT	22.62	21.97	Not available
PAT	12.45	9.95	
Overall gearing (times)	0.45	0.49	
Interest coverage (times)	9.40	4.83	

A: Audited UA: Unaudited; 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 - ST-Bank Overdraft		-	-	-	0.00	Withdrawn
Fund-based - ST-Bank Overdraft		-	-	-	5.00	CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	17.00	CARE BBB-; Stable / CARE A3

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	-	-	-	1)Withdrawn (31-Jan-24)	1)CARE BB+; Stable (20-Mar-23)	1)CARE BB+; Stable (22-Dec-21)
2	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)CARE A3 (31-Jan-24)	1)CARE A4+ (20-Mar-23)	1)CARE A4+ (22-Dec-21)
3	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)Withdrawn (31-Jan-24)	1)CARE BB+; Stable (20-Mar-23)	1)CARE BB+; Stable (22-Dec-21)
4	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A3	-	1)CARE A3 (31-Jan-24)	1)CARE A4+ (20-Mar-23)	1)CARE A4+ (22-Dec-21)
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	17.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (31-Jan-24)	1)CARE A4+ (20-Mar-23)	-

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 - ST-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in</p>	<p>Analytical Contacts</p> <p>Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in</p> <p>Ashish Kashalkar Assistant Director CARE Ratings Limited Phone: +91-20-4000-9069 E-mail: Ashish.Kashalkar@careedge.in</p> <p>Rakshya Daga Lead Analyst CARE Ratings Limited E-mail: rakshya.daga@careedge.in</p>
---	--

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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