

## Icon Hospitality Private Limited

July 01, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities-Term Loan	20.00	<b>CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (Double B Plus (Credit Enhancement); Outlook: Stable; ISSUER NOT COOPERATING*)#</b>	Issuer Not Cooperating; Revised from CARE BBB (CE); Stable on the basis of best available information
Total	<b>20.00</b> <b>(Rs. Twenty Crore only)</b>		

*Details of instruments/facilities in Annexure-1; # The above rating is based upon the unconditional and irrevocable corporate guarantee from Royal Orchid Hotels Limited (ROHL).*

### Detailed Rationale and Key Rating Drivers

CARE had, vide its press release dated September 13, 2019, placed the rating of Icon Hospitality Private Limited (IHPL) under the 'issuer non-cooperating' category as IHPL had failed to provide information for monitoring of the rating as agreed to in its rating agreement. IHPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated June 24, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

### Detailed description of the key rating drivers

At the time of last rating on September 13, 2019 the following were the rating strengths and weaknesses (updated for the 9MFY20 financials from stock exchange filings of ROHL).

#### Key Rating Weaknesses

**Continued losses in certain subsidiaries/JVs:** Icon Hospitality Private Limited and Ksheersagar Developers P Ltd. continue to report net losses and have reported net loss of Rs.1.86 cr and Rs.2.06 cr respectively in FY19.

**Low PBDIT margins:** Company's PBDIT margins have been relatively low, when compared with its peers, at 22.07% and 20.00% during FY19 and FY18 on account of high lease rental expenses. PBILDIT and PAT margins stood at 21.90% and 3.61% in 9MFY20 as against 22.96% and 6.11% respectively in 9MFY19.

#### Key Rating Strengths

**Experienced Promoters and long track record of hotel operations:** The promoter, Mr C K Baljee is an MBA from IIMA and has over three decades of experience in hospitality industry. The company, operating since 1986, has established market presence and over the years has expanded its base to 58 hotels with 3906 keys.

**Increased focus on Asset light mode:** Company during the past 4-5 years has shifted its focus on Asset light model with addition of new hotels coming under only Management contract (MC) basis which required minimum capital requirement. During 9MFY20 company had added 6 hotels under management contract (MC). Out of total number of keys of 3906 keys as on December 31, 2019, 2885 keys are under management/franchise hotel.

**Improved operational performance in key hotels:** During FY19, the owned and leased hotels had an average occupancy rate of 74% against 78% in FY18 and the managed hotels' average occupancy rate was 69% against 67% in FY18. ARR of owned/JV

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

hotels have improved from Rs. 3937 to Rs.4061 in FY18 and ARR of managed hotels improved from Rs.2836 in FY18 to Rs.3054 in FY19.

**Improved financial risk profile and performance during FY19 and Q1FY20:** TOI increased by 4.35% from Rs. 159.74 cr in 9MFY19 to Rs. 166.69 cr in 9MFY20. PBILDT and PAT margins stood at 21.90% and 3.61% in 9MFY20 as against 22.96% and 6.11% respectively in 9MFY19. Company's overall gearing stood at 0.50x as on 31.03.2019 against 0.54x as on 31.03.2018.

**Analytical approach:** The bank facilities of IHPL are backed by unconditional and irrevocable corporate guarantee of Royal Orchid Hotels Limited. Hence, the guarantor's assessment is considered.

#### Applicable Criteria

[Policy in respect of Non-cooperation by Issuer](#)

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Hotel Industry](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

#### About the Company

Icon Hospitality Private Limited (IHPL) was incorporated in January 28, 2003 and is a 51.07% subsidiary of Royal Orchid Hotels Limited (ROHL). Icon owns & operates the Royal Orchid Central (ROC) hotel in Bangalore. The hotel holds 4-star status, was developed on a land area of 34,906 sq. ft. and is located at a prime location in Bangalore.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	21.18	23.65
PAT	3.07	
PAT	-4.57	-1.86
Overall Gearing (times)	0.54	
Interest Coverage (times)	1.00	

A: Audited

#### About the Guarantor (ROHL)

Royal Orchid Hotels Limited (ROHL) is promoted by Mr. CK Baljee, to carry on the business and management of hotels/hospitality business. The group largely operates 5-Star/4-Star hotels having presence in 37 locations and 11 states under the brand name Royal Orchid and Regenta. As on December 31, 2019, on consolidated basis, ROHL along with its subsidiaries, associates and JVs, owns/operates/manages 58 hotels with 3906 keys.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	197.17	216.10
PAT	39.43	47.69
PAT	2.41	13.11
Overall Gearing (times)	0.54	0.50
Interest Coverage (times)	2.52	3.44

A: Audited

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

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2030	20.00	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB (CE); Stable; ISSUER NOT COOPERATING* on the basis of best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (03-Apr-17)
2.	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (03-Apr-17)
3.	Fund-based - LT-Term Loan	LT	20.00	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB (CE); Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB (CE); Stable; ISSUER NOT COOPERATING* (13-Sep-19)	1)CARE BBB (SO); Stable (16-Nov-18)	1)CARE BBB-(SO); Stable (07-Sep-17)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Group Head Name – Himanshu Jain

Group Head Contact no.- 080-46625528

Group Head Email ID- [himanshu.jain@careratings.com](mailto:himanshu.jain@careratings.com)

### Relationship Contact

Name: V Pradeep Kumar

Contact no. : 044-28497812/0811

Email ID : [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**