

Icon Hospitality Private Limited

September 13, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities- Term Loan	20.00	CARE BBB (CE); Stable ISSUER NOT COOPERATING* (Triple B (CE); outlook:stable ISSUER NOT COOPERATING)*	Issuer not cooperating; Based on best available information
Total	20.00 (Rs. Twenty crore only)		

Details of instruments/facilities in Annexure-1

*The above rating is based upon the unconditional and irrevocable corporate guarantee from Royal Orchid Hotels Limited.

Revision in suffix from 'SO' to 'CE' is as per the "Guidelines for Enhanced disclosure by Credit Rating Agencies (CRAs)" issued by Securities and Exchange Board of India (SEBI) vide its circular no. SEBI/HO/MIRSD/DOS3/CIR/P/2019/70 dated June 13, 2019. The CRAs are directed to use the suffix 'CE' (Credit Enhancement) [in place of suffix (Structured Obligations) (SO)] for rating of instruments /bank facilities having explicit credit enhancement in the form of corporate guarantee/ letter of comfort/ pledge of shares, etc. from a third party/ parent/ group company.

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Icon Hospitality Private Limited to monitor the rating(s) vide e-mail communications/letters dated May 31,2019, June 28, 2019, July 01, 2019, July 03,2019, July 05 , 2019, July 15, 2019, July 31, 2019, August 01, 2019, August 05, 2019, August 07, 2019, August 13, 2019, August 19, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating of Icon Hospitality Private Limited's bank facilities will now be denoted as CARE BBB (CE); ISSUER NOT COOPERATING*.

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

Detailed description of the key rating drivers of ROHL

Key Rating Strengths

Improved operational performance in key hotels:

During FY19, the owned and leased hotels had an average occupancy rate of 74% against 70% in FY18 and the managed hotels' average occupancy rate was 68% against 66% in FY18. ARR of owned/JV 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 9.60% from Rs. 197.17 cr in FY18 to Rs. 216.10 cr in FY19. Company registered TOI growth of 5.52% on Q-o-Q basis with Rs.52.55 cr in Q1FY20 as against Rs.49.8 cr in Q1FY19. Improved performance is on account of increase in occupancy in managed hotels and ARR in owned, leased and managed hotels during FY19.

PBILDT and PAT margins improved to 22.07% and 6.07% in FY19 (PY: PBILDT margin-20% and PAT margin – 1.22%). GCA for FY19 was 52% higher than FY18. Company's overall gearing stood at 0.50x as on 31.03.2019 against 0.54x as on 31.03.2018.

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 49 hotels with 3385 keys.

Increased focus on Asset light mode: The 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 FY19 company had added 2 hotels under management contract (MC) taking the total number of hotels to 49. Total number of keys increased from 3294 in FY18 to 3385 in FY19.

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

*Issuer did not cooperate; Based on best available information

Key Rating Weaknesses

Continued losses in certain subsidiaries/JVs: Icon and Ksheersagar 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.

Liquidity:

The liquidity profile of the company is adequate. The company had a cash and bank balance of Rs.34.52 crores as on 31.03.2019.

Analytical approach: The bank facilities of Icon Hospitality Private Limited are backed by unconditional and irrevocable corporate guarantee of Royal Orchid Hotels Limited (ROHL; rated 'CARE BBB/Stable; Issuer not cooperating'). Hence, the guarantor's assessment is considered.

Applicable Criteria

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

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

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

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 with an inventory of 130 rooms, 3 banquet halls and 2 restaurants.

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

A: Audited

About the Guarantor (ROHL)

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 35 locations and 11 states under the brand name Royal Orchid and Regenta. As on March 31, 2019, on consolidated basis, ROHL along with its subsidiaries, associates and JVs, owns/operates/manages 49 hotels with 3385 keys.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	197.17	216.10
PBILDT	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

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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Long Term Bank Facilities- Term Loan	-	-	Mar '2030	20.00	CARE BBB (CE); Stable ISSUER NOT COOPERATING (Triple B (CE); outlook:stable ISSUER NOT COOPERATING)*

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	
	Fund based- LT	LT	20.00	CARE BBB (CE); Stable ISSUER NOT COOPERATING (Triple B (CE); outlook:stable ISSUER NOT COOPERATING)*	CARE BBB (SO); Stable	CARE BBB (SO); stable	-	-	

*Issuer did not cooperate; Based on best available information

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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.

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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.

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