

Ksheer Sagar Developers Private Limited

July 01, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities-Term Loan	38.99	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (Double B Plus (Credit Enhancement); Outlook: Stable; ISSUER NOT COOPERATING*)#	Issuer Not Cooperating; Revised from CARE BBB (CE); Stable on the basis of best available information
Total Facilities	38.99 (Rs. Thirty eight crore and ninety nine lakh 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 (ROHL).

Detailed Rationale and Key Rating Drivers

CARE had, vide its press release dated September 13, 2019, placed the rating of Ksheer Sagar Developers Pvt. Ltd (KSDPL) under the 'issuer non-cooperating' category as KSDPL had failed to provide information for monitoring of the rating as agreed to in its rating agreement. KSDPL 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 Ksheer Sagar 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.

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

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 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 KSDPL 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

Ksheersagar Developers Private Limited operates a 5 star hotel under Hotel Royal Orchid, Jaipur established in April 2011. The hotel having 139 keys is a 50:50 JV between Royal Orchid Hotels Limited (ROHL) and Tambi family based out of Jaipur.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	23.36	22.90
PAT	8.78	
PAT	-1.84	-2.06
Overall Gearing (times)	5.39	
Interest Coverage (times)	4.96	

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	-	-	-	November 2023	38.99	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	38.99	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 (01-Jun-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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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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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