

08 April, 2014

**CARE ASSIGNS CARE BB- RATINGS TO THE BANK FACILITIES OF
ROYAL ORCHID HOTELS LIMITED**

Rating

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|---------------------------|-----------------------|------------------------------|----------|
| Long-term Bank Facilities | 70 | CARE BB- (Double B Minus) | Assigned |
| Total Facilities | 70 | | |

Rating Rationale

The rating is constrained by the company's recent reference to Corporate Debt Restructuring (CDR) and losses in H1FY14 primarily owing to loss making operation of Hyderabad hotel, high operating cost, declining occupancy and pressure on room rates particularly for its flagship Bangalore property, commitments to the loss making subsidiary and joint venture companies, project risk associated with ongoing expansion and inherent cyclicity and competitive nature of the hospitality industry.

The above constraints are partially offset by monetization of the Hyderabad asset and significant reduction in debt during FY14 (refers to the period April 1 to March 31), long track record of the company in the hospitality sector, experienced promoters and the company's presence across the country operating a range of hotels.

Going forward, improvement in occupancy levels, room rental and ability to bring down operating cost, additional exposure to subsidiary and/ or joint venture impacting the liquidity of company remain the key rating sensitivities.

Background

Royal Orchid Hotels Ltd (ROHL) was promoted by Mr. C K Baljee in January 1986 as Universal Resorts Ltd to carry on the business and management of hotels/hospitality business. The name of the company was changed to ROHL in April 1997. As of January 30, 2013, it owns/operates six hotel properties, besides managing 16 other hotels under management contract. On a consolidated basis, ROHL along with its subsidiaries, associates and joint ventures operates 27 properties across 15 destinations with 2543 rooms.

ROHL reported PAT of Rs.1.4 crore on a total operating income of Rs.111.7 in FY13. As per the working results for the half year ended September 30, 2013 (H1FY14), the company posted a total operating income of Rs.46.4 crore and net loss of Rs.22.7 crore.

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

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