

**Royal Orchid Hotels Limited (Revised)**

July 01, 2020

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities-Term Loan	38.48	<b>CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer Not Cooperating; Revised from CARE BBB; Stable on the basis of best available information
Total	<b>38.48 (Rs. Thirty Eight Crore and forty eight lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale and Key Rating Drivers**

CARE had, vide its press release dated September 13, 2019, placed the rating of Royal Orchid Hotels Limited (ROHL) under the 'issuer non-cooperating' category as ROHL had failed to provide information for monitoring of the rating as agreed to in its rating agreement. ROHL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated June 23, 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. PBILDT 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 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. As per banker interaction, company has availed moratorium under RBI's Covid-19 regulatory package.

<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

**Analytical approach:** Consolidated. Company's financial and operational performance along with its JVs and subsidiaries are considered for analysis due to strong financial, operational and management linkages between them. Further, ROHL has extended unconditional and irrevocable corporate guarantee to secure the bank facilities of two of its subsidiaries/JVs (Icon Hospitality P Ltd. and Ksheer Sagar Developers P Ltd.). List of subsidiaries and JVs/associates considered for consolidation is attached as Annexure-4.

#### 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](#)

#### About the Company

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	-	-	-	July 2029	38.48	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; 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	38.48	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB; Stable; ISSUER NOT	-	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (13-Sep-19)	1)CARE BBB; Stable (16-Nov-18)	1)CARE BBB-; Stable (19-May-17)

				COOPERATING* on the basis of best available information				
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**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure-4: List of Subsidiaries/JVs**

Sr.No	Name of Company	% of holding by ROHL
1	Icon Hospitality Private Limited	51.07
2	Maruti Comforts & Inn Private Limited	65.22
3	Royal Orchid Hyderabad Private Limited	100.00
4	AB Holdings Private Limited	100.00
5	Royal Orchid Jaipur Private Limited	100.00
6	Royal Orchid South Private Limited	100.00
7	Royal Orchid Associated Hotels Private Limited	100.00
8	Royal Orchid Shimla Private Limited	100.00
9	Royal Orchid Goa Private Limited	100.00
10	Royal Orchid Maharashtra Private Limited	100.00
11	River Shore Developers Private Limited	100.00
12	Royal Orchid Mumbai Private Limited	100.00
13	Cosmos Premises Private Limited	50.00
14	Ksheer Sagar Buildcon Private Limited	50.00
15	Ksheer Sagar Developers Private Limited	50.00
16	Raj Kamal Buildcon Private Limited	50.00
17	J.H. Builders Private Limited	50.00
18	Multi Hotels Limited	100.00

**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.

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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.

#### Disclaimer

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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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