

April 12, 2023

Royal Orchid Hotels Limited - Update on material event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Ratings Outstanding
Term Loan	37.92	37.92	[ICRA]A- (Stable)
Proposed Non-convertible debentures	100.00	100.00	[ICRA]A- (Stable)
Unallocated Facilities	8.08	8.08	[ICRA]A- (Stable)
Total	146.00	146.00	

*Instrument details are provided in Annexure-1

Rationale

On April 01, 2023, Royal Orchid Hotels Limited (ROHL/the company) informed the stock exchange that it had received an 'Interim Order cum Show Cause Notice' ('order') from SEBI dated March 31, 2023 against the company, promoters and Chief Financial Officer. This order is following a complaint received by SEBI against ROHL that despite having control over Ksheer Sagar Developers Private Limited (Ksheer Sagar; rated [ICRA]BBB- (Stable)), it did not consolidate Ksheer Sagar as subsidiary but rather consolidated it as an associate (following appointment of 2 independent directors in FY2022), thus resulting in overstatement of consolidated profits for the FY2022 and consequent increase in share price. Further, the complaint also alleges that the promoters sold 4.08% stake between March 2022 and December 2022 gaining from share price increase.

ICRA has taken note of the development and also understands that the company is in the process of taking legal recourse to the order. The rating remains unchanged at [ICRA]A- (Stable). ICRA will continue to monitor the developments in this regard and possible impact on the credit risk profile of the company, if any, and take an appropriate rating action as and when required.

For arriving at ROHL's rating, ICRA has considered its consolidated financials with full consolidation of Ksheer Sagar's financials. ICRA's approach follows the fact that ROHL has committed to extend timely and adequate financial support to Ksheer Sagar, whenever required, to ensure meeting its operating and financial commitments in a timely manner.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities : [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Hotels Rating Approach - Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of ROHL. Refer Annexure 2 for the list of entities considered for consolidation.

About the company

The Royal Orchid Group of Hotels has a portfolio of 78 operating hotels across 49 locations in India as of December 31, 2022. The Group primarily operates on an asset-light model with over 76% properties under management contracts/franchise. While 42% of the inventory is in Karnataka and Gujarat, other areas of operation include Rajasthan (13% of keys) and Maharashtra (11%) and Goa, Tamil Nadu, Punjab and Uttarakhand to name a few. ROHL operates vide the following brands: Royal Orchid (five-star), Royal Orchid Central and Regenta Central (four-star), and Regenta Inn (economy hotels); as well as resorts and service apartments. Icon Hospitality Private Limited ([ICRA]BBB- (Stable)), one of the subsidiary companies and Ksheer Sagar Developers Private Limited ([ICRA]BBB- (Stable)), an associate company, operate one 130-room and 139-room hotel each in Bangalore and Jaipur, respectively. ROHL has extended corporate guarantees for the debt in these two entities.

Key financial indicators (audited)

Consolidated*	FY2021	FY2022	9M FY2023 (unaudited)
Operating income	85.5	144.6	196.8
PAT	-40.0	26.8	34.9
OPBDIT/OI	-7.1%	20.6%	33.5%
PAT/OI	-46.8%	18.5%	17.7%
Total outside liabilities/Tangible net worth (times)	1.4	1.4	1.3
Total debt/OPBDIT (times)	-29.1	5.0	1.8
Interest coverage (times)	-0.4	1.8	5.8

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *The consolidated figures are as per published results with financial ratios adjusted for ICRA computation and may not be directly comparable with results reported by the company in some instances. The body of rationale includes the numbers and ratios considering consolidation of entities as per annexure II and hence are not comparable with the table in some instance.*

Status of non-cooperation with previous CRA: CARE Ratings in its rationale published on October 18, 2022 stated the following:

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 phone calls and emails dated June 12, 2022, June 22, 2022, June 26, 2022, June 27, 2022 and July 02, 2022. 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.

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2022 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022		Date & rating in FY2021	
					Apr 12, 2023	Mar 27, 2023	Mar 20, 2023	Oct 20, 2022	Oct 04, 2021	Dec 07, 2020	Apr 13, 2020
1 Term Loans	Long term	37.92	36.70	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	
2 Proposed Non-convertible debentures	Long term	100.00	-	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	-	-	-	-	
3 Unallocated	Long term	8.08	-	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB (Positive)	-	-	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loans	Simple
Proposed Non-convertible debentures	Very Simple
Unallocated Facilities	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2019	8.25%	FY2030	37.92	[ICRA]A- (Stable)
NA	Proposed Non-convertible debentures	NA	NA	NA	100.00	[ICRA]A- (Stable)
NA	Unallocated	NA	NA	NA	8.08	[ICRA]A- (Stable)

Source: Company;

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Icon Hospitality Private Limited	51.07%	Full consolidation
Maruti Comforts and Inn Private Limited	65.22%	Full consolidation
Royal Orchid Hyderabad Private Limited	100.00%	Full consolidation
AB Holdings Private Limited	100.00%	Full consolidation
Royal Orchid Jaipur private Limited	100.00%	Full consolidation
Royal Orchid South Private Limited	100.00%	Full consolidation
Royal Orchid Associated Hotels Private Limited	100.00%	Full consolidation
Royal Orchid Shimla Private Limited	100.00%	Full consolidation
Royal Orchid Goa Private Limited	100.00%	Full consolidation
Royal Orchid Maharashtra Private Limited	100.00%	Full consolidation
Royal Orchid Mumbai Private Limited	100.00%	Full consolidation
Cosmos Premises Private Limited	100.00%	Full consolidation
Ksheer Sagar Buildcon Private Limited	50.00%	Full consolidation
Raj kamal Buildcon Private Limited	50.00%	Full consolidation
J.H Builders Private Limited	50.00%	Full consolidation
Multi Hotels limited	100.00%	Full consolidation
Ksheer Sagar Developers Private Limited	50.00%	Full consolidation

Source: ROHL annual report FY2022

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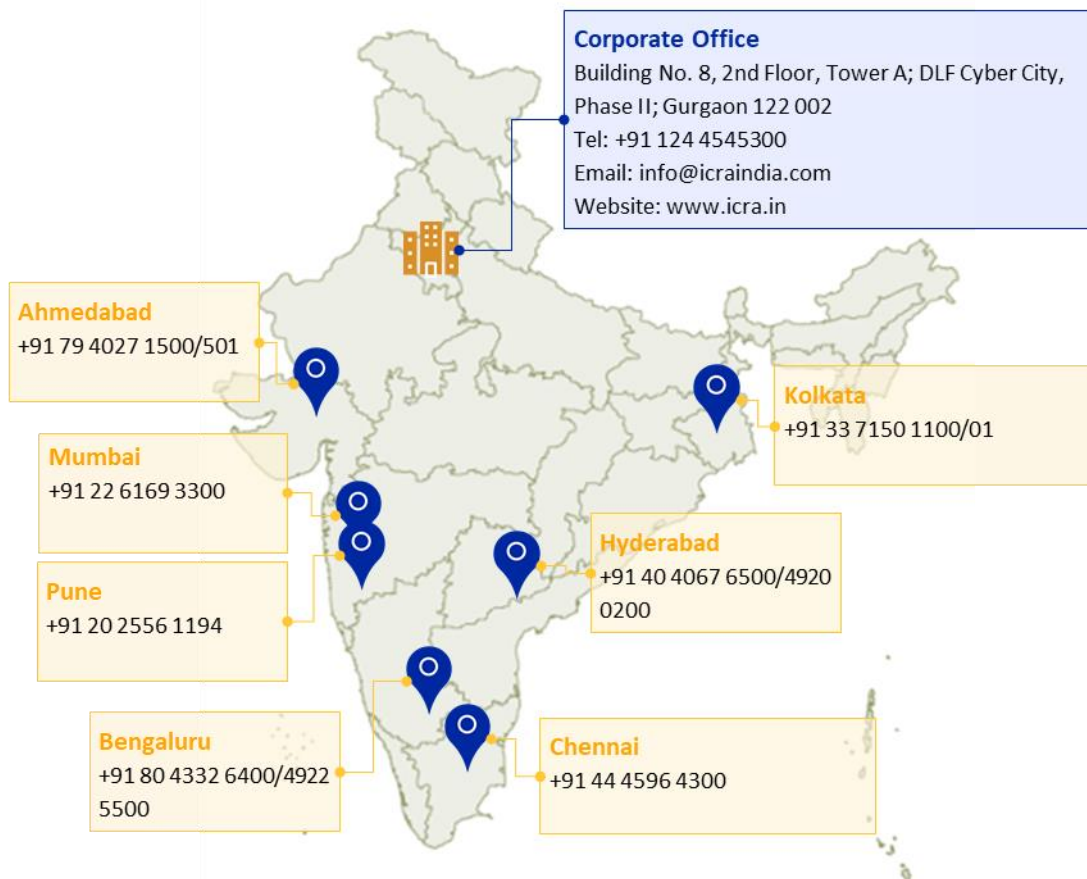
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