



**ROYAL ORCHID HOTELS LTD.,**

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Date: June 14, 2021

BSE Ltd.  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai – 400 023  
Scrip Code: 532699

National Stock Exchange of India Ltd.  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East),  
Mumbai -400 051  
Scrip Code: ROHLTD

Dear Sir/ Madam,

**Sub: Intimation of Revision in Credit Rating**

Pursuant to Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, we wish to inform that ICRA Limited ("ICRA"), has assigned the following ratings to the Company:

| Facility  | Amount Rated  | Ratings                | Remarks  |
|-----------|---------------|------------------------|--|
| Term Loan | Rs. 46 Crores | [ICRA] BBB (Negative); | Earlier Rating [ICRA] BBB (Stable); {Triple B} Rating Re-affirmed; Outlook revised to Negative from Stable |

The report from the credit rating agency covering the rationale for revision in credit rating is enclosed herewith.

You are requested to take the above on record.

P.S: Although the rating was done on December 2020, there was a correction in the report and the revised report was received by the Company via email dated June 13, 2021

Thanking You.

**For Royal Orchid Hotels Limited**

**Ranabir Sanyal**  
Company Secretary & Compliance Officer  
FCS-7814

**Amit Jaiswal**  
Chief Financial Officer

Encl: As Above



December 07, 2020 <sup>Revised</sup>

## Royal Orchid Hotels Limited: Long term ratings re-affirmed at [ICRA]BBB; outlook revised to Negative.

### Summary of rated instruments

| Instrument*         | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action   |
|---------------------|--------------------------------------|-------------------------------------|---|
| Long-term Term loan | 46.0                                 | 46.0                                | [ICRA]BBB (Negative); Rating Re-affirmed; Outlook revised to Negative from Stable |
| <b>Total</b>        | <b>46.0</b>                          | <b>46.0</b>                         |   |

\*Instrument details are provided in Annexure-1

### Rationale

The revision in the outlook on the long -term rating from stable to negative considers Royal Orchid Hotels Limited’s(ROHL) subdued performance in H1 FY2021, wherein the revenues declined to Rs.17.9 crore as against Rs. 95.5 crore in H1FY2020. Further, ROHL reported operating losses of Rs.16.3 crores in H1FY2021 as against operating profit of Rs.11.3 crore in H1FY2020. The operating losses in H1FY2021 led to a net loss of Rs. 4.8 crore in H1 FY2021 (PY net profit Rs 2.1 crore in H1 FY2020). The sharp decline in performance followed the pandemic outbreak which lead to curbs on people mobility and corporate events. While the company’s Revenue per available room (RevPAR) has witnessed mom recovery, with occupancy improving to 52% in October 2020, performance continues to be considerably below previous year’s levels leading to under recovery of costs. While ICRA and the company expect continued mom improvement in RevPAR, a second covid-19 wave leading to further lockdowns will have a detrimental impact. Nevertheless, the moderate repayment obligations as against its free cash and bank balances of Rs.21.0 crore (as on September 30, 2020) provides liquidity comfort.

The ratings are supported by the experienced promoter and management team, the wide portfolio of hotels covering price points, geographies and corporate/leisure travellers; and the asset light model of growth resulting in modest levels of debt. The rating is constrained by the high concentration of the company’s revenues on the Bengaluru region (>50% of revenues in FY2020) and the high dependence on online travel agencies (OTA) (~30% contribution in FY2020) for sourcing room nights. While the expected expansion into other regions is expected to provide revenue diversification to some extent, with key properties located in Bengaluru, Bengaluru will continue contributing sizably to revenues. As with any player in the industry, ROHL is also exposed to seasonality and cyclicality; and is vulnerability to risks such as geopolitical disturbances, disease outbreaks and consequent travel advisories, inherent to the industry.

### Key rating drivers

### Credit strengths

**Asset light model of expansion using management contracts and leased property:** Given its past experience with building capex intensive properties, over the last 4-5 years ROHL has followed an asset light model of expansion, using leased properties, and management contracts. Of the group’s 55 operational properties, only one hotel is fully owned, four are held under subsidiaries, five are leased from local builders / Government, seven are under franchise agreements and 38 are under management contracts. As on September 30, 2020 more than 70% of the company’s portfolio was held through

management contracts. Going forward also the company will continue to expand exclusively through management contracts and leases.

**Portfolio comprising of a wide range of hotels across price points:** ROHL has a healthy mix of brands, geographies and price-points catering to various segments of customers, which helps it to reduce the impact of industry cyclicality to an extent. Going forward, the company is expected to expand under its budget brand, Regenta Inn, in tier II cities, focusing on the midscale business traveller.

**Experienced promoters and professional management team with more than four decades of experience:** ROHL is supported by its experienced promoters with more than four decades of experience in the hotel industry. With the company aggressively expanding through its asset light model, guidance from the promoters and professional management has aided the company in swift stabilization of operations of newly added properties.

## Credit challenges

**Cyclical industry, vulnerable to general economic slowdown and exogenous factors:** Given the discretionary nature of spend (especially leisure travel), the travel and tourism industry has always been highly susceptible to exogenous shocks like wars, terror attacks, economic meltdowns and pandemics such as the Covid-19 pandemic. The impact of Covid-19 which was felt from February 20 is now expected to be far more severe, broad-based and longer on the travel and tourism industry than during previous instances such as the financial crisis of 2009. ICRA expects significant pressure on RevPARs over the next several quarters as travel curbs; social distancing and associated fears; and an economic recession keep travelers/corporates at home.

**High revenue concentration on the Bengaluru market:** With its key revenue generating properties located in Bengaluru, ROHL derives more than 50% of its revenues from the city. While healthy demand is expected to support its occupancy, high competition will constraint Average room rate (ARR) growth opportunities. However, ROHL's diversification into new locations to broaden revenue mix is expected to mitigate the same to an extent going forward.

**High revenue contribution from OTA caps margin expansion:** The revenue contribution from OTA increased sharply to 30% in FY2019 and the remained at similar level in FY2020. The company pays upto ~20% as commission for bookings done through the OTAs, thereby capping effective net rates and margins.

## Liquidity: Adequate

The liquidity of the company is adequate supported by sizeable free cash and bank balances of Rs.21.0 crore and undrawn overdraft limit of Rs.2.0 crore against moderate repayment obligation of Rs. 4.8 crore in FY2021 and Rs.12.6 crore in FY2022. Further ROHL has no major capex plans over the medium term. While ROHL's accruals are expected to be severely impacted in FY2021 owing to muted demand metrics, the industry and company should witness sequential recovery in the coming months. The company had opted for moratorium on debt servicing extended by RBI for the period March–August 2020 but has not applied for debt restructuring with its lender and is making all the repayments to the bank in a timely manner. The company has received extended moratorium for two of its JVs i.e. Icon Hospitality Private Limited and Ksheer Sagar Developers Private Limited till the month of August 2021 and December 2020 respectively.

## Rating Sensitivity factors

### Positive Triggers

Outlook can be revised to stable with consistent improvement in RevPAR, leading to improved financial performance on a sustained basis coupled with sustenance of healthy capital structure.

## Negative Triggers

Any further decline in the RevPAR, leading to an overall decline in the company's operating income/ profitability or deterioration in the company's capital structure

## Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable Rating Methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Rating Methodology for hotel industry</a> |
| Parent/Group Support            | -  |
| Consolidation/Standalone        | The ratings are based on the consolidated financial statements of Royal Orchid Hotels Limited                |

## About the company

The Royal Orchid Group of Hotels has a portfolio of 58 operating hotels across 38 locations in India as of March 2020. The group primarily operates on an asset light model. Some of the key brands of the company include Hotel Royal Orchid, Royal orchid Central, Royal Orchid Suites and Royal Orchid Resorts. Of its portfolio, more than 70% of its hotels are operated as managed hotels and owned hotels are less than 10% of its total portfolio. The company has two key Joint ventures namely Icon Hospitality Private Limited and Ksheer Sagar Developers Private Limited which house the 134- and 129-room hotels in Bangalore And Jaipur respectively. ROHL has extended corporate guarantees for the debt in its JVs. Other key subsidiaries and joint ventures are captured in Annexure 2.

## Key financial indicators (Consolidated, audited)

| Consolidated   | FY2019 | FY2020 |
|--|--------|--------|
| Operating Income (Rs. crore)                         | 213.0  | 213.8  |
| PAT (Rs. crore)                                      | 13.1   | 5.1    |
| OPBDIT/OI (%)  | 20.9%  | 18.8%  |
| RoCE (%)   | 11.3%  | 7.9%   |
| Total Outside Liabilities/Tangible Net Worth (times) | 0.8    | 1.1    |
| Total Debt/OPBDITA (times)                           | 2.6    | 4.2    |
| Interest Coverage (times)                            | 3.2    | 2.5    |
| DSCR   | 2.0    | 1.5    |

Source: company

**Status of non-cooperation with previous CRA** CARE Ratings in its rationale published on July 1, 2020 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 emails, 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.”

**Any other information: None**

**Rating history for last three years:**

|   | Instrument | Type      | Current Rating (FY2021)  |                                |                      | Chronology of Rating History for the Past 3 Years |                         |                         |                         |                         |
|---|------------|-----------|--------------------------|--------------------------------|----------------------|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   |            |           | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating        | Date & Rating                                     | Date & Rating in FY2020 | Date & Rating in FY2019 | Date & Rating in FY2018 | Date & Rating in FY2017 |
|   |            |           |                          |                                |                      |   |                         |                         |                         |                         |
| 1 | Term Loan  | Long-term | 46.0                     | 91.5                           | [ICRA]BBB (Negative) | [ICRA]BBB (Stable)                                | [ICRA]BBB (Stable)      | [ICRA]BBB (Stable)      | -                       | -                       |

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

## Annexure-1: Instrument Details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|-----------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA      | Term Loan       | March 21, 2018              | NA          | 2030          | 46.0                     | [ICRA]BBB (Negative)       |

Source: Company

## Annexure-2: List of entities considered for consolidated analysis

| Company Name                                   | Ownership | Consolidation approach |
|--|-----------|------------------------|
| Icon Hospitality Private Limited               | 51.07%    | Full consolidation     |
| Maruthi 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     |
| River Shore Developers Private Limited         | 100.00%   | Full consolidation     |
| Royal Orchid Mumbai Private Limited            | 100.00%   | Full consolidation     |
| Cosmos Premises Private Limited                | 50.00%    | Full consolidation     |
| Ksheer Sagar Buildcon Private Limited          | 50.00%    | Full consolidation     |
| Ksheer Sagar Developers 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     |

Document dated December 07, 2020 has been corrected with revisions as detailed below:

Content under 'List of entities considered for consolidated analysis' on page number 4 has been updated correcting a typographical error

Row No. 13- Earlier

| <b>Company Name</b>             | <b>Ownership</b> | <b>Consolidation approach</b> |
|---------------------------------|------------------|-------------------------------|
| Cosmos Premises Private Limited | 100.00%          | Full consolidation            |

Row No 13- Revised

| <b>Company Name</b>             | <b>Ownership</b> | <b>Consolidation approach</b> |
|---------------------------------|------------------|-------------------------------|
| Cosmos Premises Private Limited | 50.00%           | Full consolidation            |

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)



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