



ROYAL ORCHID HOTELS LTD.,

Regd. Office :
1, Golf Avenue, Adjoining KGA Golf Course,
HAL Airport Road, Kodihalli, Bangalore - 560 008, India.
T +91 80 41783000, F : +91 80 252 03366
www.royalorchidhotels.com
CIN : L55101KA1986PLC007392
email : investors@royalorchidhotels.com

Date: February 11, 2025

To,
The Manager,
Listing Compliance,
Department of Corporate Services,
BSE Limited,
Floor 25, P. J. Towers,
Dalal Street,
Mumbai – 400 001
BSE Scrip Code: 532699

To,
The Manager,
Listing Compliance,
Department of Corporate Services,
National Stock Exchange of India Limited,
Exchange Plaza, Plot no. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
NSE Scrip Symbol: 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 (which are the same as previous ratings):

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
Term Loan	31.83	26.43	[ICRA]A- (Stable)
Unallocated Facilities	14.17	19.57	[ICRA]A- (Stable)
Total	46.00	46.00	

You are requested to take the above on record.

Thanking You.

For Royal Orchid Hotels Limited


Amit Jaiswal
Chief Financial Officer

Encl: As Above



February 11, 2025

Royal Orchid Hotels Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term Loan	31.83	26.43	[ICRA]A- (Stable); reaffirmed
Long-term – Unallocated Facilities	14.17	19.57	[ICRA]A- (Stable); reaffirmed
Total	46.00	46.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation in rating for bank lines of Royal Orchid Hotels Limited (ROHL/the company) factors its healthy operating and financial performance during FY2024 and H1 FY2025 and anticipated sustenance of the same given the favourable demand outlook for hotel industry in the next 9-12 months. The company has reported healthy uptick in revenues in FY2024 and H1 FY2025, with demand stemming from leisure, social meetings, incentives, conferences and exhibitions (MICE) / weddings and pickup in business travel and FTAs (foreign tourist arrivals). ROHL reported consolidated revenues of Rs. 157.6 crore in H1 FY2025, 5.8% higher on YoY basis, supported by both improvement in occupancy and Average Room Rate (ARR). The growth was despite temporary lull in demand due to general elections in Q1 FY2025. The benefits from operating leverage and sustenance of cost optimisation measures, resulted in healthy operating margins of 20.7% in H1 FY2025, albeit lower than the H1 FY2024 levels of 26.0% due to sub-optimal occupancy in newly opened hotels, higher employee costs and renovations in hotels. As a result of its healthy accruals, its debt metrics remain comfortable with consolidated total debt/OPBITDA of 2.3x, Net debt/OPBITDA of 1.7x and interest coverage of 4.7x in FY2024. The favourable demand outlook for the industry and expansion of ROHL's hotel portfolio are likely to support revenues and accruals in FY2025. The debt metrics are likely to remain comfortable, supported by the anticipated healthy accruals over the medium term.

The rating also positively factors in the company's asset-light model of operations (80% of rooms operated under management contracts/franchise), which limits capex requirements and project execution risks. Further, ROHL has a well-diversified hotel portfolio across segments (five-star, four-star, economy hotels, resorts and service apartments) and has witnessed healthy inventory growth to 6,556 keys as on September 30, 2024 from 1,944 keys in FY2014. The rating, is however, constrained by ROHL's inventory concentration in the Karnataka and Gujarat regions (over 40% of keys). While ICRA notes that the company has recently increased its presence in other regions such as Punjab, Odisha, Haryana and Himachal Pradesh, the ability to achieve material geographical diversification over the medium term remains to be seen. Further, ROHL's revenues are vulnerable to the inherent cyclicity of the hospitality industry, economic cycles and exogenous events.

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 was following a complaint received by SEBI against ROHL that consolidated Ksheer Sagar as an associate instead of a subsidiary despite having control. The order stated that this resulted in an overstatement of ROHL's consolidated profits for the FY2022, which led to an increase in share price. Further, the complaint also alleged that the promoters sold 4.08% stake between March 2022 and December 2022 gaining from share price increase. Currently, there is a stay on the final order issued by SEBI, post ROHL's appeal to Securities Appellate Tribunal (SAT), and further communication on this matter is awaited. ICRA will continue to monitor the developments on this front.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company's credit profile will remain strong supported by its healthy market position, cash accruals, comfortable debt metrics and adequate liquidity position, amid favourable outlook for the industry.

Key rating drivers and their description

Credit strengths

Asset-light model of operation with 80% of inventory under management contracts/franchise limits capex and project implementation risk - Over the past decade, the company has primarily been expanding its footprint through an asset-light model that involves leasing of properties or entering into management contract with property owners or franchise. The same is likely to continue going forward as well. The proportion of managed/franchised hotels has gradually increased from 47% in FY2014 to 80% of the total inventory as on September 30, 2024. This is expected to provide long-term operational benefits to ROHL, with relatively less capex requirements and limited project implementation risk.

Segmental diversification with presence across price points helps capture a wide range of customers – ROHL owns five properties (in Bangalore, Goa and Jaipur), ten leased properties (in Bangalore, Mysore, Pune, Gurgaon, Hospet, Nagpur, Sakleshpur and Goa), while 94 hotels/resorts are on a management contract/franchise basis. ROHL's portfolio comprises a wide range of hotels with a healthy mix of brands across segments. The five-star hotels (Royal Orchid brand) constitute 6% of keys, the four-star hotels (Royal Orchid Central/Regenta Central) constitute 47%, 29% is in the economy/budget hotels (Regenta Inn) and the remaining 18% are resorts and service apartments. This helps the company capture a wide range of customers, including those travelling for business and leisure, and those preferring different price points.

Healthy recovery in revenues and accruals in H1 FY2025; favourable demand outlook – The company has reported healthy uptick in revenues in H1 FY2025, with demand stemming from leisure, social MICE/weddings and pickup in business travel and FTAs (foreign tourist arrivals). ROHL reported consolidated revenues of Rs. 157.6 crore in H1 FY2025, 5.8% higher on YoY basis, supported by both improvement in occupancy and Average Room Rate (ARR). The growth was despite temporary lull in demand due to general elections in Q1 FY2025. The benefits from operating leverage and sustenance of cost optimisation measures, resulted in healthy operating margins of 20.7% in H1 FY2025, albeit lower than the H1 FY2024 levels of 26.0% due to sub-optimal occupancy in newly opened hotels, higher employee costs and renovations in hotels. The favourable demand outlook for the industry and expansion of ROHL's hotel portfolio are likely to support revenues and accruals in FY2026.

Comfortable capitalisation structure and coverage indicators – ROHL's net debt has been relatively low for the last few years supported by its healthy accruals and asset-light mode of expansion. While the total debt stood at Rs. 236.5 crore as on September 30, 2024, excluding lease liabilities, it was Rs. 109.4 crore as on the same date. Its debt metrics remain comfortable with consolidated total debt/OPBITDA of 2.3x, Net debt/OPBITDA of 1.7x and interest coverage of 4.7x in FY2024. The debt metrics are likely to remain comfortable, supported by its anticipated healthy accruals.

Credit challenges

High geographical concentration with over 40% of inventory in Karnataka and Gujarat – ROHL has significant geographical concentration with over 40% of the inventory in Karnataka (cities such as Bangalore, Mysore, Hospet, Belgaum, Shimoga and Sakleshpur) and Gujarat (Vadodara, Ahmedabad, Vapi, Rajkot, Bharuch, Dahej, Somnath, Morbi and Bhuj) as on September 30, 2024. Rajasthan (Jaipur, Pushkar, Udaipur, Ajmer, Bharatpur and Ranthambore) and Maharashtra (Mumbai, Pune, Mahabaleshwar, Nagpur, Nashik and Lonavala), with over 10% of the total keys, respectively, also add to the geographical concentration risk. This exposes the company to revenue volatility due to city-specific risks. While ROHL has diversified its portfolio across 72 locations with recent additions, its ability to achieve material geographical diversification over the medium term remains to be seen.

Vulnerability of revenues to the inherent cyclicality of the hospitality industry, economic cycles and exogenous events – Akin to other players in the industry, the company is exposed to industry cyclicality/seasonality, macroeconomic cycles and

exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc). This was witnessed in FY2021 and FY2022, when ROHL’s performance was significantly impacted by the pandemic.

Environmental and social risks

Environmental considerations – ROHL, akin to other hotel players, is exposed to natural disasters (such as hurricanes and floods) and extreme weather conditions, which could interrupt operations or damage properties. However, the availability of insurance acts as a safeguard in these circumstances. The risk for ROHL is accentuated by its geographic concentration. The company has been taking measures to improve its environmental impact by reducing energy, water and plastic consumption, and increasing green initiatives, among others.

Social considerations – Akin to other hoteliers, the company would need to adapt to evolving social fabric (including changing consumer preferences and social trends) from time to time. It also relies heavily on human capital. ROHL is also vulnerable to data security and data privacy risks, like other hotels. Hence, there is moderate exposure to social risk.

Liquidity position: Adequate

ROHL’s liquidity position is adequate supported by its healthy anticipated cash flow from operations and unencumbered cash and bank balances of Rs. 56.5 crore as on September 30, 2024. It also had undrawn working capital facility of Rs. 3.0 crore as on the same date. As against these sources of cash, the company has debt repayment obligations of Rs. 9.0 crore in H2 FY2025, Rs. 20.4 crore in FY2026 and Rs. 14.3 crore in FY2027 on existing and sanctioned loans. Further, it has moderate capex plans of Rs. 25.0 crore in H2 FY2025, and Rs. 30 crore each in FY2026 and FY2027, for renovation and maintenance capex. The capex is expected to be funded through internal accruals and debt, on need basis. Overall, ICRA expects ROHL to be able to meet its medium-term commitments and yet be left with sufficient cash surplus.

Rating sensitivities

Positive factors – Sustained improvement in operating metrics and profitability indicators leading to improvement in debt coverage indicators on a sustained basis could lead to a rating upgrade.

Negative factors – Negative pressure on ROHL’s ratings could arise from any demand slowdown and weakening of operating metrics leading to sustained pressure on its earnings and profitability or significant capex, leading to weakening of debt coverage metrics and liquidity position. Specific credit metric that could lead to a downgrade includes Total Debt/OPBITDA over 3.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology Hotels
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of ROHL

About the company

Royal Orchid Hotels Limited, at the consolidated level, has a portfolio of 109 operating hotels across 72 locations in India (as on September 30, 2024). It primarily operates on an asset-light model with 80% properties under management contracts/franchise. While over 40% of the inventory is in Karnataka and Gujarat, other regions of presence include Rajasthan,

Maharashtra, Goa, Tamil Nadu, Punjab and Uttarakhand to name a few. ROHL operates vide the following brands as on date: 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 Bengaluru and Jaipur, respectively. ROHL is a listed company and the promoters hold 63.65% stake (as on December 31, 2024).

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	271.6	304.0
PAT	46.9	47.4
OPBDIT/OI	33.1%	28.4%
PAT/OI	17.3%	15.6%
Total outside liabilities/Tangible net worth (times)	1.1	1.2
Total debt/OPBDIT (times)	1.8	2.3
Interest coverage (times)	5.6	4.7

Source: Company, ICRA Research; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; #The consolidated figures are as per published results with financial ratios adjusted for ICRA's 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 instances.

Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CARE	CARE C ; Stable; ISSUER NOT COOPERATING	September 10, 2024

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years						
	Type	Amount rated (Rs. crore)	Feb 11, 2025	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023			Date & rating in FY2022	
				May 29, 2024	Mar 28, 2024	Apr 12, 2023	Mar 27, 2023	Mar 20, 2023	Oct 20, 2022	Oct 04, 2021	
1 Term Loans	Long term	26.43	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Negative)
2 Proposed Non-convertible debentures	Long term	-	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-	-	-
3 Unallocated	Long term	19.57	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB (Positive)	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term Loans	Simple
Long term – 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 analysing 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 are 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	26.43	[ICRA]A- (Stable)
NA	Unallocated	NA	NA	NA	19.57	[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	100.00%	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: BSE, Company, ROHL annual report FY2024; As per the published consolidated financial statements of ROHL, Ksheer Sagar Developers Private Limited has been consolidated as per the equity method and has been classified as an associate. However, for analytical purposes, ICRA has fully consolidated this entity, as ROHL is expected to extend all forms of financial support to Ksheer Sagar Developers Private Limited, if needed.

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 328

shamsherd@icraindia.com

Srikumar K

+91 44 4596 4318

ksrikumar@icraindia.com

Vinutaa S

+91 44 4596 4305

vinutaa.s@icraindia.com

Sriraman Mohan

+91 44 4596 4316

sriraman.mohan@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited



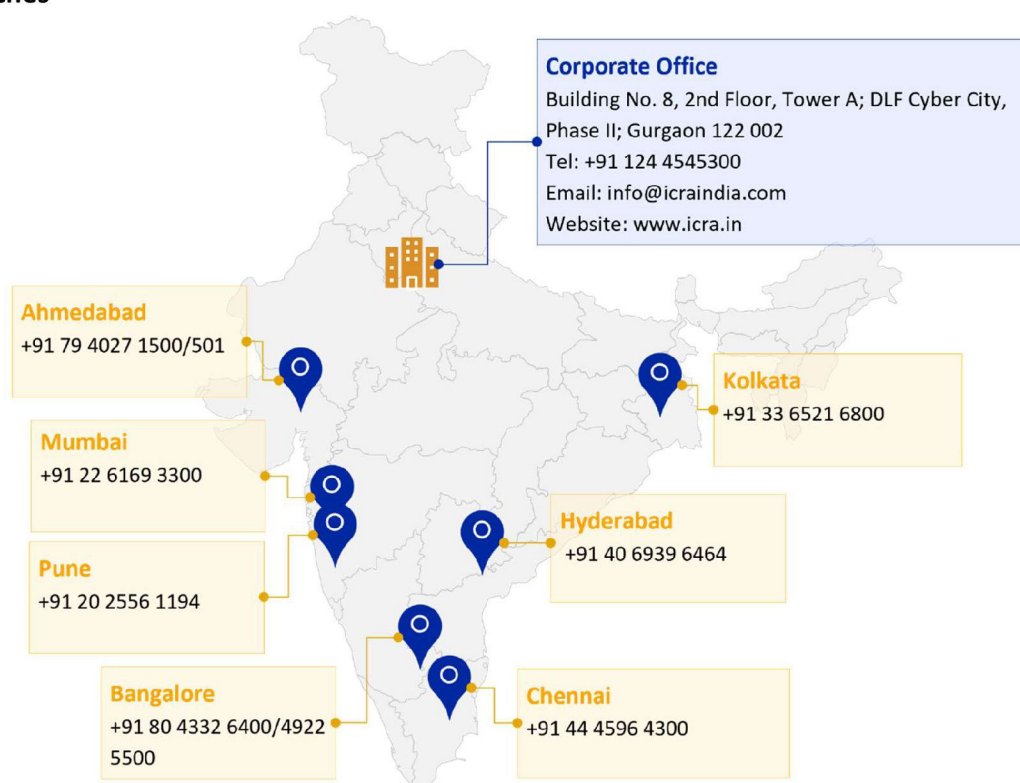
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.