

Press Release

RKD HOTELS PRIVATE LIMITED (ERSTWHILE HOTEL SUKHAMAYA PRIVATE LIMITED)

July 18, 2024

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	0.40	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	42.40	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 42.40 Cr. bank facilities RKD Hotels Private Limited (Erstwhile Hotel Sukhamaya Private Limited) (RHPL). The outlook remains '**Stable**'.

Rationale for the rating

The rating derives comfort from the strong linkages with RKD Construction Private Limited (rated at Acuite A/Stable/A1) as RKD holds 93.91 percent stake and has extended corporate guarantee to RHPL apart from the presence of a common management. The rating also factors in the locational advantage as the hotel is strategically located near Bhubaneswar railway station and Airport. Further, RKD has signed a formal agreement with Indian Hotels Company Ltd (IHCL) for branding and operating the hotel under IHCL's brand going forward. Furthermore, the company completed its renovation work and commenced operations from Q2FY24 and achieved a revenue of Rs.21.29 Cr. in FY2024(Prov) against Rs.2.08 Cr. in FY2023. Moreover, the company has above average financial risk profile and adequate liquidity position. However, the rating remains constrained on account of presence in a highly competitive industry and cyclicity in the hotel industry.

About the Company

RKD Hotels Private Limited (Erstwhile Hotel Sukhamaya Private Limited) was incorporated in 1981 by RKD Construction Private Limited and Late Rohit Kumar Das. The company owns an 80 room hotel in Bhubaneswar, Odisha which currently operates under the brand name 'The Crown'. The company is headed by Mr Rohan Das.

Unsupported Rating

ACUITE BB+/Stable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RKD Hotels Private Limited (Erstwhile Hotel Sukhamaya Private Limited) and notched up the standalone rating by factoring in the parentage and financial linkages with RKD Construction Private Limited.

Key Rating Drivers

Strengths

Strong parentage and support

RKD Hotels Private Limited is a subsidiary concern of RKD Construction Private Limited. RKD is a reputed EPC player in Odisha and has almost four decades of experience in construction of roads and highways. The current order book of RKD comprises of orders related to construction, upgrading and widening of highways issued by NHAI. Moreover, RKD has strong financial flexibility as reflected from its healthy financial risk profile and adequate liquidity position. In addition to this, RKD has provided corporate guarantee to RHPL and has extended unsecured loans and infused equity to meet RKD Hotels Private Limited (Erstwhile Hotel Sukhamaya Private Limited) working capital requirement and renovation of the hotel respectively.

Locational advantage coupled with tie-up with “Taj”

The hotel has the locational advantage, as it is strategically located near Bhubaneswar railway station and Airport. The close proximity of airport and railway station will help in attracting a lot of business travelers and tourists. Various infrastructure facilities such as power, water, telecommunication are also easily available in the area. Further, labors both skilled and unskilled are abundantly available from surrounding areas. In addition to this, the company has signed a formal agreement with Indian Hotels Company Limited (IHCL), part of the Tata Group on September 2021 for branding, operating and marketing of the hotel under the SeleQtion brand. IHCL has a well-established franchise (Taj Group) which has presence in more than 20 nations and operates around 200 hotels in 100 locations. The hotel is operational with IHCL brand from Q2FY24.

Above average financial risk profile

The financial risk profile of the company is above-average marked by improved though healthy net worth, healthy gearing levels and debt coverage indicators. RKD Hotel's net worth stood improved to Rs.46.04 Cr. as of March 31,2024(Prov) from Rs.30.99 Cr. in as of March 31,2023. The improvement in networth is on account of accretion of profits to reserves,equity infusion of Rs.13.00 Cr. by the parent company and infusion of unsecured loans by the promoters, considered as quasi equity as they are subordinated to bank borrowings. The company's gearing stood at 0.82 times as on March 31,2024(Prov) as against 1.33 times as on March 31, 2023. TOL/TNW stood at 1.04 times as on March 31, 2024(Prov) against 1.54 times as on March 31,2023. The interest coverage ratio of the company stood at 2.52 times in FY2024(Prov) against (22.72) times in FY2023. DSCR stood at 1.45 times in FY2024(Prov) against (22.37) times in FY2023. The improvement in coverage indicators is on account of improved operating profitability in FY2024(Prov) against losses in FY2023. Acuité believes financial risk profile will improve on account of gradual repayment of long term debt, and expected increase in cash accruals.

Weaknesses

Small scale of operations

The company has a small scale of operations as the revenue stood at Rs. 21.29 Cr. in FY2024(Prov) and Rs.2.08 Cr. in FY2023.The company will benefit from access to the online reservation systems and marketing strategies of IHCL which will improve the occupancy level over the medium term. Hence, the scale of operation is expected to improve over the medium term.

Highly competitive industry

The Indian subcontinent with vast opportunities and potential for high growth has become the focus area of major international chains. Several of these chains have established and others have their plans to establish hotels to take advantage of these opportunities. These entrants are expected to intensify the competitive environment. Acuité believes the success of the company will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, service level and convenience of location and also the quality and scope of other amenities, including food and beverage facilities.

Rating Sensitivities

Improvement in the scale of operation along with improvement in profitability margins

Significant reduction in occupancy levels leading to deterioration in operating and financial performance.

Liquidity Position **Adequate**

Liquidity is adequate marked by generation of sufficient cash accruals against its repayment obligations and strong resource mobilisation from its parent entity. The company generated cash accruals of Rs. 3.79 Cr. in FY2024(Prov) against maturing debt repayment obligation of Rs.1.60 Cr. during the same period. The cash and bank balances of the company stood at Rs. 1.90 Cr. as on March 31, 2024(Prov). The current ratio however, stood average at 3.26 times as on March 31, 2024(Prov). The company has not utilised its working capital limits over the last 7 months ending June 2024.

Acuité believes liquidity profile is expected to remain at adequate level over the medium term backed by steady cash flow generation.

Outlook: Stable

Acuité believes that the outlook on RKD Hotels Private Limited will remain 'Stable' over the medium term on account of the experienced management, financial flexibility of RKD Contruction Private Limited and commencement of operations post major renovation work. The outlook may be revised to 'Positive' in case the company is able to increase its occupancy levels while maintaining a stable credit risk profile. Conversely, the outlook may be revised to 'Negative' in case there is significant reduction in occupancy levels, thereby, affecting the revenue and profit margins leading to deterioration in financial risk profile and strain on liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	21.29	2.08
PAT	Rs. Cr.	1.82	(3.08)
PAT Margin	(%)	8.57	(147.99)
Total Debt/Tangible Net Worth	Times	0.82	1.33
PBDIT/Interest	Times	2.52	(22.72)

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Apr 2023	Term Loan	Long Term	35.47	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.53	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.40	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
07 Apr 2023	Bank Guarantee (BLR)	Short Term	0.40	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	4.53	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	35.47	ACUITE A- Stable (Reaffirmed)
14 Jan 2022	Proposed Long Term Loan	Long Term	35.47	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.40	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	06 Jan 2024	Not avl. / Not appl.	06 Jan 2025	Simple	2.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	10 May 2022	Not avl. / Not appl.	05 May 2031	Simple	40.00	ACUITE A- Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	RKD Hotels Private Limited (Erstwhile Hotel Sukhamaya Private Limited)
2	RKD Construction Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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