

April 12, 2023

Ksheer Sagar Developers Private 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	25.66	25.66	[ICRA]BBB- (Stable)
Unallocated Facilities	19.34	19.34	[ICRA]BBB- (Stable)
Total	45.00	45.00	

*Instrument details are provided in Annexure-1

Rationale

Ksheer Sagar Developers Private Limited ('Ksheer Sagar'/the company) is owned by Tambi Group and Royal Orchid Hotels Limited (ROHL; rated [ICRA]A- (Stable)) with each owning 50% stake. The rating factors the implicit support enjoyed by Ksheer Sagar, from ROHL. ROHL has committed to extending timely and adequate financial support to Ksheer Sagar to meet its operating and financial commitments in a timely manner.

On April 01, 2023, Royal Orchid Hotels Limited (ROHL) informed the stock exchange that it had received an 'Interim Order cum Show Cause Notice' ('order') from SEBI dated March 31, 2023, against ROHL, its 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 ROHL's 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 ROHL is in the process of taking legal recourse to the order. The rating for Ksheer Sagar remains unchanged at [ICRA]BBB- (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 – Implicit from parent or group
Parent/Group support	Royal Orchid Hotels Limited (ROHL), rated ([ICRA]A- (Stable)) holds a 50.0% stake in the company. ROHL is expected to extend timely and adequate financial support to Ksheer Sagar, as and when required.
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

Ksheer Sagar Developers Private Limited (Ksheer Sagar) operates a 139 room, five-star hotel under Hotel Royal Orchid, Jaipur, established in April 2011. 50.0% of the shares are held by Royal Orchid Hotels Limited and the remaining is held by the Tambi family, based in Jaipur. The land and building are owned by Ksheer Sagar.

Key financial indicators (audited)

Standalone	FY2021	FY2022
Operating income	9.1	16.6
PAT	-5.2	-0.4
OPBDIT/OI	16.5%	29.9%
PAT/OI	-57.9%	-2.4%
Total outside liabilities/Tangible net worth (times)	-144.6	-79.6
Total debt/OPBDIT (times)	36.5	10.2
Interest coverage (times)	0.4	1.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; Note: Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

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 Ksheer Sagar Developers Private Limited (Ksheer Sagar) under the 'issuer non-cooperating' category as Ksheer Sagar had failed to provide information for monitoring of the rating as agreed to in its rating agreement. Ksheer Sagar 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 20, 2023	Oct 20, 2022	Oct 04, 2021	Dec 07, 2020	Apr 13, 2020
1 Term Loans	Long term	25.66	24.90	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB(CE) (Negative) withdrawn and [ICRA]BBB-(Stable) simultaneously assigned	[ICRA]BBB(CE) (Negative)	[ICRA]BBB(CE) (Negative)	[ICRA]BBB(CE) (Stable)

2	Unallocated	Long term	19.34	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB(CE) (Negative) withdrawn and [ICRA]BBB-(Stable) simultaneously assigned	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loans	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	FY2017	9.5%	FY2025	25.66	[ICRA]BBB- (Stable)
NA	Unallocated	NA	NA	NA	19.34	[ICRA]BBB- (Stable)

Source: Company;

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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Branches



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