

July 15, 2025

Oriole Dr. Fresh Hotels Private Limited: Ratings upgraded to [ICRA]A+(Positive)/[ICRA]A1

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	19.86	17.63	[ICRA]A+(Positive); upgraded from [ICRA]A(Positive)
Long-term/ Short -term – Unallocated	4.97	7.20	[ICRA]A+(Positive)/[ICRA]A1; upgraded from [ICRA]A(Positive)/[ICRA]A2+
Total	24.83	24.83	

*Instrument details are provided in Annexure-I

Rationale

ICRA has taken a consolidated view of Lemon Tree Hotels Limited (LTHL), Canary Hotels Private Limited (Canary), Sukhsagar Complexes Private Limited (Sukhsagar) and Oriole Dr. Fresh Hotels Private Limited (Oriole), while assigning the credit ratings (together referred to as LTHL, or the company), given the common management team and significant operational and financial linkages between the entities. Oriole is a wholly owned subsidiary of LTHL.

The upgrade in the ratings factors in a sustained improvement in the credit profile of the company, aided by a continuation of healthy operating performance benefitting from stable industry demand; the company has reported an improvement in average room rates and occupancy levels on a sustained basis over the past few years, which has helped it report a healthy improvement in cash flows. A sustenance of domestic leisure and business travel, along with an increase in foreign tourists, is expected to support LTHL's overall performance and help it report improved earnings, going forward. With limited capex plans, the healthy cash accruals are expected to lead to a reduction in debt for the company, leading to a healthy improvement in leverage (Total Debt/OPBDITA likely to reduce to 2.4-2.6 times by FY2027) and debt coverage indicators. The rating action also favourably factors in the company's plans to target portfolio expansion largely through an asset-light route, which is likely to keep the capex plans limited over the medium-to-long-term and aid deleveraging.

Aided by strong demand and sustained cost control measures, LTHL posted revenues of Rs. 1,286.1 crore (a 20% YoY growth) and a healthy operating margin (OPM) of ~49.3% in FY2025 (OPM of 48.9% in FY2024). The portfolio average room rate (ARR) increased to ~Rs. 6,381 in FY2025 over ~Rs. 5,991 in FY2024, while the room occupancy stood at an average of 72% in FY2025 against 69% in the previous financial year. The company's revenues are expected grow by 10-15% on YoY basis in FY2026 with an expectation of improvement in operational metrics and higher management fee from managed and franchise hotels.

ICRA also notes the stabilisation of the entity's largest hotel (also India's largest hotels in terms of room inventory), Aurika, Mumbai International Airport (MIAL), which commenced operations from Q3 FY2024. The hotel saw healthy improvement in occupancy levels in FY2025, given its favourable location. Further improvement in the performance of the hotel is likely to aid earning growth for the company over the near to medium term. Led by healthy operating profits, the coverage indicators for the company witnessed an improvement with Total Debt¹/OPBDITA at 3.4x in FY2025 against 4.5x in FY2024. The debt on LTHL's books (excluding operating lease liabilities) reduced on a YoY basis to Rs. 1,699 crore as of March 31, 2025 (Rs. 1,889 crore as of March 31, 2024) and is expected to continue to reduce over the medium term.

¹ Including lease liabilities

The ratings continue to reflect LTHL's diversified business profile, characterised by large scale (71 locations, 111 hotels, 10,269 rooms as on March 31, 2025), well-recognised brands across price-points (economy, midscale, upper midscale and upscale) and extensive experience of its promoter and management team.

The Positive outlook on the long-term rating reflects ICRA's expectation that the company will continue to benefit from favourable medium term demand sentiments, which coupled with its well-recognised brands would help it to record healthy operational metrics and earnings, thereby leading to a gradual improvement in credit metrics.

Key rating drivers and their description

Credit strengths

Well-recognised brands and geographically diversified product portfolio – LTHL is among India's largest hotel chains, with 111 operational properties across 71 locations as on March 31, 2025. It benefits from a robust distribution system, loyalty programmes and corporate relationships. The company has established and recognised midscale (Lemon Tree), upper midscale (Lemon Tree Premier) and economy (Red Fox) brands. Moreover, with the successful stabilisation of its upscale brand, Aurika, as well as the acquisition of the Keys brand in FY2020, it further diversified and consolidated its presence across price points. This diversified presence reduces the vulnerability of the Group's revenues to cyclical downturns to some extent. The favourable location of its properties in prominent business and tourist districts supports revenue growth and reduces concentration risk.

Experienced promoters and management team – LTHL is promoted by Mr. Patanjali Keswani, who has been associated with the hospitality industry for over 30 years. From two properties in 2004, the Group has expanded its portfolio to 111 properties (owned/leased and managed) under seven brands, as of March 31, 2025. This has been led by an experienced and professional management team, with a track record of delivering consistent performance through well planned refurbishments and project development, centralised sales and marketing, and disciplined cost control measures.

Strategy to expand through management contract route to limit capital requirement and minimise development risk – The company has been expanding its footprint through an asset-light model that involves leasing of properties or entering franchise agreements/ management contracts with property owners. As of March 31, 2025, almost 44% of its 10,269-room inventory was under management contracts (up from 35% in March 2020). A further inventory of 6,591 managed rooms across 99 properties is in the pipeline (as of March 2025). The management fee income for LTHL nearly quadrupled to Rs. 60.3 crore in FY2025 from Rs. 17.6 crore in FY2022 and is anticipated to grow at a healthy pace, going forward, as most of the company's expansion is likely to be through the asset-light (franchise) model. This business model is expected to provide long-term operational benefits to LTHL as properties can be quickly put into operation with minimal (or nil) capex and limited project implementation risk.

Credit challenges

Exposed to industry cyclicality, general economic slowdown, and exogenous shocks – Given the discretionary nature of consumer spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movement and several exogenous factors, leading to inherent cyclicality. In addition, several non-metro markets also face seasonality in guest traffic. During the pandemic period, the performance of LTHL (and the entire hotel industry) was significantly impacted.

Moderate debt coverage metrics and return on capital employed; gradual improvement expected, aided by healthy underlying demand – The company's debt levels (excluding lease liabilities) reduced to Rs. 1,699 crore as on March 31, 2025 (Rs. 1,899 crore as on March 31, 2024). The reduction in debt was mainly owing to scheduled repayment of its term debt obligations despite a remaining drawdown of the debt for the MIAL project. As the company's profitability remains healthy, the debt coverage indicators have improved. The DSCR remained steady at 1.4 times in FY2025 (1.3 times in FY2024), while Total Debt/OPBDITA improved to 3.4 times (4.5 times in FY2024 and 4.9 times in FY2023). Further, the RoCE increased to ~13% in FY2025, led by a higher profitability contribution from its nascent stage inventory (i.e., 3-4 years since commencement of

operations). The return and credit metrics are expected to improve over the medium term, given no material debt-funded capex plans. The management's policy of availing the project debt towards later stages and its ability to raise low-cost debt continue to provide comfort. Further, the asset-light model expansion plan will keep the overall debt under check, going forward.

Liquidity position: Adequate

LTHL's liquidity is expected to remain **adequate**, supported by healthy net cash accruals, free cash and liquid investments of Rs. 119.2 crore and undrawn working capital limits of ~Rs. 50-52 crore as of March 2025. It has term loan repayments of ~Rs. 201 crore and capex requirements of ~Rs. 120-150 crore in FY2026. With expected retained cash flows of Rs. 400-450 crore in FY2026, the liquidity is estimated be sufficient in covering its obligations in the near term. ICRA expects LTHL's large asset base, strategic partnerships, and financial flexibility with its lenders to continue to support its refinancing options and liquidity profile.

Rating sensitivities

Positive factors – A sustained improvement in operational metrics and profitability indicators leading to significant improvement in leverage and coverage metrics along with liquidity profile, could be a trigger for an improvement in the rating. Specific metrics for an upgrade include Total Debt/OPBDITA reducing to less than 2.5 times on a sustained basis.

Negative factors – A material demand slowdown or any significant debt-funded capex plan, leading to a material weakness in the capital structure and coverage indicators could exert pressure on the ratings. Specific credit metrics that could lead to a rating downgrade include Total debt/ OPBITDA of more than 3.2 times on sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Lemon Tree Hotels Limited; the details of the entities consolidated are shown in Annexure II.

About the company

Incorporated in September 2004, Oriole is a 100% subsidiary of LTHL, which owns and operates the Red Fox property at Kondli in Mayur Vihar, Delhi, with an inventory of 94 rooms.

Incorporated in 2002 by Mr. Patanjali Keswani, his friends and associates, LTHL is a publicly listed company that owns and operates 111 hotels with 10,269 rooms under seven brands across 71 locations in India and abroad, as of March 31, 2025. The company's portfolio spans upscale, midscale and economy segments. Its brands include Aurika (upscale), Lemon Tree Premier and Keys Prima (upper midscale), Lemon Tree and Keys Select (midscale), and Red Fox and Keys Lite (economy). In terms of ownership, a ~23% stake in the company is held by the promoters (the Keswani family), ~15% by APG (a Dutch pension fund) and the rest by foreign portfolio investors, mutual funds, employees and the public.

The company designs, develops and manages properties directly or under its subsidiaries (collectively referred to as the Lemon Tree Group). While most properties in its portfolio are owned by the company directly or through its subsidiaries, a few are operated on long-term lease basis. As on March 31, 2025, the Group had 41 owned and leased operational properties and two properties under development. The total owned/leased inventory across the operational properties stood at 5,759 rooms with 256 rooms under development.

To facilitate rapid expansion of LTHL's brands across the country, the Group's subsidiary, Carnation Hotels Private Limited, enters management contracts with asset owners. As on March 31, 2025, 4,510 rooms across 70 properties were under management contracts with additional 6,591 rooms (99 properties) in the pipeline.

Key financial indicators

LTHL Consolidated	FY2024	FY2025*
Operating income	1,071.1	1,286.1
PAT	181.0	243.4
OPBDIT/OI	48.9%	49.3%
PAT/OI	16.9%	18.9%
Total outside liabilities/Tangible net worth (times)	1.6	1.3
Total debt/OPBDIT (times)	4.5	3.4
Interest coverage (times)	2.5	3.0

Source: Company, ICRA Research; * Limited Audit; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2026)			Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long Term	17.63	Jul 15, 2025	[ICRA]A+ (Positive)	Aug 09, 2024	[ICRA]A (Positive)	Aug 07, 2023	[ICRA]A (Stable)	Jun 02, 2022	[ICRA]A- (Stable)
Unallocated	Long-term/ Short-term	7.20	Jul 15, 2025	[ICRA]A+ (Positive)/ [ICRA]A1	Aug 09, 2024	[ICRA]A (Positive)/ [ICRA]A2+	Aug 07, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Jun 02, 2022	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term/ Short-term – Unallocated	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 loan	FY2016	NA	FY2030	17.63	[ICRA]A+(Positive)
NA	Unallocated limits	NA	NA	NA	7.20	[ICRA]A+(Positive)/[ICRA]A1

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	LTHL Ownership	Consolidation Approach
Lemon Tree Hotels Limited	100%	Full Consolidation
Carnation Hotels Private Limited	100%	Full Consolidation
Fleur Hotels Limited	59%	Full Consolidation
Lemon Tree Hotel Company Private Limited	100%	Full Consolidation
Canary Hotels Private Limited	100%	Full Consolidation
Oriole Dr Fresh Hotels Private Limited	100% (rated entity)	Full Consolidation
Red Fox Hotel Company Private Limited	100%	Full Consolidation
Sukhsagar Complexes Private Limited	100%	Full Consolidation
Nettle Hotels Private Limited (formerly known as Poplar Homestead Holdings Private Limited)	100%	Full Consolidation
Madder Stays Private Limited	100%	Full Consolidation
Arum Hotels Private Limited (formerly known as Jessamine Stays Private Limited)	100%	Full Consolidation
Totally Foxed Solutions Private Limited	100%	Full Consolidation
Hamstede Living Private Limited	100%	Full Consolidation
Manakin Resorts Private Limited (Subsidiary of PSK Resorts & Hotels Private Limited)	100%	Full Consolidation
Celsia Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Inovoa Hotels & Resorts Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
IORA Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Hyacinth Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Bandhav Resorts Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Ophrys Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Berggruen Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Mind Leaders Learning India Private Limited	37%	Equity Method
Pelican Facilities Management Private Limited (Subsidiary of Mind Leaders Learning India Private Limited)	37%	Equity Method
Glendale Marketing Services Pvt. Ltd. (Subsidiary of Pelican Facilities Management Private Limited)	37%	Equity Method
Mezereon Hotels LLP (Capital contribution by Fleur Hotels Limited & Celsia Hotels Private Limited)	59%	Full consolidation
Krizm Hotels Private Limited Employee Welfare Trust	-	Full consolidation

Source: LTHL Q4FY25 results

Note: ICRA has considered consolidated financials of the parent (LTHL) while assigning the ratings.

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Srikumar Krishnamurthy

+91 44 4596 4318

ksrikumar@icraindia.com

Rohan Kanwar Gupta

+91 124 4545 808

rohan.kanwar@icraindia.com

Akshay Dangi

+91 124 4545 396

akshay.dangi@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

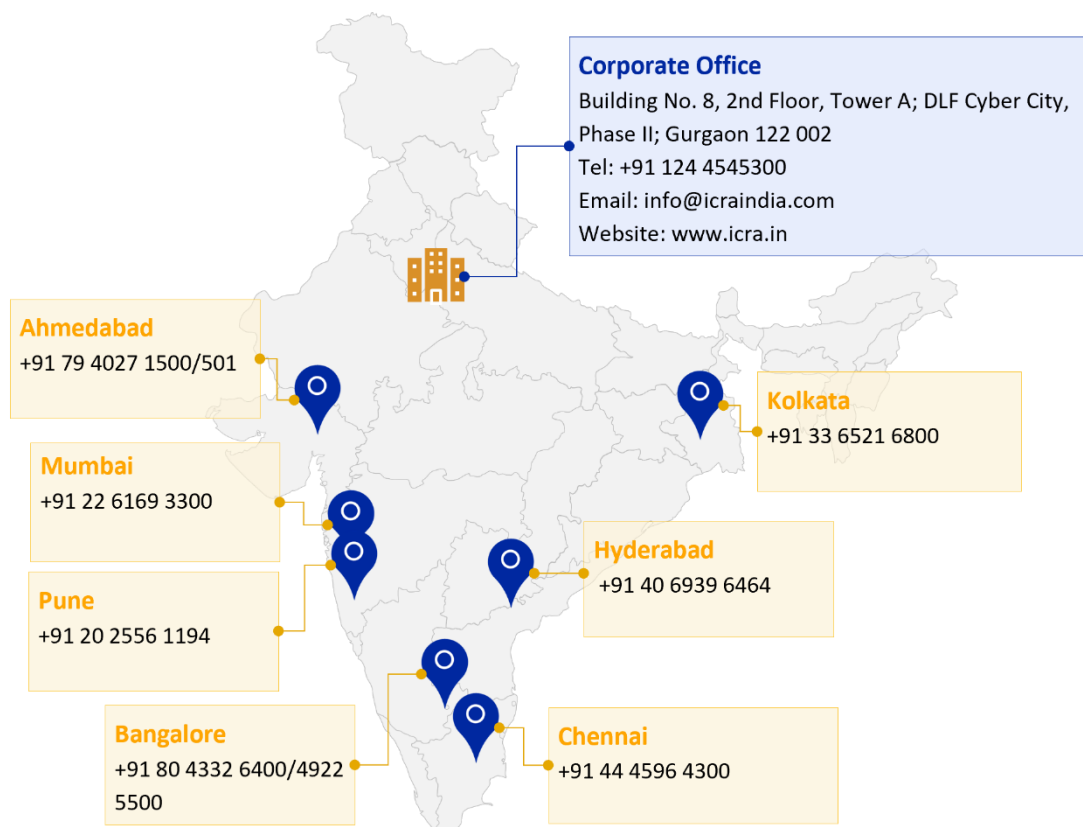


Registered Office

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.