

February 11, 2025

## Icon Hospitality Private 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	16.24	17.19	[ICRA]BBB- (Stable); reaffirmed
Long-term – Unallocated	3.76	2.81	[ICRA]BBB- (Stable); reaffirmed
<b>Total</b>	<b>20.00</b>	<b>20.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation factors the implicit support enjoyed by Icon Hospitality Private Limited (Icon/the company), from Royal Orchid Hotels Limited (ROHL). ROHL holds 100.00% stake in Icon currently and has committed to extending timely and adequate financial support to Icon, as and when required, to meet its operating and financial commitments in a timely manner. Apart from the strong parentage, the rating also takes into account Icon's healthy revenue improvement in H1 FY2025 and anticipated sustenance of the same in the next 9-12 months.

However, the rating is constrained by Icon's financial profile with modest scale of operations (revenues of Rs. 26.7 crore in FY2024 and Rs. 14.8 crore in H1 FY2025) and has relatively high debt levels for its scale of operations. Further, Icon is exposed to geographical concentration risk with only one property in Bengaluru and its revenues are vulnerable to the inherent cyclicity of the hospitality industry, economic cycles and exogenous events, akin to other hotel players.

The 'stable' outlook on the long-term rating reflects ICRA's opinion that the company will be able to sustain its credit profile, benefitting from its strong parentage and favourable demand outlook for the industry.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage; ROHL is committed to extending timely financial support to Icon, as and when required** – Royal Orchid Hotels Limited (ROHL) holds 100.0% stake in Icon (increased from 51.07% in October 2023). ROHL has demonstrated its financial support to Icon in the past, by issuing Compulsorily Convertible Debentures (CCDs) to the company. ROHL is committed to extending timely and adequate financial support to Icon, as and when required, to ensure that Icon meets its operating and financial commitments in a timely manner going forward.

**Healthy improvement in revenues in H1 FY2025; favourable demand outlook** – The company has reported an operating income of Rs. 14.8 crore in H1 FY2025 (YoY growth of 7.5%), with demand stemming from weddings/ social meetings, incentives, conferences and exhibitions (MICE), transient passengers, gradual pick up in business travel and foreign tourist arrivals (FTAs). The operating margins also remained healthy, supported by better operating leverage and sustenance of cost optimisation measures undertaken in the last few years and stood at 33.1% for H1 FY2025. The demand outlook for hotels is favourable, and this is likely to support revenues and accruals for Icon in the next 9-12 months.

#### Credit challenges

**Modest scale of operations; relatively high debt levels for scale of operations** – Icon is a modest player in the hotel industry with revenues of around Rs. 20.0 – Rs. 30.0 crore per annum. The company has undertaken debt-funded capex in the past,

and its accruals have remained low in the last several years. This has resulted in relatively high debt levels for its scale of operations, which stood at Rs. 15.7 crore as on September 30, 2024. The company's Debt Service Coverage Ratio (DSCR) stood at 1.2x for FY2024 while its total debt/OPBDITA and net debt/OPBITDA stood at 2.4x and 2.2x for as on March 31, 2024.

**Exposed to geographical concentration risk; vulnerability of revenues to the inherent cyclicity of the hospitality industry, economic cycles and exogenous events** – Icon operates only a single hotel under the brand 'Royal Orchid Central' in M.G. Road, Bengaluru, exposing it to region-specific risks. Akin to other players in the industry, the company is exposed to industry cyclicity/seasonality, macro-economic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc). This was witnessed in FY2021 and FY2022, when Icon's performance was significantly impacted by the pandemic.

### Liquidity position: Stretched

Icon had negligible cash balances free bank balances of Rs. 1.3 crore as on September 30, 2024. As against this it has repayments of Rs. 1.3 crore in H2 FY2025 and Rs. 2.7 crore in FY2026 and Rs. 2.7 crore in FY2027 on its existing loans. Further, it has minimal capex commitments of Rs 0.5 crore per annum over the medium term. ROHL is committed to extending timely and adequate financial support, as and when required, to Icon to ensure that its financial and operational commitments are met in a timely manner.

### Rating sensitivities

**Positive factors** – Sustained improvement in operating metrics and profitability indicators leading to improvement in debt coverage indicators on a sustained basis or strengthening of linkages/improvement in credit profile of parent could lead to a rating upgrade.

**Negative factors** – Negative pressure on Icon'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. Further, weakening in the parent's credit profile/Icon's linkages with ROHL or absence of timely and adequate financial support from ROHL, as and when required, would be a negative trigger.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Hotels</a>
Parent/Group support	Royal Orchid Hotels Limited (ROHL), rated [ICRA]A- (Stable), holds 100.0% stake in the company. ROHL is expected to extend timely and adequate financial support to Icon, as and when required.
Consolidation/Standalone	Standalone

### About the company

Established in 2003, Icon Hospitality Private Limited (Icon) is currently a wholly owned subsidiary of ROHL and owns a 130 - room, four-star 'Royal Orchid Central' Hotel in M. G. Road, Bengaluru. Mr Dayanand Pai and Mr. Satish Pai held 48.93% stake in Icon previously. However, their entire stake was bought by ROHL in October 2023. The land and building are owned by Icon.

## Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	26.1	26.7
PAT	1.9	9.8
OPBDIT/OI	31.6%	28.8%
PAT/OI	7.3%	36.5%
Total outside liabilities/Tangible net worth (times)	1.9	0.7
Total debt/OPBDIT (times)	2.5	2.4
Interest coverage (times)	3.1	3.3

Source: Company, ICRA Research; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instance

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Feb 11, 2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				Mar 28, 2024	Mar 20, 2023	Oct 20, 2022	Oct 04, 2021
1 Term Loans	Long term	17.19	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB(CE) (Negative) withdrawn and [ICRA]BBB-(Stable) simultaneously assigned	[ICRA]BBB(CE) (Negative)
2 Unallocated	Long term	2.81	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB(CE) (Negative) withdrawn and [ICRA]BBB-(Stable) simultaneously assigned	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	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 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	FY2024	8.75%	FY2027-FY2030	17.19	[ICRA]BBB- (Stable)
NA	Unallocated	NA	NA	NA	2.81	[ICRA]BBB- (Stable)

Source: Company

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

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545 328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Vinutaa S**  
+91 44 4596 4305  
[vinutaa.s@icraindia.com](mailto:vinutaa.s@icraindia.com)

**Srikumar K**  
+91 44 4596 4318  
[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Sriraman Mohan**  
+91 44 4596 4316  
[sriraman.mohan@icraindia.com](mailto:sriraman.mohan@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto: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](http://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](http://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.