March 27, 2025

Sangu Chakra Hotels 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	170.00	170.00	[ICRA]BB+ (Stable); reaffirmed
Total	**170.00**	**170.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of ratings for the bank lines of Sangu Chakra Hotels Private Limited ('SCHPL' / 'the company') considers ICRA's expectation of a sustained financial performance in the near to medium term aided by the well-established position of properties, management tie-up with Marriott International, Inc., favourable demand outlook for the hospitality industry and continued financial support from the promoters in the form of unsecured loans, as and when required.

The properties have been operational for several years, and this, along with its central location has aided in attracting leisure travellers, meetings, incentives, conferences and exhibitions (MICE), and other transient passengers. The company reported an operating income of Rs. 119.9 crore in FY2024, growing by 52.6% YoY from FY2023, supported by sustained demand from all categories mentioned above. The momentum sustained in 9M FY2025 as well with SCHPL reporting operating income of Rs. 88.6 crore. Benefits from improved operating leverage and sustenance of cost optimisation measures undertaken resulted in healthy operating margins and improvement in accruals compared to past levels, in FY2024 and 9M FY2025. SCHPL's operating profit margin (OPM) was 26.1% in FY2024 and 31.6% in 9M FY2025. ICRA expects the healthy demand outlook for the industry and demand-supply gap in SCHPL's markets to augur well for the company over the medium term; albeit vulnerability to exogenous shocks, if any. The promoters have been periodically infusing funds into the company by way of unsecured loans, with no defined repayment obligations (Rs. 15.5 crore outstanding as on December 31, 2024). ICRA expects such support to continue, going forward, as and when required, to meet SCHPL's operating and financial commitments. SCHPL's liquidity remains adequate supported by its anticipated healthy accruals, free cash balances of Rs. 14.2 crore and undrawn working capital lines of Rs. 4.8 crore as on December 31, 2024.
The rating is, however, constrained by the company's relatively higher debt levels and low net worth, which have resulted in moderate capital structure and coverage metrics. SCHPL's Total Debt/OPBDITA stood at 4.6 times in 9M FY2025 while its debt service coverage ratio (DSCR) stood at 1.1 times in FY2024. ICRA expects the capitalisation and coverage metrics to remain moderate over the medium term, given the company's debt-funded capex plans. Further, its restricted presence (only in Tamil Nadu) could expose the company to region-specific exogenous shocks and risks, while its moderate revenues limit benefits arising from scale economies.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company's credit profile will sustain, supported by its cash accruals, adequate liquidity position and need-based fund infusion by the promoters, amid favourable outlook for the industry, despite the anticipated debt-funded capex.

Credit strengths

Well-established position of properties in respective towns; management tie-up with well-known international hospitality group for some hotels – The company currently has four hotels—Courtyard by Marriott in Trichy and Madurai (premium), Sangam hotels in Thanjavur (mid-scale), Chidambara Vilas (heritage) in Kadiapatti village near Karaikudi. Its flagship properties—Courtyard by Marriott in Trichy and Madurai—which constituted around 78% of SCHPL's revenues in FY2024 and

84% during 9M FY2025, are well-established properties in the respective towns, being in the central business districts (CBDs). Both these properties have been operational for the last several years (as 'Sangam Hotels' prior to the rebranding) and command a premium in average room rates (ARRs) compared to their competitor properties. The other two properties are also well-established properties in temple towns in Tamil Nadu. SCHPL also benefits from Marriott International, Inc's, management expertise and has access to its global reservation system by virtue of two of its hotels being operated by the latter through management contract under the 'Courtyard by Marriott' brand.

Favourable demand outlook – The company reported an operating income of Rs. 119.9 crore in FY2024, growing by 52.6% YoY from FY2023, supported by sustained demand from leisure, MICE and transient passengers. The momentum sustained in 9M FY2025 as well with SCHPL reporting operating income of Rs. 88.6 crore. Further, benefits from improved operating leverage and sustenance of cost optimisation measures undertaken have resulted in healthy operating margins and improvement in accruals compared to past levels, in FY2024 and 9M FY2025. SCHPL's operating profit margin (OPM) was 26.1% in FY2024 and 31.6% in 9M FY2025. ICRA expects the healthy demand outlook for the overall industry and demand-supply gap in SCHPL's markets to augur well for the company over the medium term; albeit vulnerability to exogenous shocks, if any.

Periodic fund infusions from promoters – The promoters have been periodically infusing funds into the company by way of unsecured loans, with no defined repayment obligations. As on December 31, 2024, unsecured loans from the promoters on SCHPL's books stood at Rs. 15.5 crore. ICRA expects the promoters to extend adequate and timely financial support, going forward, as and when required, to meet SCHPL's operating and financial commitments.

Credit challenges

Relatively high debt levels; moderate capitalisation and coverage metrics – The company has relatively high debt levels for its scale of operations (Rs. 185.8 crore as of FY2024 and Rs. 173.2 crore as of 9M FY2025) primarily due to debt-funded capex incurred in the past. Also, the company has relatively low net-worth, impacted partly by the losses due to the pandemic in FY2021 and FY2022. This has resulted in moderate capital structure. The coverage metrics also remained relatively moderate due to the relatively high debt levels, despite improvement in accruals in FY2024 and 9M FY2025. SCHPL's Total Debt/OPBDITA stood at 4.6 times in 9M FY2025 while its debt service coverage ratio (DSCR) stood at 1.1 times in FY2024. ICRA expects the capitalisation and coverage metrics to remain moderate over the medium term, given the company's debt-funded capex plans.

Relatively high geographic concentration – SCHPL derives its revenues entirely from the Tamil Nadu market, though its presence is diversified across four towns in the state. This exposes the company's revenues and accruals to any localised downturn/unforeseen events or region-specific risks. However, the well-established position of the SCHPL's properties and segment diversification with properties spread over premium, mid-scale and heritage segments mitigates the risk to an extent.

Moderate scale of operations; vulnerability of revenues to inherent industry cyclicality, economic cycles and exogenous events – SCHPL is a moderate player in the Indian hospitality industry with revenues of Rs. 119.9 crore in FY2024 and Rs. 88.6 crore in 9M FY2025 and an inventory of 289 keys as on December 31, 2024. Akin to other players in the industry, the company is exposed to industry cyclicality/seasonality, macro-economic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc). This was witnessed in FY2021 and FY2022, when SCHPL's performance was significantly impacted by the pandemic.

Liquidity position: Adequate

SCHPL's liquidity is adequate supported by its anticipated healthy accruals and free cash balances of Rs. 14.2 crore as of December 31, 2024. The company also had undrawn working capital lines of Rs. 4.8 crore as on December 31, 2024. Further, the promoters are committed to extending timely and adequate financial support to the company for meeting its operating and financial commitments, as and when required. Against these sources of cash, the company has repayment obligations of Rs. 20.3 crore in FY2026 and Rs. 21.5 crore in FY2027 on existing and sanctioned term loans from banks. The company has incurred debt-funded capex of Rs. 35 crore in FY2025, and is likely to capex of Rs. 10 crore in FY2026, Rs. 50 crore in FY2027 and Rs. 50-60 crore in FY2028, for maintenance and construction of a 120-key hotel in Trichy. Part of the capex for the hotel construction is likely to be debt-funded.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company is able to improve its debt coverage metrics and liquidity position on a sustained basis. Specific metrics that could lead to an improvement in rating include DSCR above 1.4 times on sustained basis.

Negative factors – ICRA could downgrade the ratings if there is sustained decline in earnings or sharp rise in debt levels, leading to deterioration in coverage metrics and liquidity position. Absence of timely and adequate fund infusion by the promoters, when required, could also be a negative trigger. Specific metric for a rating downgrade includes DSCR below 1.1 times on sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Hotels](#)
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financials.

About the company

Sangu Chakra Hotels Private Limited has four hotels in Tamil Nadu with a cumulative inventory of 289 keys—one 'Courtyard by Marriott' each in Trichy and Madurai, and one hotel each in Thanjavur and Kadiapatti village near Karaikkudi. The latter two hotels are operated by the company under the names, 'Sangam Hotel' and 'Chidambara Vilas', respectively. The former two hotels operated under the name, 'Sangam Hotel' in Trichy and Madurai since 1975 and 2002, respectively, prior to their rebranding as 'Courtyard by Marriott'. The company is entirely held by the promoters in their individual capacity.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	78.6	119.9
PAT	-0.9	1.4
OPBDIT/OI	31.0%	26.1%
PAT/OI	-1.1%	1.2%
Total outside liabilities/Tangible net worth (times)	20.4	18.1
Total debt/OPBDIT (times)	7.9	5.9
Interest coverage (times)	1.8	1.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)		Chronology of rating history for the past 3 years							
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long Term	170.00	March 27, 2025	[ICRA]BB+ (Stable)	Jan 02, 2024	[ICRA]BB+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple

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	9.25%-10.50%	FY2040	170.00	[ICRA]BB+ (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 – Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar K
+91 44 4596 4318
ksrikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
vinutaa.s@icraindia.com

Rahul Mhaskar
+91 80 4332 6427
rahul.mhaskar@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