

May 28, 2025

Tulsi Palace Resort Private Limited: Rating placed on Watch with Positive Implications on existing NCDs and NCBs; rating assigned for Rs. 425-crore NCBs

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture (NCD) programme	50.00	50.00	[ICRA]A-; placed on Rating Watch with Positive Implications
Non-convertible bonds (NCB) programme	0.00	425.00	[ICRA]A-; assigned and placed on Rating Watch with Positive Implications
Total	50.00	475.00	

*Instrument details are provided in Annexure I

To arrive at the rating of Tulsi Palace Resort Private Limited (TPRPL), ICRA has revised the rating approach to a consolidated view from earlier approach of standalone view. This change in approach is on account of change in shareholding of TPRPL, which is currently 100% (as of March 2025) held by Schloss Chanakya Private Limited (SCPL) and ultimately held by Schloss Bangalore Limited (SBL). TPRPL was earlier held 100% (as of September 2024) by BSREP III Joy Two Holdings (DIFC) Limited, which is part of Brookfield fund. Schloss Bangalore Limited is ultimate parent of Brookfield Group hotel platform in India. ICRA has taken a consolidated view of SBL and its wholly-owned subsidiaries namely TPRPL, SCPL, Schloss Chennai Pvt Ltd, Schloss Udaipur Pvt Ltd, Schloss HMA Pvt Ltd (SHPL) and Leela Palaces and Resorts Ltd (LPRL), given the common management, and significant operational and financial linkages along with common treasury team among the entities.

Rationale

The rating for Tulsi Palace Resort Private Limited (TPRPL) have been placed on Watch with Positive Implications considering the expected initial public offering (IPO) proceeds towards consolidated debt reduction and the consequent positive impact on its debt protection metrics. Schloss Bangalore Limited (SBL) has filed the red herring prospectus (RHP). It plans to raise Rs. 2,500 crore in the primary issuance and Rs. 1,000 crore in the secondary issuance through the IPO, estimated to be listed in June 2025. The proceeds from the primary issuance will be majorly utilised (~Rs. 2,300 crore) towards reduction of consolidated debt (as on March 31, 2025, total debt stood at Rs. 4,141.5 crore). With prepayment of debt, the consolidated leverage and coverage metrics are anticipated to improve significantly.

The rating factors in the Brookfield Group's established track record in the real estate sector and its diversified portfolio in India's commercial real estate business including offices, hotels and retail malls. The hotel portfolio is likely to benefit from Brookfield's experienced management team and strong parentage, providing strong financial flexibility. Under SBL, the Group operates 13 hotels under well-established luxury brand 'Leela' situated in key Indian cities. Given the strong brand position, the properties achieved healthy occupancy of ~65% in FY2025 up from ~43% in FY2022. The average room rate (ARR), on a consolidated basis, has shown a 5-year compound annual growth rate (CAGR) of 10.8%, reaching ~Rs. 16,409 by FY2025. Additionally, the operating performance is anticipated to improve, driven by robust domestic leisure and business travel stemming from the strong economic activity and increased international travel.

These strengths are partially offset by the Group's high leverage, with a total Debt/EBITDA of 7.0 times as on March 31, 2025 (previous year: 8.0 times), resulting in modest debt protection metrics. However, the financial risk profile is likely to improve significantly with expected pre-payment of majority of debt through IPO proceeds. The rating notes the vulnerability of debt coverage ratios to factors such as material reduction in occupancy levels or change in interest rates. Additionally, the rating takes into account the cyclical aspects of the hospitality industry due to the discretionary nature of spending. Revenue generation is influenced by seasonality, external shocks, and overall macroeconomic conditions. Moreover, hotels remain subject to competition from other luxury establishments.

Key rating drivers and their description

Credit strengths

Strong sponsor group with established track record provides financial flexibility – The Brookfield Group’s established track record in the real estate sector and its diversified portfolio in India’s commercial real estate business including offices, hotels and retail malls. The hotel portfolio is likely to benefit from Brookfield’s experienced management team and strong parentage, providing strong financial flexibility.

Strong brand in luxury hospitality segment along with healthy operating performance – Under SBL, the Group operates 13 hotels under the well-established luxury brand ‘Leela’ situated in key Indian markets. Given the strong brand position, the properties achieved healthy occupancy of ~65% in FY2025 up from ~43% in FY2022. The ARR, on a consolidated basis, has shown a 5-year CAGR of 10.8%, reaching ~Rs. 16,409 by FY2025. Additionally, the operating performance is anticipated to improve, driven by robust domestic leisure and business travel stemming from strong economic activity and increased international travel.

Credit challenges

Modest financial risk profile expected to improve significantly post IPO – The Group has higher leverage, with a total Debt/EBITDA of 7.0 times as on March 31, 2025 (previous year: 8.0 times), resulting in modest debt protection metrics. However, the financial risk profile is likely to improve significantly with expected pre-payment of majority of debt through IPO proceeds. The rating notes the vulnerability of debt coverage ratios to factors such as material reduction in occupancy levels or change in interest rates.

Vulnerability of revenues to inherent cyclicity in industry – Due to the discretionary nature of spending, the rating considers the cyclical aspects of the hospitality industry, where revenue generation is influenced by seasonality, external shocks, and overall macroeconomic conditions. Moreover, hotels remain subject to competition from other luxury establishments.

Liquidity position: Adequate

The liquidity profile at a consolidated level is adequate, with cash balances amounting to Rs. 1,380.2 crore as on March 31, 2025. This is primarily attributed to the infusion of funds by the promotor, the Brookfield Group (through BSREP III Tadoba Holdings (DIFC) Pvt Ltd), totalling Rs. 1,192.9 crore in September 2024. Further, the sponsor has committed to support SBL throughout the debt tenure and facilitate any future growth initiatives. The debt repayment obligations in FY2026 and FY2027 can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – The watch will be resolved after capital infusion (from IPO proceeds) and assessing its impact on consolidated financial profile. In the interim, significant improvement in the operational performance at consolidated level resulting in improvement in debt protection metrics, could also result in an upgrade.

Negative factors – The watch will be resolved after capital infusion (from IPO proceeds) and assessing its impact on consolidated financial profile. In the interim, material deterioration in operating metrics or significant debt-funded capex resulting in weakening of debt protection metrics and liquidity position of the company, on a sustained basis, could result in rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving the rating, ICRA has consolidated the operational and financial profile of SBL, and its subsidiaries, given the close business, financial and managerial linkages, along with a common treasury team. The details of entities are enlisted in annexure-II.

About the company

Incorporated in 2012 by Mr. Mohan Sukhani and Mr. Vikram Sukhani, TPRPL owns a five-star hotel in Kukas, Rajasthan. Until 2020, it operated under Marriott Hotels India Private Limited. However, in 2020, TPRPL and Marriott mutually agreed to terminate the agreement, and the company entered into an operation and management service agreement with Schloss HMA Private Limited to operate the hotel under the Leela brand. In May 2021, 50% of TPRPL was acquired by BSREP III Joy Two Holdings (DIFC) Limited (Brookfield Group). Later, Moonburg Power Private Limited (MPPL) was incorporated in June 2022, to acquire the remaining 50% shareholding in TPRPL, held by the Sukhani family. In September 2024, MPPL was amalgamated with TPRPL, and its 100% shareholding was transferred to Schloss Chanakya Private Limited (SCHPL). SCHPL is, in turn, 100% held by Schloss Bangalore Limited, which has filed RHP for IPO in May 2025.

The Leela Hotel under TPRPL has 200 rooms and offers facilities like meeting rooms, banquets, a swimming pool, fitness centre and dining options at five restaurants.

At the consolidated level, SBL operates 13 hotels in India of which 5 are owned, 7 are under management contract and 1 hotel is under franchise. It has a total of 3,553 keys as on March 31, 2025. The 5 owned hotels are located strategically at New Delhi, Bangalore, Chennai, Udaipur and Jaipur. The consolidated average occupancy of the portfolio stood at ~65% for FY2025 with average ARR at ~Rs. 16,409. The SPVs under SBL were initially owned by Brookfield through BSREP III, a fund floated and managed by Brookfield Asset Management. In FY2025, SBL obtained control over these SPVs from BSREP III.

Key financial indicators (audited)

Consolidated - SBL	FY2024	FY2025
Operating income (OI)	1177.9	1313.5
PAT	-2.1	47.8
OPBDIT/OI	47.5%	44.8%
PAT/OI	-0.2%	3.6%
Total outside liabilities/Tangible net worth (times)	-3.5	1.3
Total debt/OPBDIT (times)	8.0	7.0
Interest coverage (times)	1.3	1.3

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)					Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture	Long-term	50.0	May 28, 2025	[ICRA]A-; Rating Watch with Positive Implications	May 24, 2024	[ICRA]A- (Stable)	-	-	-	-
Non-convertible bond	Long-term	425.0	May 28, 2025	[ICRA]A- ; Rating Watch with Positive Implications	-	-	-	-	-	-
Proposed non-convertible debenture	Long-term	0.0	-	-	-	-	May 12, 2023	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible bonds programme	Moderately Complex

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
INE0HHL07014	Non-convertible debenture	May 24, 2023	8.8%	May 24, 2026	50.00	[ICRA]A-; Rating Watch with Positive Implications
INE0PKY07014	Non-convertible bond	May 24, 2023	10.5%	May 23, 2026	425.00	[ICRA]A-; Rating Watch with Positive Implications

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	SBL Ownership	Consolidation Approach
Schloss Bangalore Limited	-	Full consolidation
<u>Subsidiary Companies</u>		
Schloss Chanakya Private Limited	100%	Full consolidation
Schloss Chennai Private Limited	100%	Full consolidation
Schloss Gandhinagar Private Limited	100%	Full consolidation
Schloss HMA Private Limited	100%	Full consolidation
Schloss Tadoba Private Limited	100%	Full consolidation
Leela BKC Holdings Private Limited	100%	Full consolidation
Transition Cleantech Services Five	100%	Full consolidation
Leela Palaces and resorts Limited	100%	Full consolidation
Buildminds Real Estate Private Limited	76%	Full consolidation
Anasvish Tiger Camp Private Limited	74%	Full consolidation
Inside India Resorts Private Limited	51%	Full consolidation
<u>Stepdown subsidiaries</u>		
Tulsi Palace Resort Private Limited	100%	Full consolidation
Schloss Udaipur Private Limited	100%	Full consolidation
Aries Holding (DIFC) Limited (UAE)	100%	Full consolidation

Source: SBL RHP, ICRA Research

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