August 22, 2025

Adyar Gate Hotels Limited: Ratings upgraded to [ICRA]BB+ (Stable)/[ICRA]A4+; removed from Issuer Not Cooperating

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund based - Cash credit	45.00	45.00	[ICRA]BB+ (Stable); upgraded from [ICRA]B- (Stable); removed from Issuer Not-Cooperating category
Long-term-Fund based-Term loan	100.00	100.00	[ICRA]BB+ (Stable); upgraded from [ICRA]B (Stable); removed from Issuer Not-Cooperating category
Long Term-Fund Based-Term Loan	226.33	-	-
Long Term- Unallocated Limits	14.67	-	-
Short Term -Non-Fund Based Other	2.00	2.00	[ICRA]A4+; upgraded from [ICRA]A4; removed from Issuer Not-Cooperating category
Total	**388.00**	**147.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings upgrade for Adyar Gate Hotels Limited (AGHL) factors in the 100% occupancy of its office asset, healthy operational performance of hotels, significant reduction in debt levels through proceeds received from sale of land parcel and improvement in debt protection metrics which is expected to sustain in the medium term. ICRA has removed the ratings from the Issuer Not Cooperating category based on adequate information received for carrying out a detailed credit assessment.

The company has one office asset with 2.5 lakh square feet (sft) leasable area and two hotels at favourable locations namely Intercontinental Mahabalipuram Resort, Chennai and Fortune Sullivan Court Hotel, Ooty. The hotels are associated with reputed brands like InterContinental Hotels Group (IHG) and ITC. The company entered into a JDA with Bashyam Construction Private Limited in FY2023 for the development of a residential project in Chennai and as part of the transaction, the company will receive Rs. 300 crore (Rs. 280 crore received as of March 2025) and 1.5 lakh sft area. These proceeds were utilised to reduce debt to Rs. 74 crore as of March 2025 compared to Rs. 356.4 crore as of March 2022, leading to a significant improvement in the company's debt protection metrics. The company is undertaking renovation of the Intercontinental Mahabalipuram Resort at a total cost of Rs. 130 crore, which is expected to be funded by a lease rental discounting (LRD) loan of Rs. 100 crore, land sale proceeds and internal accruals, and likely to be completed by FY2026. ICRA notes that the peak debt for the company is expected to be in the range of Rs. 140-150 crore (including overdraft limit) in the medium term.

The ratings are, however, constrained by the high tenant concentration risk in the commercial office space with a single tenant occupying 100% of the total area, which heightens the market risk in case of any significant vacancy/non-renewal of lease. Nonetheless, the said risk is partially offset by the reputed profile of the tenant and the investment made by it towards fitouts. The company remains exposed to the inherent cyclicality in the real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels. Further, the ratings remain constrained by the cyclical nature of the hospitality industry, with revenue generation exposed to seasonality, exogeneous shocks as well as to the overall macroeconomic performance.

The Stable outlook on the long-term rating reflects that the company will benefit from the healthy occupancy levels in the commercial office space, locational advantage of both the hotels, which is expected to result in steady operating performance over the medium term and comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Locational advantage of Intercontinental Mahabalipuram Resort and Fortune Sullivan, Ooty; association of reputed brands for hotels – The company operates two hotels, namely Intercontinental Mahabalipuram Resort (106 rooms), Chennai and Fortune Sullivan Court Hotel (67 rooms), Ooty. Both the hotels are favourably located and are associated with reputed brands like InterContinental Hotels Group (IHG) and ITC.

Healthy occupancy of office asset and comfortable debt protection metrics – AGHL owns 2.5 lakh square feet space in Sai Real Tech Park, an IT park in Velachery, Chennai, which is fully leased to TCS, since 2005. In Q4 FY2025, the company availed an LRD loan of Rs. 100 crore (disbursement started in May 2025). The leverage and coverage metrics are anticipated to remain comfortable with total debt/net operating income (NOI) of 5.9 times as of March 2026 and five-year average DSCR of around 2.5 times (FY2026–FY2030).

Credit challenges

High tenant concentration risk in commercial office space – AGHL is exposed to high tenant concentration risk with TCS occupying 100% of the total area, which heightens the market risk in case of any significant vacancy/non-renewal of lease. Nonetheless, the said risk is partially offset by the reputed profile of the tenant and the investment made by it towards fitouts.

Cyclicality of hotel industry; revenues susceptible to general economic slowdown and exogenous shocks – Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movement and several exogenous factors, resulting in inherent cyclicality. Global and domestic economic conditions will remain key monitorable factors for the company.

Vulnerability of debt coverage indicators to material decline in occupancy or interest rates – The company remains exposed to the inherent cyclicality in the real estate industry and is susceptible to external factors. The ratings note the vulnerability of its debt coverage metrics to changes in interest rates or material reduction in occupancy levels.

Liquidity position: Adequate

AGHL's liquidity position is adequate corroborated by free cash and cash balances of Rs. 2 crore as on August 15, 2025. It has principal repayment obligations of Rs. 7.6 crore in FY2026 and Rs. 8.3 crore in FY2027, which can be comfortably serviced through the estimated cash flow from operations. AGHL has sanctioned fund-based working capital limits of Rs. 45 crore, which supports its liquidity. Further, the company is undertaking capex of Rs. 130 crore towards the renovation of its Mahabalipuram resort, Chennai, which will be funded by an LRD debt of Rs. 100 crore (sanctioned in January 2025), land sale proceeds and internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the company's ratings if there is an improvement in operating performance in the hotel operations leading to improvement in debt protection metrics and liquidity position on a sustained basis.

Negative factors – Pressure on the ratings could emerge if there is a material decline in occupancy in the office space, weak operating performance in the hotel operations or significant increase in indebtedness resulting in deterioration of debt protection metrics and liquidity position of the company on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) Hotels
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Adyar Gate Hotels Limited (AGHL) is owned by the Goyal family and has a track record of over three decades. The company has two hotel properties in South India. AGHL commenced operations of a 106-room resort in Mahabalipuram under the name InterContinental Chennai Mahabalipuram Resort operated by IHG and Fortune Hotel Sullivan Court in Ooty with 67 rooms (managed by ITC). Apart from the hotels, AGHL owns 2.5 lakh square feet space in Sai Real Tech Park, an IT park in Velachery, Chennai, fully leased to TCS. AGHL also has two wholly-owned non-operational subsidiaries with land holdings in Kodaikanal, Tamil Nadu. During FY2025, the Goyal family diluted their stake in the company partly to Bashyam Construction Private Limited. As of March 2025, AGHL is held 58% by the Goyal family and 42% by Bashyam Construction Private Limited.

Key financial indicators (audited)

AGHL (Standalone)	FY2024	FY2025*
Operating income	85.7	95.0
PAT	8.1	21.7
OPBDIT/OI	25.4%	39.3%
PAT/OI	9.4%	22.8%
Total outside liabilities/Tangible net worth (times)	-109.4	20.2
Total debt/OPBDIT (times)	2.0	2.0
Interest coverage (times)	2.4	7.8

*Source: Company, ICRA Research; * Provisional numbers; 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)**	**Aug 22, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund Based-Cash Credit	Long-Term	45.00	[ICRA]BB+ (Stable)	Jun 23, 2025	[ICRA]B- (Stable); ISSUER NOT COOPERATING	Apr 15, 2024	[ICRA]B- (Stable); ISSUER NOT COOPERATING	-	-	Feb 28, 2023	[ICRA]B- (Stable); ISSUER NOT COOPERATING
Fund Based-Term Loan	Long-Term	100.00	[ICRA]BB+ (Stable)	Jun 23, 2025	[ICRA]B (Stable); ISSUER NOT COOPERATING	Apr 15, 2024	[ICRA]B (Stable); ISSUER NOT COOPERATING	-	-	Feb 28, 2023	[ICRA]B (Stable); ISSUER NOT COOPERATING
Fund Based-Term Loan	Long-Term	-	-	Jun 23, 2025	[ICRA]B- (Stable); ISSUER NOT COOPERATING	Apr 15, 2024	[ICRA]B- (Stable); ISSUER NOT COOPERATING	-	-	Feb 28, 2023	[ICRA]B- (Stable); ISSUER NOT COOPERATING
Unallocated Limits	Long-Term	-	-	Jun 23, 2025	[ICRA]B- (Stable); ISSUER NOT COOPERATING	Apr 15, 2024	[ICRA]B- (Stable); ISSUER NOT COOPERATING	-	-	Feb 28, 2023	[ICRA]B- (Stable); ISSUER NOT COOPERATING
Non-Fund Based Other	Short-Term	2.00	[ICRA]A4+	Jun 23, 2025	[ICRA]A4; ISSUER NOT COOPERATING	Apr 15, 2024	[ICRA]A4; ISSUER NOT COOPERATING	-	-	Feb 28, 2023	[ICRA]A4; ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term-Fund based-Cash credit	Simple
Long Term-Fund Based-Term Loan	Simple
Short-Term-Non fund based – Others	Very 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	Long Term-Fund Based-Cash Credit	NA	NA	NA	45.00	[ICRA]BB+ (Stable)
NA	Long Term-Fund Based-Term Loan	FY2025	NA	FY2037	100.00	[ICRA]BB+ (Stable)
NA	Short-Term-Non fund based – Others	NA	NA	NA	2.00	[ICRA]A4+

Source: Company

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

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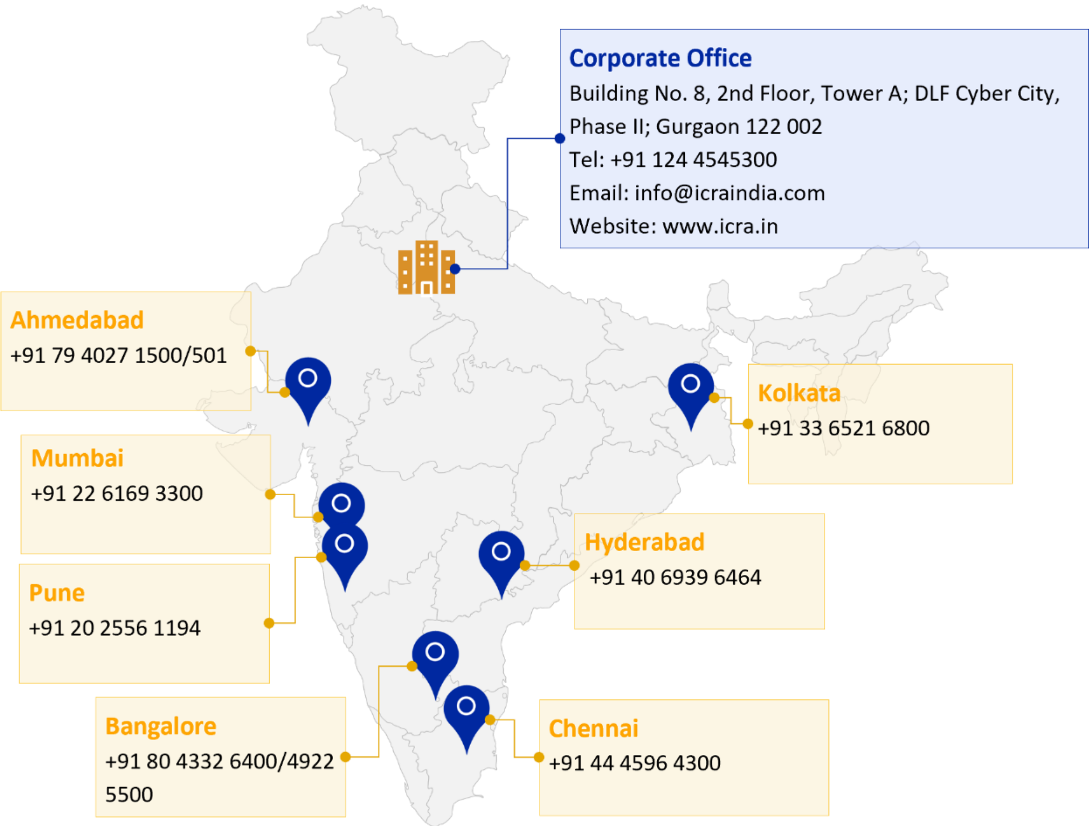

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