

September 29, 2025

Apeejay Surrendra Park Hotels Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Term loan	75.00	75.00	[ICRA]A+; Reaffirmed and outlook revised to Positive from Stable
Long term - Fund-based working capital	40.00	40.00	[ICRA]A+; Reaffirmed and outlook revised to Positive from Stable
Short term - Fund-based limit (WCDL) - Interchangeable	(40.00)	(40.00)	[ICRA]A1; Reaffirmed
Short term - Non-fund based limits^	20.00^	20.00^	[ICRA]A1; Reaffirmed
Long term/Short term – Unallocated limit	75.00	75.00	[ICRA]A+; Reaffirmed and outlook revised to Positive from Stable / [ICRA]A1; Reaffirmed
Total	210.00	210.00	

*Instrument details are provided in Annexure I; ^Bank guarantee; includes Rs. 10 crore sub-limit for letter of credit

Rationale

The revision in the outlook on the long-term rating to Positive from Stable for Apeejay Surrendra Park Hotels Limited (ASPHL) considers robust performance of the company, as reflected by sustenance of an industry-leading overall occupancy of more than 90% (93% in FY2025) and a 14% growth in both average room rates (ARR) and Revenue Per Available Room (RevPAR) in FY2025. In Q1 FY2026, its ARR and RevPAR continued to register a double-digit growth of 13% and 12% respectively, on a YoY basis, while the occupancy remained resilient at 92% despite an adverse impact of India-Pakistan conflict in some of the properties, located in North India. ASPHL's revenue in FY2024 and FY2025 grew by 12% and 11% respectively, and its operating margin remained healthy at 33%. The company's overall performance is likely to improve further over the medium term, given a favourable demand-supply situation in the Indian hospitality sector with limited room supply growth in most of the key markets vis-à-vis healthy traction in demand and the company's focus on capacity building and premiumisation. The initial public offer (IPO) in February 2024 had led to a significant deleveraging of the company's balance sheet. Although its long-term debt is expected to increase for funding a planned acquisition in the near term and the on-going greenfield/expansion projects, the capital structure would continue to remain conservative and the debt coverage indicators would also remain at a comfortable level. Recently, the company has announced an acquisition plan to add 80 rooms in Juhu, Mumbai, which will entail an overall cash outlay of around Rs. 266 crore (including Rs. 60 crore renovation cost) till FY2027, out of which around 75% will be funded by debt. It has also planned acquisition of two properties in Kochi, with 31 rooms, for Rs. 62 crore. However, the same is likely to be funded internally.

The ratings continue to derive comfort from the established position of ASPHL in the Indian hospitality industry, with a presence across attractive locations in key cities and a sustained growth in its food and beverages (F&B) revenues, which are less cyclical than room revenues. The share of F&B income in ASPHL's revenues has historically been high (42% in FY2025) compared to its peers. The addition of the Flurys brand since October 2019 has provided further fillip to the company's overall F&B revenues, and the trend is likely to continue, given the company's significant expansion plan for the Flurys segment. The company is in the process of expanding its presence across geographies through leased hotels and the asset-light management contract model, with limited capital outlay. Besides the acquisitions in Mumbai and Kochi, as mentioned above, ASPHL has also planned a few greenfield and expansion projects, however, all such properties will be built on its existing owned land, limiting the cash outflow. The new project in Kolkata (EM Bypass) will be entirely funded through inflows from a real estate project, coming up on the same land, for which ASPHL has entered a joint development agreement with a renowned real estate

group in Kolkata. Thus, the overall cash outflow for the greenfield and expansion projects (Kolkata, Pune, Mumbai, Vizag and Jaipur), with a pipeline of 950 rooms, is estimated at Rs. 840 crore, to be incurred over a period of 5-6 years. The proposed project in Jaipur with 150 rooms is also likely to be developed in partnership with a third party, which will reduce ASPHL's cash outflow for the project. Besides, the company plans to incur a capex of around Rs. 530 crore for expansion of the Flurys business, room renovations etc. in the coming five years. A major portion of the capex will be funded by Rs. 300 crore income expected from the real estate project in Kolkata and internal accruals, and the balance through fresh debt. Nevertheless, the company would remain exposed to the associated project risks. ASPHL's overall contingent liabilities for various demands stood at around Rs. 139 crore as on March 31, 2025, including a property tax demand of around Rs. 68 crore from the New Delhi Municipal Council (NDMC), which is currently sub-judice. Crystallisation of any sizeable contingent liability would remain monitorable.

The ratings remain constrained by the company's vulnerability to the cyclicity inherent in the hospitality industry due to its close linkages with the economic cycles and exogenous shocks, notwithstanding the demand tailwind being witnessed at present, which is likely to sustain in the medium term. ICRA notes the history of liquidity crunch and resulting defaults in debt servicing by a few entities of the Apeejay Surrendra Group in the past. Nevertheless, there has been a substantial improvement in the overall leverage and liquidity profile of the Group through the sale of loss-making tea estates and the Typhoo (UK) brand. Moreover, ASPHL's IPO in FY2024 and an improvement in the overall financial profile of the Group render comfort.

The Positive outlook on the long-term rating reflects ICRA's opinion that the company's revenues and profits would continue to improve in the medium term, supported by a favourable demand scenario, the company's strong operational performance and business expansion. Its leverage and coverage metrics are expected to remain comfortable due to limited reliance on fresh borrowings for planned projects over the coming 5-6 years.

Key rating drivers and their description

Credit strengths

Healthy occupancy and ARR growth expected to sustain, aided by favourable demand in the hospitality industry – The company's operating income (OI) grew by 11% in FY2025, and OPBDITA improved to Rs. 213 crore from Rs. 193 crore in FY2024, aided by double-digit growth in RevPar (14%) and continuing rise in F&B revenues. ASPHL's properties are located at favourable locations in key cities, maintaining industry-leading occupancy levels (93% in FY2025 vis-à-vis 92% in FY2024). This, along with healthy growth in ARR (14%) kept RevPar high at Rs. 7,061 in FY2025 vis-à-vis Rs. 6,170 in FY2024. In Q1 FY2026, the company's overall occupancy remained resilient at 92% and the RevPar grew by 12% despite the disruptions caused by the India-Pakistan conflict which had a bearing on the occupancy of the properties in North India. Higher demand growth compared to room supply growth, due to limited scope of room additions in prime locations of key cities along with ASPHL's focus on premiumisation and increasing room inventory are likely to strengthen the company's performance in the medium term.

Sizeable equity infusion in FY2024 through IPO and limited reliance on external debt for planned capex to keep credit metrics comfortable – ASPHL's Rs. 920-crore IPO was successfully concluded in February 2024, with a primary/fresh issue of Rs. 600 crore mainly used to pay off around Rs. 550-crore term loans. Improved profits coupled with significant debt reduction following the fresh equity infusion of Rs. 600 crore in February 2024 through the IPO have strengthened the capital structure and debt coverage metrics of the company, as reflected by a gearing of 0.1 times, total debt/OPBDITA of 0.8 times and DSCR of 7.0 times in FY2025 vis-à-vis 1.1 times, 3.6 times and 1.1 times, respectively, in FY2023. ASPHL's credit metrics are expected to remain comfortable despite some expected addition of long-term debt for the proposed acquisition in Mumbai in the near term and for part-funding of planned greenfield/ expansion projects, going forward.

Established five-star luxury hotels under 'The Park' brand; presence across attractive locations in key geographies in India – ASPHL is a medium sized but well-established player in the Indian hotel industry. As of June 2025, the company had a portfolio of 35 hotels (7 own properties, 22 under management contracts and 6 under the lease model), comprising 2,394 rooms spread across attractive locations in key geographies in India. ASPHL's hotel portfolio is diversified across categories, with its presence in the luxury and upscale segments primarily through 'The Park' brand, and in the upper mid-market segment mainly through 'Zone by The Park' brand (mostly operated through management contracts). Besides, the company has also expanded its

portfolio through 'The Park Collection' brand for relatively smaller luxury hotels and 'Zone Connect' brand in the upper midscale segment, mainly through management contracts.

Like other established hospitality brands in India, the company has been focusing on the management contract segment. This asset-light model enables the company to increase its presence while limiting the capital outlay. At present, management contracts contribute only around 2% to the consolidated revenues, however, the same is likely to increase going forward. The company plans to significantly expand the room inventory under management contracts to 3 times in the coming five years, along with addition of around 1,000 owned rooms. In the current fiscal, the company plans to add 589 rooms, including 31 owned rooms (through acquisition in Kochi), 147 leased rooms and 411 rooms under management contracts. These room additions, supported by favourable demand conditions, are likely to positively impact ASPHL's revenues and profits in the near-to-medium term.

High share of food and beverage income provides some cushion against cyclicity of hotel business – The share of revenues from the F&B segment has been historically high for ASPHL compared to its peers. Though F&B margins are lower than those of room revenues, high F&B revenues provide stability in the event of falling occupancies and ARR of hotels. The presence of many quality restaurants, nightclubs and the Flurys brand positively impacts ASPHL's F&B revenues. The focus on expanding the confectionary business under the Flurys brand, which came under the aegis of the hotel business since October 2019, has increased the company's F&B income. In FY2025, the share of F&B revenues, including Flurys, stood at 42% and 32% excluding Flurys. The number of Flurys stores increased to 102 as on June 30, 2025 from 27 as on March 31, 2019. The company plans to significantly expand the Flurys segment, going forward, which is likely to diversify the revenue stream.

Overall leverage and liquidity position of the promoter Group likely to remain stable, going forward, due to discontinuation of loss-making businesses – Over the years, stress in the performance of Apeejay Tea Limited (ATL) as well as Typhoo operations (in the UK) led to an increase in debt of the Group as the losses were largely funded by loans. The Group exited the Typhoo operations in 2021. ATL has also gradually sold off all of its 17 tea gardens and has significantly reduced its debt obligations. Consequently, the overall debt for the Group has significantly declined. Further, an improvement in the overall operational performance of the Group after the pandemic and ASPHL's recent IPO have strengthened the Group's overall financial profile.

Credit challenges

Cyclical industry; vulnerable to economic cycles and exogenous shocks – The operating performance of hotels remains vulnerable to seasonality, general economic cycles and exogenous factors (geopolitical crisis, terrorist attacks, disease outbreaks, natural disasters and others). However, the company's deleveraged balance sheet following the IPO in FY2024 would mitigate the impact of any adverse operating environment on its financial profile.

Exposure to risks of time and cost overruns for the planned greenfield/expansion projects – The company plans to undertake greenfield hotel projects, on its existing owned land, in Kolkata (EM Bypass), Pune and Jaipur, which will have 250, 200 and 150 rooms, respectively. The Kolkata project will be entirely funded from the proceeds of real estate monetisation, and the Jaipur project is proposed to be developed through partnership with a third party, reducing ASPHL's cash outflow for the same. The cost of the Pune project will also be limited (around Rs. 240 crore) as the land is owned by ASPHL. Besides, there are plans for room additions in Vizag (100) and Navi Mumbai (250). The scope of the Navi Mumbai project has been enhanced to 250 rooms from 80 rooms as the approval for a larger constructed area has been received. A five-year timeline has been set for conclusion of the above-mentioned projects. However, implementation of the projects within the budgeted cost and estimated timeframes will depend on the pace of receipt of various statutory approvals, ASPHL's ability to ramp up execution of multiple projects, and other external factors. ASPHL's healthy cash accruals and strong financial flexibility are likely to mitigate funding risks for the projects. Nevertheless, any major cash flow mismatches due to higher costs or delay in revenue generation from the new properties may adversely impact the company's business returns and liquidity.

Contingent liabilities towards property tax and other demands – ASPHL has a sizeable property tax demand outstanding of around Rs. 68 crore from NDMC, which is currently sub-judice. The total amount of contingent liabilities for various demands

stood at around Rs. 139 crore as on March 31, 2025. Crystallisation of any sizeable contingent liability would remain monitorable.

Environmental and social risks

Environmental considerations: Hotel entities, including ASPHL, are exposed to natural disasters (such as hurricanes and floods) and extreme weather conditions, which could interrupt operations or damage properties. However, the availability of insurance for most hotels helps mitigate these circumstances and may not be a material driver of credit, especially when there is property diversification. For hotels with fewer properties, the impact on occupancy could be relatively higher. Overall, the hotel industry faces a relatively lower environmental risk.

Social considerations: Akin to other hotel entities, the company would need to adapt to evolving social fabric (including changing consumer preferences and social trends) such as digitisation and preference for branded hotels and rely heavily on human capital. The Covid-19 pandemic is an example of social risk, given its substantial implications on health and safety. Hotel entities are also vulnerable to data security and data privacy issues. Hence, there is moderate exposure to social risks.

Liquidity position: Adequate

ASPHL's liquidity position is adequate. It had free cash and liquid investments of nearly Rs. 78 crore as on March 31, 2025. Its cash flow from operations is likely to remain healthy above Rs. 200 crore in FY2026 and improve significantly, thereafter. ASPHL's planned acquisition and capex are likely to entail a cash outflow of Rs. 350-400 crore annually till FY2027. However, around Rs. 130 crore of the capex for the new project in Kolkata is likely to be funded by sales of apartments coming up on the adjacent land, and fresh loans of Rs. 200 crore have been sanctioned for the proposed acquisition in Mumbai and other capex. Besides, the company has undrawn old term loan of around Rs. 40 crore as on March 31, 2025. This along with some cushion available in the fund-based working capital limit of Rs. 40 crore provide an additional liquidity buffer despite the sizeable planned capex.

Rating sensitivities

Positive factors – Improvement in scale of operation and continuation of healthy RevPAR, leading to a sustained rise in earnings along with maintenance of a comfortable capital structure and liquidity position, would act as positive ratings triggers.

Negative factors – Pressure on ASPHL's ratings may arise in case of a decline in its cash accruals, and/or deterioration in the liquidity position due to higher-than-anticipated cash outlay towards capex or crystallisation of contingent liabilities. The specific credit metrics which may trigger ratings downgrade include total debt/OPBDITA of more than 1.7 times on a 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 ASPHL. The company has three subsidiaries, which are enlisted in Annexure-II.

About the company

ASPHL is a part of the diversified Apeejay Surrendra Group, based in Kolkata. The company has seven owned luxury boutique hotels with an inventory of 1,101 rooms, located across Bangalore, Chennai, Hyderabad, Kolkata, Navi Mumbai, New Delhi and Visakhapatnam. The company has six leased hotels with 294 rooms and has management contracts for 22 operational properties in various locations with a total inventory of 999 rooms. The company primarily operates in the luxury and upscale and upper midscale segments. It also operates a few motels. Besides, the company runs a chain of bakery and confectionary items, named Flurys, through 102 outlets as of June 2025. ASPHL's equity shares were listed on BSE and NSE in February 2024. The promoter Group holds around 68% of the company's equity stake through various Group entities.

The company has three subsidiaries – Apeejay Hotels & Restaurants Private Limited (AHRPL), Apeejay North-West Hotels Private Limited (ANWHPL) and Apeejay Charter Private Limited (ACPL). AHRPL operates a hotel with 116 rooms in Kolkata (Zone by The Park – Biswa Bangla) leased by the Government of West Bengal. Ran Baas The Palace, a hotel (leased) in Patiala, with 35 rooms, became operational under ANWHPL in FY2025, while ACPL is involved with hiring of yachts. The subsidiaries have small scale of operations compared to ASPHL.

Key financial indicators (audited)

ASPHL (Consolidated)	FY2024	FY2025	Q1 FY2025*	Q1 FY2026*
Operating income	579.0	640.0	135.1	154.3
PAT	68.8	83.6	-1.9	13.4
OPBDIT/OI	33.3%	33.3%	29.0%	29.4%
PAT/OI	11.9%	13.1%	-1.4%	8.7%
Total outside liabilities/Tangible net worth (times)	0.2	0.3	-	-
Total debt/OPBDIT (times)	0.5	0.8	-	-
Interest coverage (times)	2.9	12.9	9.5	7.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited

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 ratings (FY2026)				Chronology of rating history for the past 3 years							
			FY2026		FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	Sep 29, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	75.00	[ICRA]A+ (Positive)	May 05, 2025	[ICRA]A+ (Stable)	Jun 21, 2024	[ICRA]A+ (Stable)	Apr 06, 2023	[ICRA]BBB+ (Stable)	Jul 07, 2022	[ICRA]BBB (Stable)
			-	-	-	-	-	-	-	Aug 22, 2022*	[ICRA]BBB (Stable)
Fund-based working capital	Long term	40.00	[ICRA]A+ (Positive)	May 05, 2025	[ICRA]A+ (Stable)	Jun 21, 2024	[ICRA]A+ (Stable)	Apr 06, 2023	[ICRA]BBB+ (Stable)	Jul 07, 2022	[ICRA]BBB (Stable)
			-	-	-	-	-	-	-	Aug 22, 2022*	[ICRA]BBB (Stable)
Fund-based limit (WCDL) - Interchangeable	Short term	(40.00)	[ICRA]A1	May 05, 2025	[ICRA]A1	Jun 21, 2024	[ICRA]A1	-	-	-	-
Fund-based limits	Short term	-	-	-	-	-	-	Apr 06, 2023	[ICRA]A2	Jul 07, 2022	[ICRA]A3+
			-	-	-	-	-	-	-	Aug 22, 2022*	[ICRA]A3+
Non-fund based limits	Short term	20.00**	[ICRA]A1	May 05, 2025	[ICRA]A1	Jun 21, 2024	[ICRA]A1	Apr 06, 2023	[ICRA]A2	Jul 07, 2022	[ICRA]A3+
			-	-	-	-	-	-	-	Aug 22, 2022*	[ICRA]A3+
Unallocated limit	Long term/short term	75.00	[ICRA]A+ (Positive)/[ICRA]A1	May 05, 2025	[ICRA]A+ (Stable)/[ICRA]A1	Jun 21, 2024	[ICRA]A+ (Stable)/[ICRA]A1	Apr 06, 2023	[ICRA]BBB+ (Stable)/[ICRA]A2	Jul 07, 2022	[ICRA]BBB (Stable)/[ICRA]A3+
			-	-	-	-	-	-	-	Aug 22, 2022*	[ICRA]BBB (Stable)/[ICRA]A3+

*Rating downgraded to [ICRA]D/[ICRA]D from [ICRA]BBB (Stable)/[ICRA]A3+ and simultaneously upgraded to [ICRA]BBB (Stable)/[ICRA]A3+

** Bank guarantee; includes Rs. 10-crore sub-limit for letter of credit

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund-based Limits – Term loan	Simple
Long term - Fund-based working capital limit	Simple
Short term - Fund based limit (WCDL) - Interchangeable	Simple
Short term - Non-fund based limits	Very simple
Long term/Short term – Unallocated limit	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	Apr-2024	NA	FY2032	75.00	[ICRA]A+ (Positive)
NA	Fund-based working capital limit	NA	NA	NA	40.00	[ICRA]A+ (Positive)
NA	Fund-based limit (WC DL) - Interchangeable	NA	NA	NA	(40.00)	[ICRA]A1
NA	Non-fund-based limits*	NA	NA	NA	20.00	[ICRA]A1
NA	Unallocated limit	NA	NA	NA	75.00	[ICRA]A+ (Positive)/ [ICRA]A1

Source: Company; *Bank guarantee; includes Rs. 10-crore sub-limit for letter of credit

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	ASPHL's ownership	Consolidation Approach
Apeejay Hotels & Restaurants Private Limited	100%	Full Consolidation
Apeeiy North-West Hotels Private Limited	100%	Full Consolidation
Apeejay Charter Private Limited	52%	Full Consolidation

Source: Company's audited annual report of FY2025

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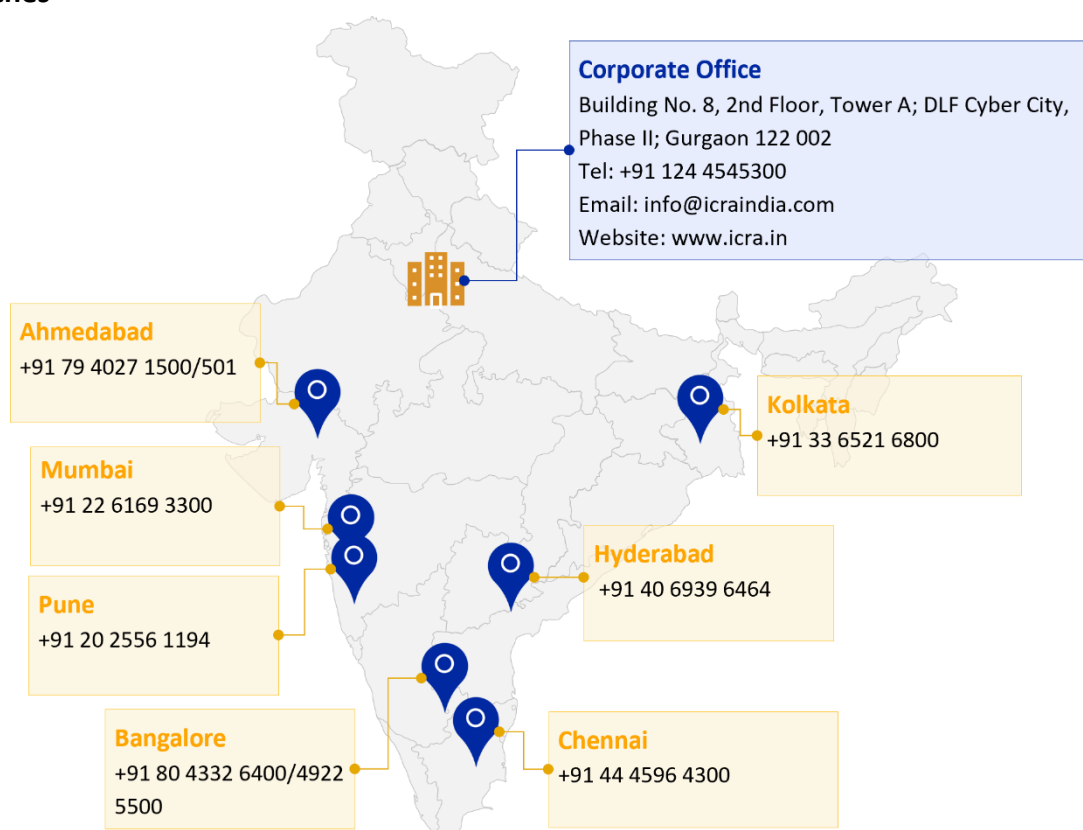
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