

January 20, 2026

Fleur Hotels Limited: Ratings placed on watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	495.05	495.05	[ICRA]A+ placed on rating watch with developing implications
Long-term – Non-fund based (Bank Guarantee)	10.00	10.00	[ICRA]A+ placed on rating watch with developing implications
Short-term – Non-fund based (Letter of Credit)	1.00	1.00	[ICRA]A1 placed on rating watch with developing implications
Short-term – Fund-based (Overdraft limits)	10.00	10.00	[ICRA]A1 placed on rating watch with developing implications
Long-term/Short-term – Unallocated limits	118.68	118.68	[ICRA]A+ placed on rating watch with developing implications / [ICRA]A1 placed on rating watch with developing implications
Total	634.73	634.73	

*Instrument details are provided in Annexure-I

Rationale

ICRA has taken a consolidated view of Fleur Hotels Limited (FHL), Celsia Hotels Private Limited (Celsia), Invoa Hotels and Resorts Limited (Invoa) and Hyacinth Hotels Private Limited (Hyacinth), while assigning the credit ratings (together referred to as Fleur, or the company), given the common management team and significant operational and financial linkages between the entities.

Material event:

The Board of Directors of Lemon Tree Hotels Limited (LTHL), in their meeting held on January 09, 2026, based on the recommendations of the Reorganization Committee, the Audit Committee, and the Committee of Independent Directors, inter-alia, considered and approved a Composite Scheme of Arrangement involving LTHL, its material subsidiary viz., Fleur Hotels Limited (FHL), and its wholly owned subsidiaries viz., Carnation Hotels Private Limited (Carnation), Hamstede Living Private Limited (Hamstede), Oriole Dr. Fresh Hotels Private Limited (Oriole), Canary Hotels Private Limited (Canary), Sukhsagar Complexes Private Limited (Sukhsagar), and Manakin Resorts Private Limited (Manakin). The implementation of the reorganisation scheme is subject to various stakeholder/ regulatory approvals.

If the reorganisation scheme is implemented, then w.e.f. April 01, 2026:

- Carnation and Hamstede (wholly owned subsidiaries of LTHL) will be merged into LTHL.
- Oriole, Canary, Sukhsagar and Manakin (wholly owned subsidiaries of LTHL) will be amalgamated with FHL. In addition, 12 hotels (11 operational hotels and one under-construction hotel at Shimla) and development team / capability of LTHL together with exclusivity on all future development / ownership / leasing of hotel assets along with the investment in one under construction hotel in Shillong through a subsidiary of LTHL, will be demerged from LTHL into FHL.
- In addition, the board has also approved the execution, delivery, and performance of the Share Purchase Agreement (“SPA”) between LTHL, APG Strategic Real Estate Pool N.V. (“APG”), Coastal Cedar Investments B.V., an affiliate of

Warburg Pincus (“Warburg Pincus”), and FHL, for the sale of APG’s entire shareholding of 41.09% in FHL to Warburg Pincus.

- FHL will receive primary investment of up to Rs. 960 crores of equity capital (in tranches when required), which will provide further capital for its growth.

Impact of material event and the resultant structure of the entities:

The proposed reorganization will create two clearly differentiated and complementary platforms:

1. LTHL, as a pure-play asset-light company focused on offering hotel management, brand & loyalty, distribution and digital services
2. FHL, as a large-scale growth-oriented hotel ownership / leasing platform with end-to-end in-house development capabilities and a potentially large pipeline of room inventory with a significant pool of available capital.

Post the implementation of the reorganisation scheme, the shareholders of LTHL will directly and indirectly hold 73.99% of FHL, as under (shareholding figures below exclude any dilution from primary investment by Warburg Pincus):

- Shareholders of LTHL will directly own 32.96% of FHL
- LTHL will own 41.03% of FHL
- Warburg Pincus will own the balance 26.01% of FHL
- All the hotel assets in FHL (existing and newly transferred from LTHL) will enter into new hotel operating agreements (HOA), effective April 01, 2026.

The ratings have been placed on watch with developing implications as the aforesaid developments call for reassessing the credit profile in terms of:

- (a) **The analytical approach:** The earlier ratings of FHL had factored in the very high likelihood of LTHL extending financial support to it given its high strategic importance and the close business and financial linkages between them. Following the implementation of the reorganisation scheme, LTHL will no longer hold a majority equity stake in FHL. The rating watch signifies uncertainty around how the financial linkages between LTHL and FHL may change post the reorganisation, which may require ICRA to review the applicability of its parent support methodology.
- (b) **The leverage levels:** ICRA notes that FHL is expected to emerge as an entity with a portfolio of about 5,500 owned rooms, which would be one of the largest owned hotel portfolios in the country. The entity’s business expansion plans would also be supported by a primary capital infusion by Warburg Pincus of Rs. 960 crore over the medium term, besides a planned public issue in due course, wherein further equity may be raised for future expansions. While a larger operating footprint and the planned equity fund raise will support the credit profile, there is uncertainty around how the overall financial leverage will evolve over the medium term.

ICRA will resolve the watch once greater clarity emerges on the above and the reorganisation scheme gets implemented.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position and Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	FHL is a subsidiary of Lemon Tree Hotels Limited (rated [ICRA]A+(Positive)/[ICRA]A1), which holds a 59% stake in the entity. The ratings assigned to FHL factor in the very high likelihood of LTHL extending financial support to it because of its strategic importance and close business linkages. ICRA also expects LTHL to be willing to extend financial support to FHL out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of FHL; the details of the entities consolidated are shown in Annexure II.

About the company

Incorporated in July 2003, FHL is a subsidiary of LTHL. While LTHL holds a ~59% stake in FHL, the balance is owned by APG Strategic Real Estate Pool N.V. As of September 30, 2025, the company, directly and through its subsidiaries, operated 24 properties under the brands Aurika, Lemon Tree, Red Fox, and Keys, with an operational room inventory of 3,993 keys. This room inventory is spread across the key Indian cities of Mumbai, Hyderabad, Goa, Bangalore, Delhi, Gurugram (Haryana), Pune (Maharashtra), Kolkata, Udaipur (Rajasthan), Mumbai, Bandhavgarh (Madhya Pradesh) and Dehradun.

Incorporated in 2002 by Mr. Patanjali Keswani, his friends and associates, LTHL is a publicly listed company that owns and operates 121 hotels with 10,956 rooms under seven brands across 71 locations in India and abroad, as of September 30, 2025. The company's portfolio spans upscale, midscale and economy segments. Its brands include Aurika (upscale), Lemon Tree Premier and Keys Prima (upper midscale), Lemon Tree and Keys Select (midscale), and Red Fox and Keys Lite (economy). In terms of ownership, a ~23% stake in the company is held by the promoters (the Keswani family), ~15% by APG (a Dutch pension fund) and the rest by foreign portfolio investors, mutual funds, employees and the public.

The company designs, develops and manages properties directly or under its subsidiaries (collectively referred to as the Lemon Tree Group). While most properties in its portfolio are owned by the company directly or through its subsidiaries, a few are operated on long-term lease basis. As on September 30, 2025, the Group had 41 owned and leased operational properties and three properties under development. The total owned/leased inventory across the operational properties stood at 5,759 rooms with 756 rooms under development.

To facilitate rapid expansion of LTHL's brands across the country, the Group's subsidiary, Carnation Hotels Private Limited, enters management contracts with asset owners. As on September 30, 2025, 5,197 rooms across 80 properties were under management contracts with additional 8,362 rooms (118 properties) in the pipeline.

Key financial indicators (audited)

FHL Consolidated	FY2024	FY2025
Operating income	731.7	911.5
PAT	80.5	113.4
OPBDIT/OI	43.4%	44.2%
PAT/OI	11.0%	12.4%
Total outside liabilities/Tangible net worth (times)	1.3	1.1
Total debt/OPBDIT (times)	5.8	4.3
Interest coverage (times)	2.0	2.4

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

Key financial indicators

LTHL Consolidated	FY2024	FY2025
Operating income	1,071.1	1,286.1
PAT	181.0	243.4
OPBDIT/OI	48.9%	49.3%
PAT/OI	16.9%	18.9%
Total outside liabilities/Tangible net worth (times)	1.6	1.3
Total debt/OPBDIT (times)	4.5	3.4
Interest coverage (times)	2.5	3.0

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

Instrument	Type	Amount Rated (Rs. Crore)	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026				FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	495.05	Jan 20, 2026	[ICRA]A+ Rating watch with developing implications	Jul 15, 2025	[ICRA]A+ (Positive)	Aug 09, 2024	[ICRA]A (Positive)	Aug 07, 2023	[ICRA]A (Stable)	Jun 02, 2022	[ICRA]A- (Stable)
Non-fund based (Bank guarantee)	Long-term	10.00	Jan 20, 2026	[ICRA]A+ Rating watch with developing implications	Jul 15, 2025	[ICRA]A+ (Positive)	Aug 09, 2024	[ICRA]A (Positive)	Aug 07, 2023	[ICRA]A (Stable)	Jun 02, 2022	[ICRA]A- (Stable)/ [ICRA]A2+
Non-fund based (Letter of Credit)	Short-term	1.00	Jan 20, 2026	[ICRA]A1 Rating watch with developing implications	Jul 15, 2025	[ICRA]A1	Aug 09, 2024	[ICRA]A2+	Aug 07, 2023	[ICRA]A2+	Jun 02, 2022	[ICRA]A2+
Fund-based (Overdraft limits)	Short-term	10.00	Jan 20, 2026	[ICRA]A1 Rating watch with developing implications	Jul 15, 2025	[ICRA]A1	Aug 09, 2024	[ICRA]A2+	Aug 07, 2023	[ICRA]A2+	Jun 02, 2022	[ICRA]A2+
Unallocated	Long-term/ Short-term	118.68	Jan 20, 2026	[ICRA]A+ Rating watch with developing implications/ [ICRA]A1 Rating watch with developing implications	Jul 15, 2025	[ICRA]A+ (Positive)/ [ICRA]A1	Aug 09, 2024	[ICRA]A (Positive)/ [ICRA]A2+	Aug 07, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Jun 02, 2022	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term-Fund-based – Term loan	Simple
Long-term-Non-fund based (Bank Guarantee)	Simple
Short-term-Non-fund based (Letter of Credit)	Simple
Short-term-Fund-based (Overdraft limits)	Simple
Long-term/Short-term – Unallocated limits	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-I	FY2018	NA	FY2033	48.43	[ICRA]A+ Rating watch with developing implications
NA	Term Loan-II	FY2019	NA	FY2037	98.87	[ICRA]A+ Rating watch with developing implications
NA	Term Loan-III	FY2016	NA	FY2035	235.63	[ICRA]A+ Rating watch with developing implications
NA	Term Loan-IV	FY2020	NA	FY2036	46.31	[ICRA]A+ Rating watch with developing implications
NA	Term Loan-V	FY2025	NA	FY2032	65.81	[ICRA]A+ Rating watch with developing implications
NA	Bank Guarantee	NA	NA	NA	10.00	[ICRA]A+ Rating watch with developing implications
NA	Letter of Credit	NA	NA	NA	1.00	[ICRA]A1 Rating watch with developing implications
NA	Overdraft limits	NA	NA	NA	10.00	[ICRA]A1 Rating watch with developing implications
NA	Unallocated Limits	NA	NA	NA	118.68	[ICRA]A+ Rating watch with developing implications/ [ICRA]A1 Rating watch with developing implications

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	FHL Ownership	Consolidation Approach
Fleur Hotels Limited	Rated entity	Full Consolidation
Celsia Hotels Private Limited	100%	Full Consolidation
Inovoa Hotels and Resorts Limited	100%	Full Consolidation
Iora Hotels Private Limited	100%	Full Consolidation
Hyacinth Hotels Private Limited	100%	Full Consolidation
Bandhav Resorts Private Limited	100%	Full Consolidation
Ophrys Hotels Private Limited	100%	Full Consolidation
Berggruen Hotels Private Limited	100%	Full Consolidation
Mezereon Hotels LLP (Capital contribution by Fleur Hotels Limited & Celsia Hotels Private Limited)	100%	Full Consolidation

Source: Company data

Note: ICRA has considered consolidated financials of FHL while assigning the ratings

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