March 03, 2026

Roots Corporation Limited: Long-term rating upgraded; short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	28.00	28.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Long-term/Short-term – Unallocated	122.00	122.00	[ICRA]AA (Stable)/[ICRA]A1+; long-term rating upgraded from [ICRA]AA- (Stable); short-term rating reaffirmed
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings upgrade for the bank lines of Roots Corporation Limited (RCL) considers its strong parentage and the improvement in the credit profile of its holding company, Indian Hotels Company Limited (rated [ICRA]AAA (Stable)/[ICRA]A1+), which holds 100% stake in the company. ICRA also notes its healthy operational and financial performance in 9M FY2026 and anticipated sustenance of the same, given the steady demand outlook for the Indian hospitality industry. The ratings also positively factor in the strong equity of RCL's 'Ginger' brand, its pan-India presence across 51 cities/towns and its asset-light model of operations, which limits capital expenditure (capex) requirements and project execution risks. The ratings also consider the robust financial flexibility and lender comfort arising from its parentage. IHCL is committed to extending timely and adequate financial support to the company in future, if required.

RCL's operating income improved to Rs. 425.6 crore in 9M FY2026, up 24.9% on a year-over-year (YoY) basis, supported by steady demand and expansion of room inventory. Further, benefits from operating leverage and sustenance of cost optimisation measures undertaken in the last few years led to healthy operating margins and accruals. RCL's operating margins remained robust at 31.4% in 9M FY2026 (previous year [PY]: 34.2%), with a slight moderation on account of increased employee costs and other operating costs incurred for conversion of existing properties into lean luxury hotels. However, given the higher average room rentals (ARRs) commanded by lean luxury properties, ICRA expects its revenue growth and margins to remain healthy, going forward, though the same are vulnerable to exogenous shocks and competition. The company's capital structure and coverage metrics are still comfortable, with the only debt on its books pertaining to lease liabilities, and inter-corporate deposits (ICDs) from the parent, and are likely to continue to be so over the medium term in the absence of incremental borrowings.

The company acquired a 51% stake in ANK Hotels Private Limited and Pride Hospitality Private Limited in December 2025 for a consideration of Rs. 190.5 crore. The acquired entities have a combined portfolio of 147 hotels (81 operational and the remaining in the pipeline), which are operated under the 'Clarks' brand, with majority of hotels operated under the management contract. The acquisition has been funded from Rs. 80 crore cash balances at RCL, and the rest from ICDs availed from IHCL. The acquisition would strengthen the company's overall presence in the mid-scale hotel segment, with the number of operational rooms and hotels increasing by 46% and 108%, respectively. Further, the acquisition is expected to provide synergies in terms of geographical expansion and diversification, opportunities to improve ARRs through rebranding to Ginger and lean luxe properties, access to Tata's loyalty programme, common procurement and investments in information technology (IT) and support functions. These synergies are likely to drive overall revenue and margin expansion. While the acquisition has been partially debt-funded, the absence of external borrowings and support from IHCL provides comfort.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company's credit profile will remain strong, supported by its healthy market position, cash accruals and adequate liquidity position, in addition to benefits of its robust parentage.

Key rating drivers and their description

Credit strengths

Benefits arising from strong parentage – RCL is a wholly owned subsidiary of IHCL. ICRA draws comfort from the company's strong operational and financial linkages with IHCL and financial flexibility/lender comfort arising from its parentage. Further, RCL has access to IHCL's central treasury, lending temporary liquidity support, as and when required, through interest-bearing ICDs. There have also been equity infusions in the past from IHCL to financially support the company. IHCL remains committed to extending timely and adequate financial support to RCL, if required.

Well-recognised brand in the mid-scale segment; pan-India presence – RCL operates 76 hotels under the Ginger brand with a total inventory of 6,805 rooms as of December 31, 2025, and has presence in 51 Indian cities/towns. Further, the company has 35 hotels with 4,466 keys in the pipeline, to be operational by FY2029. The acquisition of ANK and Pride will add another over 6,800 keys (3,100 keys operational and 3,700 keys in the pipeline), with scope for the majority of these to be converted into the Ginger brand. The strong brand equity aids in commanding competitive ARRs, while the presence of hotels across the country reduces the vulnerability of its revenues to any localised downturn/unforeseen events to an extent and aids in capitalising on demand growth across regions.

Healthy revenue growth and margins anticipated over the medium term – Since FY2019, RCL has been repositioning its 'Ginger' brand from economy to lean luxury. As on date, most of its properties have been upgraded to lean luxury hotel standards. As the lean luxury is higher on the branding scale, its ARR is more than the economy hotels. RCL has 35 new properties in the pipeline on a standalone basis, in addition to 55 in the pipeline from the recently acquired portfolio, all of which are expected to commence operations over the next five years. The company has also undertaken several initiatives for increasing its food & beverage (F&B) revenues, including Qminisation of Ginger and conversion of outsourced F&B outlets to in-house. These factors, along with the industry growth, would aid in revenue improvement over the medium term. Sustenance of cost optimisation initiatives implemented by RCL in the last few years, benefits from operating leverage and improvement in management contract income are likely to support healthy margins, going forward.

Comfortable capital structure and coverage metrics; portfolio expansion through asset-light strategy limits capex requirements – The company has remained conservative with borrowings in recent years, leading to a healthy capital structure and coverage metrics. In Q3 FY2026, RCL availed of a Rs. 110.0-crore ICD from IHCL to fund the acquisition of ANK Hotels and Pride Hospitality. Despite this, the capital structure remains comfortable with expected gearing of 1.5 times in March 2026. RCL has strategically shifted towards the asset-light model, with majority of the incremental properties being added through variable share model and management contracts. This has limited capex/investments and project implementation risk for the company. RCL's capex plan over the near-to-medium term is primarily towards renovation, upgradation of some existing properties to lean luxury hotels and regular maintenance, except for its upcoming greenfield property in Goa. The same is likely to be funded through internal accruals. In the absence of incremental borrowings, the company's capital structure and coverage metrics are likely to remain comfortable, going forward.

Credit challenges

Vulnerability of revenues to the inherent industry cyclicality, economic cycles and exogenous factors – The operating performance of RCL's properties remains vulnerable to industry cyclicality/seasonality, macroeconomic cycles and exogenous factors (geopolitical crisis, terrorist attacks, disease outbreaks, etc.). Nonetheless, the risk is partially mitigated by its geographically diversified portfolio, which allows it to withstand any demand vulnerability related to a micro-market or specific town/city to an extent.

Moderate scale of operations; susceptibility of revenues to competition – RCL has a moderate scale, with an operating income of Rs. 478.9 crore in FY2025 and Rs. 425.6 crore in 9M FY2026. While the operating income is expected to improve at a healthy rate, aided by RevPAR (revenue per available room) growth, property additions and higher F&B income, and recent inorganic investment, its scale is likely to remain moderate over the medium term. RCL faces competition from brands such as Keys, Red Fox, Sarovar and Ibis, and from the unbranded/room aggregator segment. However, Ginger's strong brand equity has benefitted the company and mitigated competitive risks to an extent.

Liquidity position: Adequate

RCL's liquidity is expected to remain adequate, supported by its anticipated healthy fund flow from operations of Rs. 100.0-110.0 crore annually. The company has free cash and bank balances of Rs. 13.5 crore and undrawn working capital limits of Rs. 28.0 crore as on December 31, 2025, in addition to overnight mutual funds of Rs. 22.2 crore as on the same date. Against these sources of cash, the company does not have any repayment obligations, as it does not have external debt at present. It has moderate capex plans, primarily for renovation of properties and for regular maintenance capex. It is planning to construct a new hotel near Mopa Airport, Goa, for which the total cost is expected to be Rs. 140.0 crore, to be incurred over a period of three years. The parent, IHCL, has also committed to provide timely and adequate financial support, should there be a need, akin to the past. Any acquisition opportunity will be evaluated on a case-to-case basis.

Rating sensitivities

Positive factors – Significant improvement in RCL's scale and accruals, with successful integration of the recently acquired portfolio, while maintaining its conservative debt metrics could lead to a long-term rating upgrade.

Negative factors – RCL's ratings could be downgraded if the company witnesses pressure on earnings or in case of weakening of debt metrics and liquidity position. Decline in IHCL's credit profile/its linkages with IHCL or absence of timely and adequate financial support from IHCL, when required, would also be a negative rating trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Hotels Corporate Credit Rating Methodology
Parent/group Support	Parent company: The Indian Hotels Company Limited (rated [ICRA]AA+ (Stable)/[ICRA]A1+); ICRA expects IHCL to extend timely and adequate financial support to RCL, should there be a need
Consolidation/standalone	For arriving at the ratings, ICRA has considered the consolidated profile of Roots Corporation Limited. Details

Analytical approach	Comments
	are provided in Annexure-II.

About the company

RCL operates a chain of lean luxury/mid-scale segment hotels across the country under the brand, Ginger. The company's first hotel was launched in Bangalore in 2004 and was called 'IndiOne'. The hotel was subsequently rebranded as 'Ginger Hotel' in 2006. As on December 31, 2025, RCL operated 76 hotels under the 'Ginger' brand in 51 cities/towns across the country with a total inventory of 6,805 rooms. It became a wholly owned subsidiary of IHCL in Q1 FY2023, post the purchase of a 39.8% stake from other Tata Group companies.

In December 2025, the company acquired a 51% stake in ANK Hotels Private Limited and Pride Hospitality Private Limited, which added 147 hotels (81 operational and balance under development) with 6,800 rooms (~3,100 operational and the balance in the pipeline), predominantly in Tier-II and Tier-III cities, further strengthening its operational profile.

Key financial indicators (audited)

Roots Corporation Limited (standalone)	FY2025 (audited)	9M FY2026 (provisional)
Operating income (OI)	478.9	425.6
PAT	62.2	47.0
OPBDIT/OI	34.1%	31.4%
PAT/OI	13.0%	11.0%
Total outside liabilities/Tangible net worth (times)	1.7	1.8
Total debt/OPBDIT (times)	3.1	3.5*
Interest coverage (times)	4.0	3.8

*Amount in Rs. crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; total debt includes lease liabilities * Annualised*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

		Current ratings (FY2026)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2026		Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				March 03, 2026	January 19, 2026	January 31, 2025	November 06, 2023	October 10, 2022
1	**Fund-based/CC**	Long term	28.00	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2	**Long Term/Short Term – Unallocated**	Long term /Short term	122.00	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based - Cash credit	Simple
Unallocated limits	NA

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	**Cash credit**	NA	NA	NA	28.00	[ICRA]AA(Stable)
NA	**Unallocated**	NA	NA	NA	122.00	[ICRA]AA(Stable)/[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership %	Consolidation Approach
Roots Corporation Limited	100.00% (rated entity)	Full consolidation
ANK Hotels Private Limited	51.00%	Full consolidation
Pride Hospitality Private Limited	51.00%	Full consolidation

Source: Company

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

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

Sruthi Thomas
+91 80 4332 6430
sruthi.thomas2@icraindia.com

Nilesh Jain
+91 44 4596 4311
nilesh.jain2@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

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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