

March 10, 2026

Royal Orchid Hotels Limited: Rating reaffirmed and outlook revised to Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	26.43	26.14	[ICRA]A- (Positive); Reaffirmed and outlook revised to Positive from Stable
Long-term – Unallocated facilities	19.57	19.86	[ICRA]A- (Positive); Reaffirmed and outlook revised to Positive from Stable
Total	46.00	46.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in the rating outlook of Royal Orchid Hotels Limited (ROHL/the company) to Positive factors in the expectation of further improvement in its operating and financial performance over the near to medium term, along with expected sustenance of the same. ROHL reported consolidated revenues of Rs. 295.8 crore in 9M FY2026, 16.5% higher on a YoY basis, supported primarily by an improvement in average room rates (ARRs) and stable occupancies in its owned/leased properties. The growth was despite the temporary travel disruption due to terror attacks, floods and flight cancellations in 9M FY2026, and continued to be supported by leisure, social meetings, incentives, conferences and exhibitions (MICE), weddings and business travel.

The benefits from operating leverage and sustenance of cost optimisation measures undertaken during the pandemic period resulted in operating margins of 24.6% in 9M FY2026. ICRA also notes that the company commenced operations of its first Iconiqa brand 5-star hotel, near the Mumbai International Airport, in September 2025, which contributed Rs. 20.7 crore to the top line in 9M FY2026. However, the same also resulted in a significant increase in lease liabilities considering a longer lease tenure of 25 years. While this led to a moderation in reported total debt/OPBITDA to 6.9 times and interest coverage of 2.7 times in 9M FY2026, the adjusted debt service coverage ratio¹ is expected to be comfortable at over 4.0 times in the medium term. The debt metrics are likely to improve over the medium term as the hotel ramps up to its full potential and contributes meaningfully to revenue and earnings expansion.

The rating remains supported by the company's asset-light model of operations (78% of rooms operated under management contracts/ franchise as on December 31, 2025), which limits capex requirements and project execution risks. Further, ROHL has a well-diversified hotel portfolio across segments (five-star, four-star, economy hotels, resorts and serviced apartments) and has witnessed healthy inventory growth to 7,510 keys as on December 31, 2025, from 4,546 keys as on March 31, 2022. However, ROHL's revenues remain vulnerable to the inherent cyclicality of the hospitality industry, economic cycles and exogenous events; although the primarily asset-light model of operations offers comfort. Overall, ICRA expects the favourable demand outlook for the industry and expansion of ROHL's hotel portfolio to support revenues and accruals over the medium term. At the same time, the absence of any significant debt-funded capex, given the asset-light model of expansion being

¹Adjusted DSCR = DSCR adjusted for IND AS impact on OPBITDA, interest, depreciation and debt

undertaken, is likely to support improvement in debt metrics.

On April 01, 2023, ROHL informed the stock exchange that it had received an 'Interim Order cum Show Cause Notice' ('order') from the Securities and Exchange Board of India (SEBI) dated March 31, 2023, against the company, its promoters and Chief Financial Officer. This order had followed a complaint received by SEBI against ROHL that it had consolidated Ksheer Sagar Developers Private Limited (KSDPL) as an associate instead of a subsidiary despite having control. The order stated that this had resulted in an overstatement of ROHL's consolidated profits in FY2022, which led to an increase in share price. Further, the complaint also alleged that the promoters sold 4.08% stake between March 2022 and December 2022, gaining from the share price increase. The latter complaint has been dropped in the final order while the former allegations pertaining to classification as an associate remains. Currently, there is a stay on the final order issued by SEBI, following ROHL's appeal to the Securities Appellate Tribunal (SAT); and further communication on this matter is awaited. ICRA has been fully consolidating KSDPL for analytical purposes and will continue to monitor the developments on this front

Key rating drivers and their description

Credit strengths

Asset-light model of operation with 78% of inventory under management contracts/franchise limits capex and project implementation risk – Over the past decade, the company has primarily been expanding its footprint through an asset-light model that involves leasing of properties or entering management contract with property owners or franchises. The proportion of managed/franchised hotels has gradually increased from 47% in FY2014 to 78% of the total inventory as on December 31, 2025. The same is likely to continue going forward as well. This is expected to provide long-term operational benefits to ROHL, with relatively less capex requirements and limited project implementation risk.

Segmental diversification with presence across price points helps capture a wide range of customers – ROHL's portfolio comprises a wide range of hotels with a healthy mix of brands across segments. The five-star hotels (Royal Orchid brand/ Iconiqa/ Crestoria) constituted 9% of keys, four-star hotels (Royal Orchid Central/ Regenta Central) constituted 39%, followed by economy/budget hotels (Regenta Inn/Regenta Place/Regenta Z) with 29%, and resorts and serviced apartments with the remaining 22%, on December 31, 2025. This helps the company capture a wide range of customers, including those travelling for business and leisure as well as those preferring different price points.

Favourable demand outlook supporting healthy improvement in revenues and accruals – ROHL reported consolidated revenues of Rs. 295.8 crore in 9M FY2026, 16.5% higher on YoY basis, supported primarily by an improvement in ARRs and stable occupancies in its owned/leased properties. The growth was despite temporary travel disruption due to terror attacks, floods, flight cancellations in 9M FY2026. The benefits from operating leverage and sustenance of cost optimisation measures resulted in operating margins of 24.6% in 9M FY2026. The company commenced operations of its first Iconiqa brand premium hotel near Mumbai International Airport in September 2025, which is expected to generate healthy revenues and accruals for the company, going forward. The favourable demand outlook for the industry and expansion of ROHL's hotel portfolio are likely to support revenues and accruals over the next 9-12 months.

Credit challenges

Moderate credit metrics; majority of debt constitutes lease liabilities while external debt gradually reduces – The company commenced operations of its first Iconiqa brand premium hotel in September 2025, which resulted in a significant increase in lease liabilities considering a longer tenure of lease of 25 years. This led to a moderation in total debt/OPBITDA to 6.9 times and interest coverage of 2.7 times in 9M FY2026. However, the adjusted DSCR is expected to be comfortable at over 4.0 times in the medium term, as against reported DSCR of 1.7 times in FY2025, given that over 80% of the total debt comprised lease liabilities as of December 31, 2025. The debt metrics are likely to improve over the medium term as the hotel ramps up to its full potential and contributes to revenue and earnings expansion. The favourable demand outlook for the industry and

expansion of ROHL’s hotel portfolio are likely to support revenues and accruals, which coupled with absence of any significant debt-funded capex are likely to support debt metrics improvement over the medium term.

Vulnerability of revenues to inherent cyclicality of hospitality industry, economic cycles and exogenous events – The company, akin to other players in the industry, is exposed to industry cyclicality/seasonality, macroeconomic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc).

Environment and social risks

Environmental considerations – ROHL, akin to other hotel players, is 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 acts as a safeguard in these circumstances. Moreover, the company’s diversified presence across multiple cities mitigates the risks from such environmental aspects to a large extent. Overall, the company faces low environmental risk.

Social considerations – Akin to other hoteliers, the company would need to adapt to the evolving social fabric (including changing consumer preferences and social trends) from time to time. It also relies heavily on human capital. ROHL is vulnerable to data security and data privacy risks as well, like other hotels. Hence, there is moderate exposure to social risk.

Liquidity position: Adequate

ROHL’s liquidity position is adequate, supported by its anticipated cash flow from operations of Rs. 60-70 crore and unencumbered cash and bank balances of Rs. 69.3 crore as on December 31, 2025. Against these sources of cash, the company has debt repayment obligations of Rs. 13-14 crore each in FY2027 and FY2028 on existing loans. Further, it has moderate capex plans of Rs. 40-45 crore in FY2027 towards expansion, renovation and maintenance capex. Overall, ICRA expects ROHL to be able to meet its medium-term commitments and yet be left with sufficient cash surplus.

Rating sensitivities

Positive factors – Sustained improvement in operating metrics and profitability indicators leading to improvement in debt coverage indicators on a sustained basis could lead to a rating upgrade.

Negative factors – Negative pressure on ROHL’s ratings could arise from any demand slowdown and weakening of operating metrics leading to sustained pressure on its earnings and profitability or significant capex, leading to weakening of debt coverage metrics and liquidity position. Specific credit metric that could lead to a downgrade includes DSCR less than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Hotels Corporate Credit Rating Methodology
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ROHL.

About the company

Royal Orchid Hotels Limited, at the consolidated level, has a portfolio of 7,510 operating keys across 80 locations in India (as on December 31, 2025). It primarily operates on an asset-light model with 78% properties under management contracts/franchise. At present, ROHL operates vide the following brands—Royal Orchid, Iconiqa and Crestoria (5-star), Royal

Orchid Central and Regenta Hotels (4-star), Regenta Z and Regenta Place (mid-scale); as well as resorts and serviced apartments. Icon Hospitality Private Limited (rated [ICRA]BBB- (Positive)), a subsidiary and Ksheer Sagar Developers Private Limited (rated [ICRA]BBB- (Positive)), an associate, each operate a 130-room and a 139-room hotel in Bengaluru and Jaipur, respectively. ROHL is a listed company and the promoters hold 64.07% stakes in it (as on December 31, 2025).

Key financial indicators (audited)

Consolidated#	FY2024	FY2025
Operating income	304.0	331.4
PAT	47.4	43.1
OPBDIT/OI	28.4%	25.7%
PAT/OI	15.6%	13.0%
Total outside liabilities/Tangible net worth (times)	1.2	1.1
Total debt/OPBDIT (times)	2.3	2.6
Interest coverage (times)	4.7	5.1

Source: Company, ICRA Research; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; #The consolidated figures are as per reported numbers with financial ratios adjusted for ICRA's computation and may not be directly comparable with results reported by the company in some instances. The body of the rationale includes the numbers and ratios considering the consolidation of entities as per Annexure II and, hence, is not comparable with the table in some instances

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
CARE	CARE C ; Stable; ISSUER NOT COOPERATING	October 01, 2025

Any other information: Not applicable

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	Mar 10, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based-Term loan	Long Term	26.14	[ICRA]A- (Positive)	May 29, 2024	[ICRA]A- (Stable)	Apr 12, 2023	[ICRA]A- (Stable)	Oct 20, 2022	[ICRA]BBB (Positive)
				Feb 11, 2025	[ICRA]A- (Stable)	Mar 28, 2024	[ICRA]A- (Stable)	Mar 20, 2023	[ICRA]A- (Stable)
				-	-	-	-	Mar 27, 2023	[ICRA]A- (Stable)
Unallocated limits	Long Term	19.86	[ICRA]A- (Positive)	May 29, 2024	[ICRA]A- (Stable)	Apr 12, 2023	[ICRA]A- (Stable)	Oct 20, 2022	[ICRA]BBB (Positive)
				Feb 11, 2025	[ICRA]A- (Stable)	Mar 28, 2024	[ICRA]A- (Stable)	Mar 20, 2023	[ICRA]A- (Stable)
				-	-	-	-	Mar 27, 2023	[ICRA]A- (Stable)
NCD	Long Term			May 29, 2024	[ICRA]A- (Stable); withdrawn	Apr 12, 2023	[ICRA]A- (Stable)	Mar 27, 2023	[ICRA]A- (Stable)
				-	-	Mar 28, 2024	[ICRA]A- (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based - Term loan	Simple
Long term – Unallocated Facilities	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 Loans	FY2019	8.25%	FY2030	26.14	[ICRA]A- (Positive)
NA	Unallocated	NA	NA	NA	19.86	[ICRA]A- (Positive)

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	Ownership	Consolidation Approach
Icon Hospitality Private Limited	100.00%	Full consolidation
Maruti Comforts and Inn Private Limited	65.22%	Full consolidation
Royal Orchid Hyderabad Private Limited	100.00%	Full consolidation
AB Holdings Private Limited	100.00%	Full consolidation
Royal Orchid Jaipur private Limited	100.00%	Full consolidation
Royal Orchid South Private Limited	100.00%	Full consolidation
Royal Orchid Associated Hotels Private Limited	100.00%	Full consolidation
Royal Orchid Shimla Private Limited	100.00%	Full consolidation
Royal Orchid Goa Private Limited	100.00%	Full consolidation
Royal Orchid Maharashtra Private Limited	100.00%	Full consolidation
Royal Orchid Mumbai Private Limited	100.00%	Full consolidation
Cosmos Premises Private Limited	100.00%	Full consolidation
Ksheer Sagar Buildcon Private Limited	50.00%	Full consolidation
Raj kamal Buildcon Private Limited	50.00%	Full consolidation
J.H Builders Private Limited	50.00%	Full consolidation
Multi Hotels limited	100.00%	Full consolidation
Ksheer Sagar Developers Private Limited	50.00%	Full consolidation

Company Name	Ownership	Consolidation Approach
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Source: BSE, Company; As per the published consolidated financial statements of ROHL, Ksheer Sagar Developers Private Limited has been consolidated as per the equity method and has been classified as an associate. However, for analytical purposes, ICRA has fully consolidated this entity, as ROHL is expected to extend all forms of financial support to Ksheer Sagar Developers Private Limited, if needed

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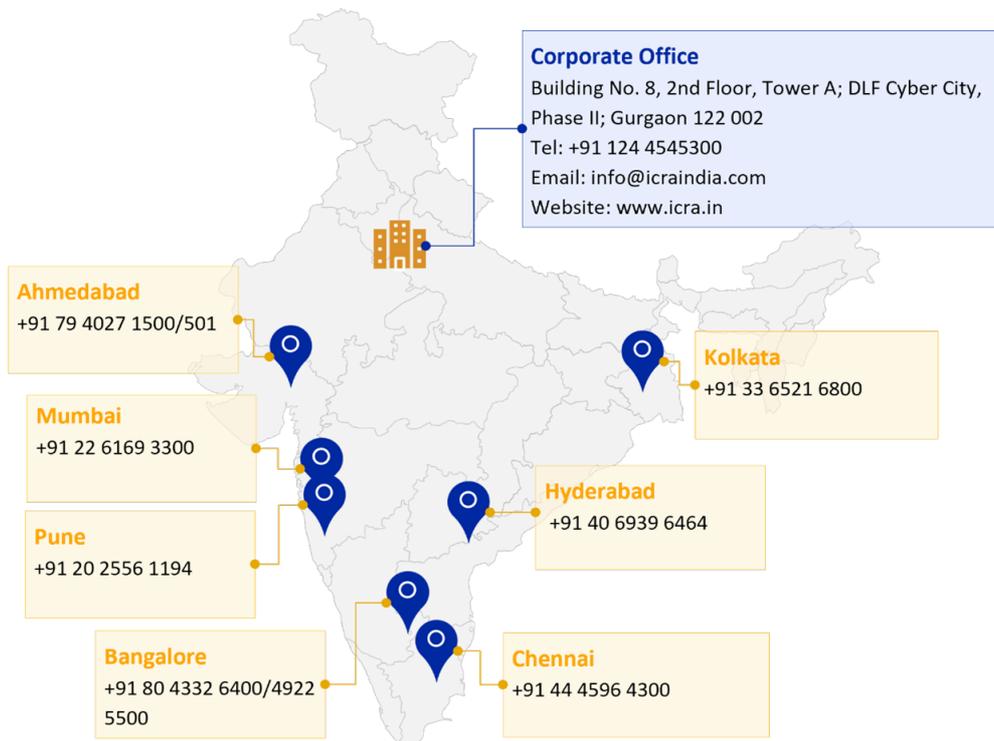


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Branches



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