

July 15, 2025

## Inovoa Hotels and Resorts Limited: Rating upgraded to [ICRA]A+(Positive)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	26.93	23.78	[ICRA]A+(Positive); upgraded from [ICRA]A(Positive)
Long-term – Unallocated	11.04	14.19	[ICRA]A+(Positive); upgraded from [ICRA]A(Positive)
<b>Total</b>	<b>37.97</b>	<b>37.97</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has taken a consolidated view of Fleur Hotels Limited (FHL), Celsia Hotels Private Limited (Celsia), Inovoa Hotels and Resorts Limited (Inovoa), Hyacinth Hotels Private Limited (Hyacinth) and Berggruen Hotels Private Limited (Berggruen), 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. Inovoa is a wholly owned subsidiary of FHL.

The upgrade in the ratings of Fleur factors in an improvement in the credit profile of Fleur's parent company, Lemon Tree Hotels Limited (LTHL), which currently holds 59% stake in it. The rating action also favourably factors in the sustained improvement in the credit profile of Fleur, aided by a continuation of healthy operating performance benefitting from healthy industry demand; the company has reported an improvement in average room rates and occupancy levels on a sustained basis over the past few years, which has helped it report a healthy improvement in cash flows. A sustenance of domestic leisure and business travel, along with an increase in foreign tourists, is expected to support Fleur's overall performance and help it report improved earnings, going forward. With limited capex plans, the healthy cash accruals are expected to lead to a reduction in debt for the company, leading to a healthy improvement in leverage (Total Debt/OPBDITA estimated to reduce to 3.0-3.2 times by FY2027) and debt coverage indicators.

Fleur posted revenues of Rs. 911.5 crore (a 25% YoY growth) and a healthy operating margin (OPM) of ~44.2% in FY2025 (OPM of 43.4% in FY2024) aided by strong demand and sustained cost control measures. The portfolio average room rate (ARR) increased to ~Rs. 6,728 in FY2025 over ~Rs. 6,412 in FY2024, while the room occupancy stood at an average of 69% in FY2025 against 66% in the previous financial year. The ratings are further supported by a continued healthy operating performance with improving ARR and occupancy levels, as well as an improvement in the operational metrics of its largest hotel under the Aurika brand in Mumbai Skycity. With limited capex plans, the healthy cash accruals are expected to lead to a reduction in debt for the company, leading to a healthy improvement in leverage and debt coverage indicators.

ICRA notes the stabilisation of the entity's largest hotel (also India's largest hotels in terms of room inventory), Aurika, Mumbai International Airport (MIAL), which commenced operations from Q3 FY2024. The hotel saw healthy improvement in occupancy levels in FY2025, given its favourable location. Further improvement in the performance of the hotel is likely to aid earning growth for the company over the near to medium term. Led by healthy operating profits, the coverage indicators witnessed an improvement with Total debt<sup>1</sup>/OPBDITA at 4.3x in FY2025 against 5.8x in FY2024. The debt on Fleur's books (excluding operating lease liabilities) reduced on a YoY basis to Rs. 1,433 crore as of March 31, 2025 (Rs. 1,543 crore as of March 31, 2024). An expectation of healthy earnings may aid in deleveraging over the medium term.

<sup>1</sup> Including lease liabilities

The ratings further continue to reflect Fleur's diversified business profile, characterised by large scale (12 cities, 24 hotels, 3,993 rooms as on March 31, 2025), well-recognised brands across price-points (economy, midscale, upper midscale and upscale) and extensive experience of its promoter and management team.

The Positive outlook on the long-term rating reflects ICRA's expectation that the company will continue to benefit from favourable medium term demand sentiments, which coupled with its well-recognised brands would help it record healthy operational metrics and earnings, thereby leading to a gradual improvement in credit metrics.

## Key rating drivers and their description

### Credit strengths

**Well-recognised brands and geographically diversified product portfolio** – LTHL is among India's largest hotel chains, with 111 operational properties across 71 locations as on March 31, 2025. It benefits from a robust distribution system, loyalty programmes and corporate relationships. The company has established and recognised midscale (Lemon Tree), upper midscale (Lemon Tree Premier) and economy (Red Fox) brands. Moreover, with the successful stabilisation of its upscale brand, Aurika, as well as the acquisition of the Keys brand in FY2020, it has further diversified and consolidated its presence across price points. Under Fleur, the company operates 24 hotels across 12 locations with a room inventory of 3,993 as of March 31, 2025. This diversified presence reduces the vulnerability of the Group's revenues to cyclical downturns to some extent. The favourable location of its properties in prominent business and tourist districts supports revenue growth and reduces concentration risk.

**Strong managerial, financial and operational support from parent, LTHL** – As on date, LTHL holds 59% stake in Fleur while the remaining is held by APG Strategic Real Investment Pool N.V. (APG), a Dutch pension fund. Since majority of the owned and leased hotels are under Fleur, it generated ~71% of revenues and ~64% of OPBITDA for FY2025, and the company continues to receive financial and operational support from its parent, LTHL. Furthermore, the day-to-day operations are also managed by LTHL as Fleur operates under the brand name of Lemon Tree. LTHL has also provided an unconditional and irrevocable corporate guarantee for Fleur's debt further indicating financial assistance.

### Credit challenges

**Exposed to industry cyclicality, general economic slowdown, and exogenous shocks** – Given the discretionary nature of consumer spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movement and several exogenous factors, leading to inherent cyclicality. In addition, several non-metro markets also face seasonality in guest traffic. During the pandemic period, the performance of LTHL (and the entire hotel industry) was significantly impacted.

**Moderate debt coverage metrics and return on capital employed; gradual improvement expected, aided by healthy underlying demand** – The company's debt levels (excluding lease liabilities) reduced to Rs. 1,433 crore as on March 31, 2025 (Rs. 1,543 crore as on March 31, 2024). The reduction in debt was mainly owing to scheduled repayment of its term debt obligations despite a remaining drawdown of the debt for the MIAL project. As the company's profitability remains healthy, the debt coverage indicators have improved. The DSCR remained steady at 1.3 times in FY2025 (1.2 times in FY2024), while Total Debt/OPBDITA improved to 4.3 times (5.8 times in FY2024 and 6.2 times in FY2023). Further, albeit remaining modest, RoCE increased moderately to ~9% in FY2025 from 7% in FY2023, led by a higher profitability contribution from its nascent stage inventory (i.e., 3-4 years since commencement of operations). The return and credit metrics are expected to improve over the medium term, given no material debt-funded capex plans. The management's policy of availing the project debt towards later stages and its ability to raise low-cost debt continues to provide comfort.

### Liquidity position: Adequate

Fleur's liquidity is expected to remain **adequate**, supported by healthy net cash accruals, free cash and liquid investments of ~Rs. 84 crore and undrawn working capital limits of ~Rs. 35-40 crore as of March 2025. It has term loan repayments of

~Rs. 124 crore in FY2026 and with expected retained cash flows of about Rs. 200-300 crore in FY2026, the liquidity is expected to be sufficient in covering its obligations in the near term. ICRA expects Fleur’s large asset base, strategic partnerships, and financial flexibility with its lenders to continue to support its refinancing options and liquidity profile.

### Rating sensitivities

**Positive factors** – A sustained track record of healthy revenue growth and profitability leading to a material improvement in leverage and coverage metrics would be favourably considered for upward movement in the ratings. Any improvement in the credit profile of the parent entity could also be a trigger for an upward revision in ratings.

**Negative factors** – The rating could be downgraded in case of weakness in linkages or a deterioration in the credit profile of the parent entity. A material demand slowdown or any significant debt-funded capex plan, leading to a material weakness in the capital structure and coverage indicators, could exert pressure on the ratings.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Hotels</a>
Parent/Group support	Fleur 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 Fleur 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 Fleur 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 Fleur; the details of the entities consolidated are shown in Annexure II.

### About the company

Incorporated in 1995, Inovia is a 100% subsidiary of Fleur Hotels Limited (FHL; subsidiary of LTHL) and is part of the Lemon Tree Group. The company owns and operates a 130-room Lemon Tree property in Whitefield, Bangalore. The property was acquired from Asian Hotels (West) Limited in FY2014.

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 March 31, 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 111 hotels with 10,269 rooms under seven brands across 71 locations in India and abroad, as of March 31, 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 March 31, 2025, the Group had 41 owned and leased operational properties and two

properties under development. The total owned/leased inventory across the operational properties stood at 5,759 rooms with 256 rooms under development.

To facilitate the 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 March 31, 2025, 4,510 rooms across 70 properties were under management contracts with additional 6,591 rooms (99 properties) in the pipeline.

#### Key financial indicators

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; \*Provisional financials; 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; \* Limited audit; 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	Current (FY2026)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Term loan</b>	Long-term	23.78	<b>Jul 15, 2025</b>	<b>[ICRA]A+ (Positive)</b>	Aug 09, 2024	[ICRA]A (Positive)	Aug 07, 2023	[ICRA]A (Stable)	Jun 02, 2022	[ICRA]A- (Stable)
<b>Unallocated</b>	Long-term	14.19	<b>Jul 15, 2025</b>	<b>[ICRA]A+ (Positive)</b>	Aug 09, 2024	[ICRA]A (Positive)	Aug 07, 2023	[ICRA]A (Stable)	Jun 02, 2022	[ICRA]A- (Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
<b>Long-term Fund-based – Term loan</b>	Simple
<b>Long-term – Unallocated</b>	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	FY2016	NA	FY2030	23.78	[ICRA]A+(Positive)
NA	Unallocated Limits	NA	NA	NA	14.19	[ICRA]A+(Positive)

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Company Name	FHL Ownership	Consolidation Approach
Fleur Hotels Limited	100%	Full Consolidation
Celsia Hotels Private Limited	100%	Full Consolidation
Inovoa Hotels and Resorts Limited	100% (rated entity)	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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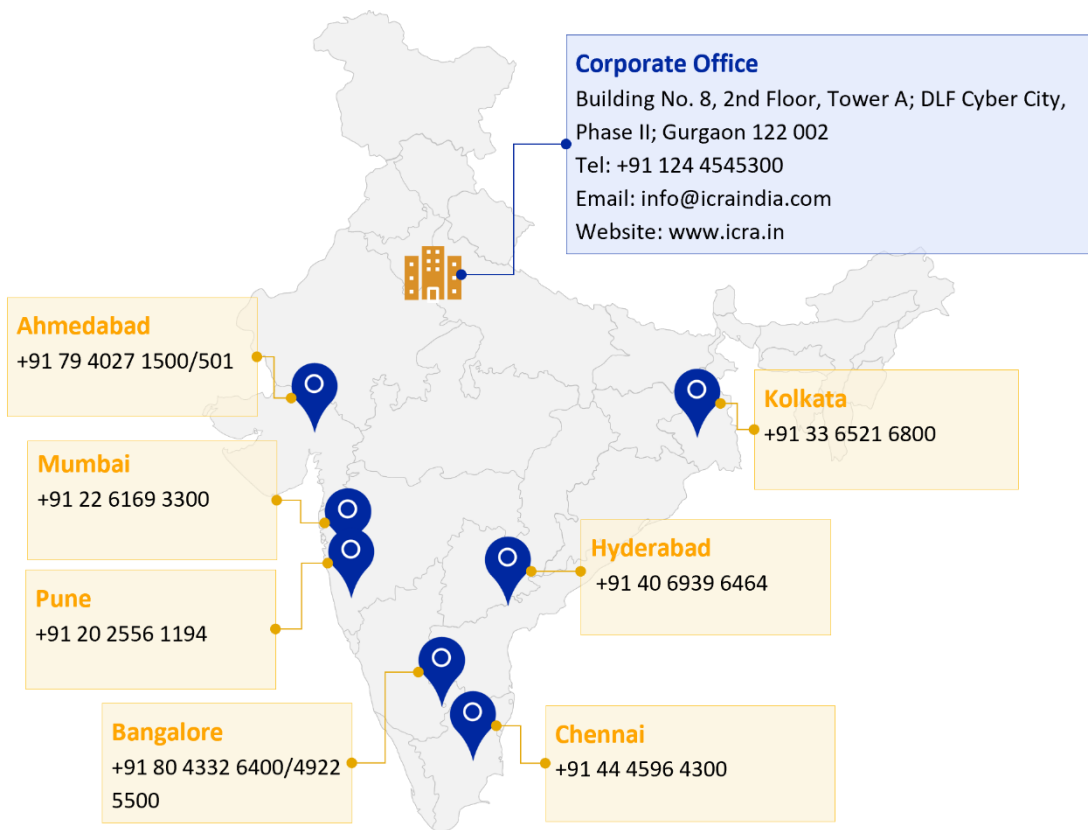
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