March 30, 2026

Sayaji Hotels Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term-Fund based- Term loan	60.00	60.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term-Fund based- Working Capital	15.00	15.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term Unallocated Limits	5.00	5.00	[ICRA]BBB+ (Stable); reaffirmed
Total	**80.00**	**80.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the rating factors in the steady operating performance of Sayaji Hotels Limited (SHL) and expectation of continuation of the same over the medium term, aided by a sustained demand in the hospitality industry. The steady operating performance, coupled with low external debt levels (excluding lease liabilities), has resulted in an adequate financial risk profile for the entity. SHL continues to hold around 30% equity interest in United Foodbrands Limited (UFL), with market value of this investment at around Rs. 257 crore as on March 18, 2026, lending financial flexibility to SHL.

The operating metrics of SHL's portfolio remain healthy, driven by sustained industry demand, which has resulted in high occupancy levels (74-84% over FY2023-9M FY2026), as well as improved average room rate (ARR) at Rs. 5,057 in 9M FY2026 against Rs. 4,458 in FY2023, resulting in comfortable cash flows from the business. In 9M FY2026, the company reported revenues of Rs. 111.1 crore, representing around 13% increase over 9M FY2025. Despite higher revenues, the operating profit margin (OPM) declined to 24.9% in 9M FY2026 from 27.1% in 9M FY2025 owing to repair and renovation work undertaken in the Udaipur and Bhopal properties.

ICRA continues to favourably factor in the extensive experience of SHL's promoters in the hospitality industry and their demonstrated track record of providing funding support, the entity's geographically diversified portfolio, reputed name in the food and beverage (F&B) and banqueting segments, along with a strong brand recall of Sayaji and Effotel in the operative micro-markets. The company operates five properties on lease basis, 26 on management contracts and eight on franchisee model. The company plans to add three properties under the lease model, one each in Gangtok, Tirupati and Raipur, which are expected to become operational by April 2026, August 2026 and March 2027, respectively. ICRA also notes that the Sayaji Vadodara property is now being operated under management contract following the lease expiry in October 2025 and the Sayaji Raipur property will be operated under management contract from April 2026 following the termination of lease agreement effective March 31, 2026. Further, SHL has nearly 21 management contracts in the pipeline, which are expected to become operational by FY2029. This is in line with the management's stated strategy of leveraging its brand name and expanding its presence through an asset-light model. However, most of these properties have a small inventory (average 80-85 rooms),

The company also plans to add 50 villas to its Udaipur property during Q2/Q3 FY2027 at an estimated capital expenditure (capex) of Rs. 40-45 crore, which will be funded by a mix of term loan (sanctioned but yet to be availed), internal accruals and available liquidity.

The rating remains constrained by the inherent cyclicality and seasonality in the hospitality industry, which exposes SHL's revenues to risks associated with any economic slowdown and exogenous shocks. The company's ability to improve the profit margins of its properties, the pace of its future expansion plans and the consequent impact on its business and financial risk profiles will remain key monitorables.

The Stable outlook on the company's rating reflects ICRA's view that SHL will continue to witness steady and profitable scale-up across its properties.

Key rating drivers and their description

Credit strengths

Experienced promoters and demonstrated record of funding support – SHL is promoted by the Vadodara-based Dhanani family, who have been in the hospitality industry for over three decades. The promoter family has demonstrated a track record of providing funding support for its periodic capex and short-term funding mismatches in the form of unsecured loans and preference share capital. This includes, among others, Rs. 20 crore unsecured loans provided in FY2025 to support the expansion in Bhopal and Udaipur properties. All these are indicative of the promoters' commitment to this business and ICRA expects this need-based support to continue, going forward.

Healthy brand recognition in the operative micro-markets; portfolio expansion through asset-light business model limits capex and project implementation risk – SHL, through its five brands – Sayaji, The Forest Chapter, by Sayaji, Sayaji Resorts and Spa, Effotel and Enrise – has established itself as a reputed hotel chain primarily in tier-II and III cities. With more than 2,564 rooms (including properties under management contract) across 39 operational properties in 30 cities, the five brands are rapidly expanding their market presence. Over the past few years, the management has shifted its focus from building capex-intensive properties to following an asset-light model of expansion, through leasing of properties, management contracts or brand franchisee. This is expected to provide long-term operational benefits to SHL as properties can almost immediately be put in operations, with minimal (or no) capex and project implementation risk. Similarly, under the management contract model, SHL would have fixed earnings from the first day, with an incentive for earning greater profit. In line with this expansion strategy, the company has signed several management contracts for adding 1,700+ rooms till FY2029. ICRA expects this to further augment its brand visibility and facilitate rapid expansion in diversified markets through an asset-light model over the medium term.

Healthy financial flexibility emanating from holding around 30% stake in UFL – The market value of SHL's 30% stake in its associate company, UFL (held through subsidiary, Sayaji Housekeeping Services Limited), stood at around Rs. 257 crore (as on March 18, 2026 (against Rs. 306 crore as on March 25, 2025). Against the same, SHL's total debt (including lease liabilities and promoter loan) stood at around Rs. 176.1 crore as of December 2025. The investment in UFL provides SHL with healthy financial flexibility. Incremental investments in subsidiary companies and associates have remained limited over the past few years and are expected to be marginal (if any) over the medium term.

Credit challenges

Limited scale of operations – Despite the geographically diversified portfolio, the scale of operations of SHL remains limited (revenues stood at around Rs. 111 crore in 9M FY2026) as a large part of the properties is operated under the management contract and franchisee models in which it receives only management fee and incentive income. While the long pipeline of management contracts is expected to provide opportunities for growth, it will be limited owing to the smaller size of properties (average size of management contracts in the pipeline is 80-85 keys).

Exposed to industry cyclicality, general economic slowdown, and exogenous shocks – Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movements and several exogenous factors, leading to inherent cyclicality. Several non-metro markets also face seasonality in guest traffic. As such, global and domestic economic conditions will remain key monitorables for SHL, as inherent in this industry.

Environmental and social risks

Environmental considerations: Like other hotel players, SHL 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: Like 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. SHL 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

SHL's liquidity is expected to remain Adequate, supported by healthy cash flow from operations of Rs. 17-23 crore annually between FY2026 and FY2028, free cash and bank balance and liquid investments of Rs. 12.0 crore as on December 31, 2025, and fully unutilised overdraft limits of Rs. 15.0 crore. The company expects to incur capex of Rs. 45 crore in FY2027, which will be funded by undrawn term loan of Rs. 27 crore and the balance through internal accruals and available liquidity. For FY2028, the company estimates maintenance capex requirements of around Rs. 15 crore. The company has debt repayment obligations of Rs. 7.0 crore each in FY2027 and FY2028.

Rating sensitivities

Positive factors – A sustained improvement in operating metrics, scale of operations and profitability indicators leading to further improvement in coverage metrics and liquidity profile, could be a trigger for improvement in the rating.

Negative factors – Negative pressure on SHL's rating could arise in case of a material weakening in its portfolio's operating metrics and thus earnings, and/or any material increase in debt levels leading to weakening of its leverage and coverage indicators and liquidity position on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology Hotels
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of SHL. As on December 31, 2025, the company had one subsidiary and one associate (enlisted in Annexure-II).

About the company

Incorporated in 1982, SHL (post restructuring effective from August 2023*) operates a portfolio of five properties (322 keys) under its in-house brands, namely Sayaji, Enrise, The Forest Chapter by Sayaji and Sayaji Resorts & SPA. It has one property each in Bhopal, Raipur, Udaipur, Indore and Jawai. Recently, the company has entered into lease agreement for addition of two properties – one in Gangtok and the other in Tirupati. Further, it has signed a term sheet for addition of one property under the lease model in Raipur under the Effotel brand. Additionally, to facilitate rapid expansion of its brands across the country, SHL enters into management contracts with asset owners under its five brands – Sayaji, Effotel, Enrise, The Forest Chapter by Sayaji and Sayaji Resorts & SPA and also enters into contracts under franchisee model. As on February 2026, SHL operated 26 properties (1,758 keys) across the country through management contracts and eight properties (484 keys) under the franchisee model. It plans to add another 21 properties (around 1,727 keys) till FY2029.

SHL also has a stake in a chain of 249 restaurants across India through its 29.69% owned associate – United Foodbrands Limited (erstwhile Barbeque Nations Hospitality Limited, rated [ICRA]A (Negative)/A2+ as of October 2025).

SHL has been listed on BSE since 1992. It is promoted by the Vadodara-based Dhanani family, which directly held a 66.8% stake in the company as on December 31, 2025.

Key financial indicators (audited)

SHL (consolidated)	FY2024	FY2025	9MFY2026*
Operating income	111.8	138.3	111.1
PAT	18.3	10.3	1.2
OPBDIT/OI	33%	26%	25%
PAT/OI	16%	8%	1%
Total outside liabilities/Tangible net worth (times)	0.4	1.1	1.4
Total debt/OPBDIT (times)	1.5	4.2	6.4
Interest coverage (times)	2.3	3.4	2.7

*Source: Company, ICRA Research; * Provisional numbers; 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	Current rating (FY2026)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	March 30, 2026	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
					Apr 07, 2025	-	Feb 26, 2024	Mar 02, 2023	Apr 26, 2022
1	**Fund Based - Term loans**	Long-term	60.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-	[ICRA]BBB+ Rating watch with developing implications	[ICRA]BBB Rating watch with developing implications
2	**Fund Based - Working Capital**	Long-term	15.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-	-	-
3	**Non-fund based facilities**	Long-term	-	--	--	-	-	-	[ICRA]BBB Rating watch with developing implications
4	**Unallocated limits**	Long-term	5.0	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ Rating watch with developing implications	[ICRA]BBB Rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term-Fund based- Term loan	Simple
Long-term-Fund based- Working Capital	Simple
Long 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**	March 2025	7.75%	March 2034	60.00	[ICRA]BBB+(Stable)
NA	**Working Capital**	March 2025	7.75%	NA	15.00	[ICRA]BBB+(Stable)
NA	**Unallocated Limits**	NA	NA	NA	5.00	[ICRA]BBB+(Stable)

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	SHL Ownership	Consolidation Approach
Sayaji Hotels Limited	Rated entity	Full Consolidation
Sayaji Housekeeping Services Limited	100%	Full Consolidation
Barbeque Nation Hospitality Limited	29.69% (held through Sayaji Housekeeping Services Limited)	Equity method

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

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