September 02, 2026

Oriental Hotels Limited: Long-term rating placed on watch with positive implications and short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long-term – Fund-based limits	30.00	30.00	[ICRA]AA-; placed on Watch with Positive Implications	RBI
Short-term – Non-fund based – Sublimit	(20.00)	(20.00)	[ICRA]A1+; reaffirmed	RBI
Total	**30.00**	**30.00**		

**Instrument details are provided in Annexure I; #SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR will not be available for activities and instruments, which fall under the regulatory purview of Financial Sector Regulators other than SEBI.*

Rationale

Vide BSE release dated August 24, 2026, Oriental Hotels Limited (OHL/the company) announced that its Board of Directors approved the Scheme of Arrangement between the company, The Indian Hotels Company Limited (IHCL; rated [ICRA]AAA (Stable)/[ICRA]A1+) and the respective shareholders for the amalgamation of the company into and with IHCL. The scheme is subject to approval from the National Company Law Tribunal (NCLT), respective shareholders and/or creditors of the company and IHCL, as applicable and subject to receipt of other requisite regulatory (including that of stock exchanges and SEBI) and statutory approvals, as required. Under the proposed scheme, the shareholders of OHL shall receive shares of IHCL based on the proposed share exchange ratio (25 IHCL shares for 117 shares of OHL).

ICRA has reaffirmed the short-term rating of OHL and placed the long-term rating on watch with positive implications, taking into account the aforementioned development, given the expected merger of OHL with a relatively stronger entity. ICRA will continue to monitor the development of the merger process, as well as the timelines involved and will take appropriate action, as required.

The ratings for the bank facilities of OHL continue to factor in its healthy credit profile, operating seven hotels with 825 rooms across South India. During FY2026 and Q1 FY2027, the company reported a healthy operating performance, which is expected to sustain given the healthy demand outlook for the hospitality industry and higher accruals from renovated/upgraded properties. The ratings also consider OHL's strong parentage with IHCL holding 29.4% stake in the company and Tata Group companies jointly holding 39.1% as on March 31, 2026. OHL has strong operational and financial linkages with IHCL and enjoys financial flexibility/lender comfort by virtue of its parentage. Further, IHCL is expected to extend timely and adequate financial support to OHL, if required. The ratings also positively factor in the well-established position of OHL's properties, especially the flagship ones, in their respective cities; although the revenues remain concentrated in the Chennai market.

The ratings remain constrained by OHL's moderate scale of operations and coverage metrics. Although the company recorded healthy growth of 12.3% in its operating income in FY2026, the scale remains moderate at Rs. 493.8 crore. Going forward, OHL is expected to continue to report steady revenue growth, stemming from both the anticipated stable demand across segments and the demand-supply gap in terms of capacities across major cities, which are likely to support its Average Room Rates (ARRs) and occupancies at its existing properties. However, akin to other players in the industry, OHL's revenues would be exposed to industry cyclicality and seasonality, macro-economic downturns, and other exogenous factors.

OHL's coverage metrics witnessed improvement during FY2026 with total debt1[1]/OPBDITA at 1.0 times (PY: 1.7 times) and interest coverage at 9.8 times (PY: 6.5 times), although DSCR continues to remain relatively moderate at 1.2 times (PY: 1.2 times). Considering that the company has been repaying off large part of its long-term borrowings, and with moderate debt-funded capex plans in the anvil, ICRA expects the coverage metrics to further improve going forward.

Key rating drivers and their description

Credit strengths

Strong parentage – The Tata Group companies hold a 39.1% stake in OHL as on March 31, 2026, and the company is an associate of IHCL (holds 28.5% stake). ICRA draws comfort from OHL's strong operational and financial linkages with IHCL. Further, OHL's properties are managed by IHCL, and the latter's representatives are part of OHL's Board of Directors. OHL has a strong financial flexibility and lender/investor comfort as an associate of IHCL. Also, IHCL and/or other Tata Group companies are expected to extend timely and adequate financial support to OHL, if required. Further, on August 24, 2026, the Board approved the Scheme of Amalgamation for the merger of OHL with IHCL, subject to the requisite approvals from the NCLT, shareholders, creditors, SEBI, and other regulatory authorities. The management expects the amalgamation process to take approximately 9-12 months, with the merger likely to be completed by FY2028.

Strong brands; established position of properties, especially flagship ones, in respective cities – OHL's hotels are operated under management contract by IHCL under its various brands, such as Taj, Vivanta, Gateway and SeleQtions. Also, its flagship properties—Taj Coromandel and Taj Fisherman's Cove—which generated 55-60% of OHL's consolidated revenues in FY2026 and Q1 FY2027, are well established in Chennai. The former is located in the Chennai Central Business District (CBD) and the latter along the East Coast Road (ECR), near Mahabalipuram. Both these properties have been operational for several years and are reputed in their respective micro-markets. Apart from these two properties, OHL has five other well-established properties spread across South India.

Demand-supply gap in hotel industry to support revenue growth prospects – OHL reported an operating income of Rs. 493.8 crore in FY2026, with YoY growth of 12.3%, aided by steady demand traction, and a resultant improvement in ARR and occupancy rates. The revenue growth is expected to remain steady, stemming from the anticipated stable demand and the demand-supply gap. The company's accruals are also likely to improve, aided by the operating leverage benefits and better absorption of costs with top-line growth and no significant renovations in the near-to-medium term.

Credit challenges

Moderate scale; relatively high concentration in the Chennai market – OHL has a moderate scale of operations with an aggregate inventory of 825 rooms, as of August 2026, across six cities in South India. The company derives 55-60% of its revenues from the Chennai market, exposing it to any localised downturn/unforeseen events or region-specific risks.

Vulnerability of revenues to inherent industry cyclicality, economic cycles, and exogenous events – Akin to other players in the industry, OHL's revenues are exposed to industry cyclicality and seasonality, macro-economic downturns, and exogenous factors (geopolitical tensions, terrorist attacks, disease outbreaks, etc).

Environment and Social Risks

Environmental considerations – Akin to other hotel companies, OHL 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. The risk for OHL is accentuated by its geographical concentration.

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[1] *includes lease liability*

Social considerations – The company relies heavily on human capital for its day-to-day operations, which directly influences service quality and customer satisfaction. OHL is also vulnerable to data security and data privacy issues, which if it materialises, can result in reputational damage, regulatory penalties and potential loss of customer confidence. Hence, there is moderate exposure to social risk.

Liquidity position: Adequate

OHL's liquidity is expected to remain adequate, supported by its anticipated cash flow from operations of Rs. 100.0 crore annually. Further, the company has free cash and bank balances of Rs. 10.0 crore and undrawn working capital limit of Rs. 30.0 crore as of June 30, 2026. Against these sources of cash, the company has principal repayment obligations of Rs. 47.1 crore, Rs. 16.0 crore and Rs. 12.3 crore in Q2-Q4 FY2027, FY2028 and FY2029 respectively on its existing loans. The company does not have any significant capex plans apart from the maintenance capex and marginal renovations in its existing properties amounting to Rs. 20-25.0 crore in FY2027 and Rs. 10-15.0 crore per annum in FY2028 and FY2029, which is expected to be funded through internal accruals. ICRA also expects IHCL to extend timely and adequate financial support to OHL, if required.

Rating sensitivities

Positive factors– The rating watch would be resolved upon successful completion of the ongoing merger process with IHCL. Additionally, a sustained improvement in the company's scale, earnings and debt indicators, resulting in improvement of credit metrics can also result an upgrade.

Negative factors– Pressure on OHL's ratings could arise if the company witnesses pressure on earnings, or if there is weakening of its debt metrics or liquidity position on a sustained basis. Further, any deterioration in the credit profile of the parent entity (IHCL) or weakening of OHL's operational/financial linkages with the parent or absence of timely and adequate financial support from IHCL, when required, could also result in a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Hotels
Parent/Group support	Parent company: The Indian Hotels Company Limited (IHCL; rated [ICRA]AAA (Stable)/[ICRA]A1+). ICRA expects IHCL to extend timely and adequate financial support to OHL, should there be a need.
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company.

About the company

Oriental Hotels Limited is an associate entity of The Indian Hotels Company Limited and owns seven hotels with an aggregate inventory of 825 rooms in South India, as on March 31, 2026. The hotels operate under the IHCL brands—'Taj', 'Seleqtions', 'Vivanta' and 'Gateway' brands. While the hotels are spread across six South Indian cities, the company's two flagship properties—Taj Coromandel and Taj Fisherman's Cove—both in Chennai, contribute over 55-60% of its consolidated revenues. Apart from the standalone operations, the company also has a wholly-owned subsidiary, OHL International (HK) Limited, a Joint Venture (JV) with IHCL - TAL Hotels and Resorts Limited (21.7% stake), and two associates—Taj Madurai Limited (26.0% stake) and Lanka Island Resorts Limited (associate of OHL International (HK) Limited; 23.1% stake), as on March 31, 2026. IHCL and other Tata Group companies own 39.1% stake in the company, while the Late D. S. Reddy's (a Chennai-based industrialist) family own 29.4% stake (as on March 31, 2026).

Key financial indicators (audited)

Oriental Structural Engineers Private Limited (consolidated)	FY2025	FY2026
Operating income	439.7	493.8
PAT	42.2	72.0
OPBDIT/OI	25.1%	26.9%
PAT/OI #	9.6%	14.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	1.7	1.0
Interest coverage (times)	6.5	9.8

Source: Company, ICRA Research; #Excluding share of profits from associate and Joint venture; 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

Current ratings (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount Rated (Rs Crore)	Sep 02, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long Term	30.00	[ICRA]AA-; Rating watch with positive implications	Sep 9, 2025	[ICRA]A+ (Stable)	Sep 24, 2024	[ICRA]A+ (Stable)	Sep 8, 2023	[ICRA]A+ (Stable)
				March 3, 2026	[ICRA]AA- (Stable)				
Non-fund based – Sublimit	Short Term	(20.00)	[ICRA]A1+	Sep 9, 2025	[ICRA]A1	Sep 24, 2024	[ICRA]A1	Sep 8, 2023	[ICRA]A1
				March 3, 2026	[ICRA]A1+				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based limits	Simple
Short-term – Non-fund based – Sublimit	Simple

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	Financial Sector Regulator#
NA	**Cash Credit**	NA	NA	NA	30.00	[ICRA]AA-; Rating watch with positive implications	RBI
NA	**LC/BG – Sublimit**	NA	NA	NA	(20.00)	[ICRA]A1+	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
OHL International (HK) Limited	100.0%	Full Consolidation
TAL Hotels and Resorts Limited	21.7%	Equity method
Taj Madurai Limited	26.0%	Equity method
Lanka Island Resorts Limited (associate of OHL International (HK) Limited)	23.1%	Equity method

Source: Company

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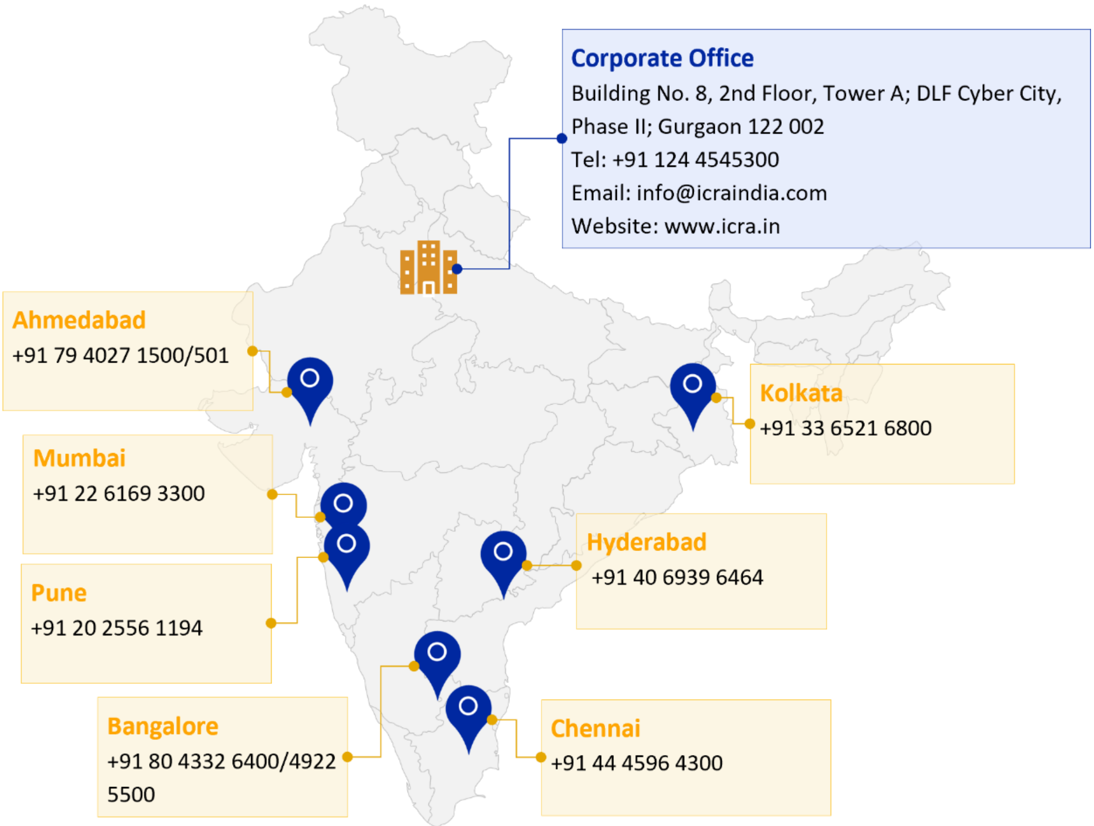

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