DSR Hospitality Services

October 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	120.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to DSR Hospitality Services (DSR) is constrained by minimal experience of promoter's in the hospitality business, project implementation risk involved with setting up of hotel as construction is at nascent stage, risk of withdrawal of capital given the entity's partnership constitution, high competition from established and upcoming hotels in Hyderabad, inherent cyclicality associated with the hotel industry. However, the rating derives strength from resourceful promoter group with experience in real estate sector despite new to hospitality sector, locational advantages in sync with the need of business travellers and operational and management tie up with ITC Hotels Limited.

The company's ability to complete the proposed project per schedule without cost and time overrun and operate the hotel at envisaged occupancy and tariff rate would be the key monitorable factor. CARE Ratings Limited (CareEdge Ratings) takes note that, DSR has a second hotel project in its pipeline which is not yet finalised. Future development on this project that involves taking on new debt could negatively affect the company's financial risk profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful implementation of the project and stabilisation of the hotel with sufficient occupancy.
- Improvement in the liquidity position.

Negative factors

- Lack of fund support from promoters required to complete the project and meet fund shortfall.
- Cost and time overrun over 20% than envisaged resulting in weakening of liquidity profile.

Analytical approach: Standalone.

Outlook: Stable. CareEdge Ratings believes that the entity will continue to get support from promoters on need basis.

Detailed description of key rating drivers:

Key weaknesses

Seasonality associated with the hotel industry

Demand for hotel and hospitality sector has a direct relation to the economy's overall health. The Indian hotel industry normally experiences high demand from March to June, mainly considering summer vacations and from October to November considering festive vacations all over India. However, this trend is changing over the recent few years. Hotels introduced different offers to improve occupancy in lean months. These include targeting the conferencing segment and offering lucrative packages in the lean period. The hotel industry is highly fragmented with many organised and unorganised players and many local and international players operate across different hotel segments.

Longer gestation period associated with the hospitality sector

Hotel projects have long gestation period as construction of a premium hotel takes up to three to four years while stabilisation of operations may take another two to three years. Rising land prices in India and high financing costs required to fund the capex of hotels resulted in relatively longer gestation periods for achieving break even and per industry experience it takes ~12 years to achieve break-even for luxury hotels in India. Luxury hotels call for huge investments and have longer gestation periods compared to mid-scale budget hotels, given the investments involved in the project. Given the gestation period for setting up hotels in India is significantly more compared to global peers, in the initial few years, costs are high, and returns are low.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Nascent stage of hotel project

DSR is setting up a 4-star hotel on ~5698 square yards plot in Somajiguda, Hyderabad. The hotel cost is projected at ~₹239 crore to be funded through debt at ~50% remaining to be funded through equity and unsecured loans of 30.5% and19.4% respectively. Financial closure achieved and incurred cost of ~₹62 crore which is funded though debt of ₹27 crore and remaining through equity and unsecured loans.

Partnership constitution with risk of withdrawal of capital

The firm being a partnership firm is exposed to inherent risk of capital withdrawal by partners due to its constitution. Substantial withdrawals from capital account would impact the company's net worth and gearing levels.

Key strengths

Tie-up with ITC Hotels Limited

The firm entered a long-term agreement on September 26, 2025, with ITC Hotels Limited which will allow it to operate the hotel under its brand name and accordingly the hotel has been named as Welcomhotel by ITC.

Experienced promoters despite venturing into new business segment

The promoters pertain to DSR group, who has a long track record of around three decades in real-estate development in Bangalore and Hyderabad. The group has completed several residential and commercial projects, encompassing ~8 million square feet (msf) of constructed area, which reflect its strong project-execution capabilities.

Strategic location of hotel

The hotel is favourably in Punjagutta, Hyderabad, Telangana, which is an important commercial area with retail, wholesale and offices developed in the vicinity. With business customers being its primary focus segment, the hotel has facilities for hosting corporate events and seminars. The hotel also has a quick access from airport and railway station, which is at a distance of ~20 km and 8 km, respectively.

Liquidity: Stretched

The liquidity position of the company is stretched as the company has not commenced commercial operations resulting in no operating cash inflows. The company has taken term loan amounting to ₹120 crore which has been partially disbursed, and unavailed fund of ~₹93 crore and balance fund for promoter's equity infusion and unsecured loans. Since the repayment is expected to commence from FY29 and operation has not yet started, fund infusion from promoters shall remain crucial.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hotels & Resorts
Financial Ratios – Non financial Sector
Service Sector Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Leisure services	Hotels and resorts

DSR was incorporated in August 2024 and has been in the process of setting up a 4 star hotel in Hyderabad, Telangana. This firm belongs to DSR group which is into real estate business in Hyderabad and Bangalore for over two decades. The firm's partners are Sudhakar Reddy Devireddy, Raghurami Reddy Devireddy, Prabhakar Reddy Devireddy, Prathima Reddy Pellakuru, Sharmila Reddy Dodla and Amulya Devireddy. The firm's partners belong to DSR Infrastructure Pvt Ltd., a real estate developer. D Sudhakar

Reddy is the Chairman and Managing Director of DSR Group. D Sudhakar Reddy has over 35 years of experience in real estate sector. The firm acquired a land from Anukar Hospitals Pvt Ltd. to construct 4 start hotel in Hyderabad.

Brief financials: Not applicable for project stage entity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2038	120.00	CARE BB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	120.00	CARE BB-; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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