Oriental Hotels Limited

September 02, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	1.00	CARE AA- (RWP) / CARE A1+	LT rating Placed on Rating Watch with Positive Implications and ST rating reaffirmed
Long-term bank facilities	RBI	47.16	CARE AA- (RWP)	Placed on Rating Watch with Positive Implications
Short-term bank facilities	RBI	81.86	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed long-term ratings of Oriental Hotels Limited (OHL) on credit watch with positive implications pursuant to approval of scheme of arrangement from its board of directors for amalgamation of the company into and with The Indian Hotels Company Limited (IHCL; rated 'CARE AA+; Stable/ CARE A1+' and which holds 37.05% in OHL through its direct and indirect subsidiaries). The merger is part of IHCL group's strategy to simplify the shareholding structure by increasing IHCL's direct ownership across several entities and resulting in two new operating subsidiaries, enabling it to streamline governance and improve operational efficiency across companies. On completion of the transaction, OHL's portfolio of seven hotels (which includes three owned properties and four leased properties) spread across southern India region will be amalgamated into IHCL's portfolio of 650 hotels globally, operating under the umbrella brand name of 'Taj Hotels Resorts and Palaces' and OHL's hotels will continue to operate under the existing IHCL brands of 'Taj', 'Vivanta' and 'Gateway'. This is expected to result in total operating keys of 2,104 for the group in the southern India region, against OHL's operating keys of 825 currently and strengthen their presence in southern India region. OHL will be able to leverage IHCL's strong balance sheet position to fund its inventory expansion and product upscaling plans, resulting in cost efficiency and operating synergies. CareEdge Ratings expects the merger to benefit OHL's scale and operating profitability and enhance its credit position in the medium term.

The scheme of arrangement proposes a share swap transaction with an exchange ratio of 25 IHCL shares for every 117 OHL shares and the entire transaction is expected to be completed by FY28. Effective merger is subject to obtaining necessary regulatory/ statutory approvals. CareEdge Ratings will monitor the progress in terms of receiving requisite approvals within timelines and will resolve the rating watch on completion of the transaction.

Ratings assigned to bank facilities of OHL continue to derive strength from its strong strategic and operational linkages with IHCL and Tata group, and iconic brand strength of 'Taj' and other IHCL brands. The company continues to maintain a comfortable financial risk profile in FY26 (refers to period from April 01 to March 31) and a healthy performance in Q1 FY27, as marked by higher revenue per available room (RevPAR), strong operating profitability and healthy capital structure and debt coverage metrics.

However, these rating strengths are partially off-set by OHL's moderate-yet-growing scale of operations, which is further expected to benefit from the company's proposed merger with IHCL. Revenue profile continues to remain geographically concentrated in southern India, with its operations being inherently susceptible to macroeconomic cycles, seasonal demand patterns, and global economic uncertainties.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in scale with reduction in dependence on Chennai markets and operating profit margin of 30% for long-term on a sustained basis.

Negative factors

- Weakening linkages with IHCL.
- Unanticipated occurrence of event leading to disruption in travel/leisure activities.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

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

Analytical approach: Consolidated

CareEdge Ratings takes a consolidated view of the OHL and its subsidiaries owing to significant business and financial linkages between them. Details of subsidiaries and associates, which have been consolidated are listed under Annexure-5. CareEdge Ratings has also factored in the linkages with IHCL.

Outlook: Not applicable

Detailed description of key rating drivers

Key strengths

Strong linkages with IHCL, market leader in India

OHL draws significant operational and strategic linkages with IHCL, which with its affiliates holds 37.05% in OHL as on June 30, 2026. IHCL is part of the Tata group, which comprises over 100 operating companies in diversified business sectors, including information technology, steel, automotive, infrastructure, consumer services, financial services, telecommunications, travel, aviation and investments, among others. The Tata group recorded an aggregate revenue of ₹16.24 lakh crore in FY26, with an aggregate market capitalisation of ₹24.4 lakh crore as on March 31, 2026. IHCL is one of the largest companies in terms of market capitalisation within the Tata group, with market capitalisation of ~₹1 lakh crore as on September 02, 2026. IHCL's portfolio consists of 650 hotels operated under the umbrella brand name of 'Taj Hotels Resorts and Palaces' whereas OHL's portfolio consists of seven hotels being operated under the brand names of IHCL – 'Taj', 'Vivanta' and Gateway' and OHL provides management fees to IHCL for using its brands. OHL also benefits from IHCL's high level of standardisation in services, experience, and product offerings. While OHL's top hotels (Taj Coromandel, Chennai and Taj Fisherman's Cove Resort & Spa, Chennai) contribute to ~60% of its overall revenue, the proposed merger of its hotels with IHCL would strengthen the group's southern India presence at a larger scale.

Strong operating profitability margins supported by healthy RevPAR

In the last four years, OHL managed to operate at strong profitability as reflected in its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in the range of 25-27% from FY23-FY26. In FY26, the company's PBILDT margin improved from 25.07% in FY25 to 26.85%, supported by continuous strength in average room rate (ARR), which stood at ₹11,628 in FY26 (₹10,837 in FY25), higher occupancy level of 75% in FY26 (73% in FY25) and operating leverage benefits. In Q1FY27, the PBILDT margin stood at 21.03% against 23.81% in Q1FY26, primarily impacted by seasonality and higher spends towards menu enhancements, increasing head count and advertising.

While renovations at Taj Malabar Cochin, Taj Coromandel's ballroom, Gateway Coonoor and Gateway Madurai had slightly constrained the operating margins in FY24 and FY25 in the past, the completion of which with better ARR, higher RevPAR and strong demand is expected to result in further improvement in PBILDT margins, which are expected to remain in the range of 27-30% in the medium term.

Healthy capital structure and debt coverage metrics

OHL's comfortable financial risk profile is marked by a healthy capital structure, limited reliance on external debt and strong debt coverage metrics. Total debt on balance sheet stood at ₹130.6 crore as on March 31, 2026. Increasing cash accrual generation and scheduled repayment of term loans resulted in a better capital structure for the company, reflected by its net-worth base of ₹761.4 crore (PY: ₹681.0 crore) and overall gearing at 0.17x (PY: 0.27x) as on March 31, 2026. The company has undertaken most capital expenditure (capex) in terms of renovation of Taj Malabar Cochin, Taj Coromandel's ballroom, Gateway Coonoor, and Gateway Madurai in FY25 and H1 FY26. With a comfortable debt position and healthy profitability, the company's debt coverage metrics also remains healthy. In FY26, OHL reported interest coverage ratio at 9.75x (6.48x in FY25) and net debt (includes lease liabilities) to PBILDT at 0.87x (1.58x in FY25). This is expected to remain healthy in the medium term with continued strong profitability and no anticipated addition of debt.

Key weaknesses

Moderate scale of operations and concentration risk

With a total operating income (TOI) of ₹494.1 crore in FY26, OHL's scale remains moderate. However, its revenues grew at a compounded annual growth rate (CAGR) of 22.5% from FY22-26, with TOI increasing by 12% YoY in FY25 and FY26 each, supported by steady demand levels, better ARR and improving occupancy levels. Despite the same, its portfolio has remained stagnant at seven hotels and 825 operating keys in recent years.

The company's operations are largely concentrated in Chennai with over 60% revenue being generated from Taj Coromandel, Chennai, and Taj Fisherman's Cove Resort & Spa, Chennai. With no major addition in hotels and/or rooms anticipated in future, the company's scale is expected to remain moderate.

Macroeconomic factors and seasonal uncertainty

OHL's business is exposed to changes in macroeconomic factors, industrial growth, tourist arrival growth in India, international and domestic demand-supply scenarios, competition in the industry, government policies and regulations, and other socioeconomic factors, which lead to inherent cyclicality in the hospitality industry. These risks can impact the company's occupancy rate, and hence, its profitability. However, these risks are mitigated to an extent through extensive presence across the value chain and a strong brand image. Adverse event in global/domestic market would lead to fall in willingness to spend on travel/leisure segment, as individuals will prefer to save for future uncertainty rather than luxury. Though the current demand uptrend in the hospitality industry is driven by boost from domestic customers, foreign tourists are required to diversify the customer base and sustain current occupancy levels and ARRs.

Liquidity: Strong

Liquidity is characterised by cash and cash equivalents of ₹10.4 crore as on March 31, 2026, and almost undrawn working capital limits of ₹15 crore. The company is expected to garner gross cash accruals (GCA) of over ₹100 crore in FY27 (GCA of ₹106.2 crore achieved in FY26), which shall be sufficient for its scheduled repayments in the next 2-3 years. Historically, the company's working capital utilisation is negligible owing to the negative operating cycle. The company has healthy capital structure characterised by overall gearing of 0.17x as on March 31, 2026, providing headroom to raise additional debt, if required.

Environment, social, and governance (ESG) risks

Increasing awareness among consumers for greener environment and equitable society could risk the brand image issues among hoteliers if there is significant lapse in ESG metrics relative to peers. The company has continued to focus on its ESG metrics through its programme "Paathya". Some key target areas and the company's achievement against it are as follows:

Environment:

- Maintain majority energy to come from renewable sources by 2030– The company's green power mix was 71% in FY26 and 61% in FY25.
- 100% of wastewater recycled by 2030 – In FY26, 1,43,641 KL water was saved through recycling and rainwater harvested (139,334 KL in FY25).

Social

- Provided educational assistance for children by paying their school fees and supported fishermen's family by distributing 1058 bags of rice.
- Contributed towards construction of toilet blocks at government higher secondary school, Kovalam, Chennai.

Governance

- The company's Board of Directors comprises 55% of independent directors.

Applicable criteria

Consolidation
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
Short Term Instruments

About the company and industry

Industry classification

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

OHL is part of 'Taj Hotels Resorts and Palaces', umbrella brand for the Tata group company, IHCL, its subsidiaries and associates. IHCL (rated 'CARE AA+; Stable/ CARE A1+') and its associates holds 37.05% equity stake in OHL as on June 30, 2026. Other key promoters are Dodla Reddy and his family (DPS Reddy group) and Pramod Ranjan, Managing Director and Chief Executive Officer of OHL.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1 FY27 (UA)
Total operating income	439.8	494.1	112.8
PBILDT	110.3	132.7	23.4
Profit after tax (PAT)	39.2	68.0	5.3
Overall gearing (x)	0.27	0.17	-
Interest coverage (x)	6.48	9.75	9.4

A: Audited; UA: Unaudited; Note: these are latest available financial results

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	31-03-2029	47.16	CARE AA- (RWP)
Fund-based - LT/ ST-Cash Credit	RBI	Simple	-		-	-	1.00	CARE AA- (RWP) / CARE A1+
Fund-based - ST-Bank Overdraft	RBI	Simple	-		-	-	0.01	CARE A1+
Fund-based - ST-Term loan	RBI	Simple	-		-	31-12-2029	81.85	CARE A1+

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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	47.16	CARE AA- (RWP)	-	1)CARE AA-; Stable (01-Dec-25)	1)CARE A+; Stable (25-Sep-24)	1)CARE A+; Stable (09-Oct-23)
2	Fund-based - ST-Bank Overdraft	ST	0.01	CARE A1+	-	1)CARE A1+ (01-Dec-25)	1)CARE A1 (25-Sep-24)	1)CARE A1 (09-Oct-23)
3	Fund-based - ST-Term loan	ST	81.85	CARE A1+	-	1)CARE A1+ (01-Dec-25)	-	-
4	Fund-based - LT/ ST-Cash Credit	LT/ST	1.00	CARE AA- (RWP) / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (01-Dec-25)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Lender details

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

Annexure-5: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	OHL International (HK) Ltd.	Full	Wholly owned subsidiary
2	Taj Madurai Ltd.	Moderate	Associate (26% stake held by OHL)
3	Lanka Island Resorts Ltd.	Moderate	Associate (23.1% stake held by OHL)
4	TAL Hotels & Resorts Ltd.	Moderate	Joint venture (21.7% stake held by OHL)

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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