June 30, 2025

Prestige Hospitality Ventures 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	350.0	350.0	[ICRA]A+(CE) (Stable); reaffirmed
Total	350.0	350.0	
Rating Without Explicit Credit Enhancement			[ICRA]BBB+

**Instrument details are provided in Annexure-I*

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The long-term rating of [ICRA]A+ (CE) for the Rs. 350.0-crore term loan of Prestige Hospitality Ventures Limited (PHVL) is based on the strength of the corporate guarantee provided by the parent, Prestige Estates Projects Limited (PEPL/the guarantor, rated [ICRA]A+(Stable)/[ICRA]A1). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

Adequacy of credit enhancement

The corporate guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument, though it does not have a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by PEPL results in an enhancement in the rating of the said instrument to [ICRA]A+(CE) against the rating of [ICRA]BBB+ without explicit credit enhancement. In case the rating of the guarantor or the Unsupported Rating of PHVL were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well. The rating of this instrument may also undergo a change in a scenario, whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

The rating considers the healthy operating performance in 9M FY2025, which is expected to sustain in the medium term. With a consolidated portfolio of seven operational hotels, PHVL's operating performance witnessed an improvement in RevPAR to Rs. 8,438 in 9M FY2025 (Rs. 8,008 in FY2024) owing to an improvement in ARR, while the average occupancy stood at 59.3% (59.5% in FY2024). ICRA estimates PHVL's revenues to be around Rs. 1,100 – 1,300 crore in FY2025 and Rs. 1,000 – 1,200 crore in FY2026.

The company filed a Draft Red Herring Prospectus (DRHP) for Rs. 2,700 crore IPO in April 2025, which will be primarily deployed towards deleveraging. The fund raising, if materialised, will materially improve PHVL's leverage and debt coverage metrics.

The occupancy remains moderate and the ramp-up in the same, along with a healthy ARR will remain critical from the credit perspective. Further, PHVL is exposed to execution risks associated with the four under-construction hotels in Delhi, Mumbai and Bengaluru. The rating considers the vulnerability of its business operations to macro-economic conditions, general economic slowdown and exogenous shocks, which lead to inherent cyclicality in the business. However, the rating derives comfort from the Prestige Group's strong record in the hospitality sectors and the favourable location of the hotels, which is likely to support demand. Further, the company's leverage is high and debt coverage indicators remain at moderate levels. The coverage metrics are exposed to any decline in occupancy levels or increase in interest rates.

Salient covenants of the rated facility

- Financial covenants include DSCR equal to or greater than 1.20 times till FY2022 and greater than or equal to 1.25 times thereafter in PHVL and the asset coverage ratio to be greater than or equal to 1.67 times for the project.

Key rating drivers and their description

Credit strengths

Corporate guarantee provided by PEPL towards rated bank facilities of PHVL – The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by PEPL. However, the corporate guarantee does not have a well-defined invocation and payment mechanism.

Healthy operating performance in 9M FY2025 – With a consolidated portfolio of seven operational hotels, PHVL's operating performance witnessed an improvement in RevPAR to Rs. 8,438 in 9M FY2025 (Rs. 8,008 in FY2024) owing to an improvement in ARR, while the average occupancy stood at 59.3% (59.5% in FY2024). ICRA estimates PHVL's revenues to be around Rs. 1,100 – 1,300 crore in FY2025 and Rs. 1,000 – 1,200 crore in FY2026.

Established track record of Prestige Group in real estate and hospitality sectors – The Prestige Group has over 39 years of experience in real estate development and is one of the leading real estate developers in South India. It has developed a diversified portfolio of real estate projects, which include residential, commercial, hospitality and retail segments. Under the hospitality segment, the Group has eight operational properties with 1,477 keys in total, four under-construction hotel properties in Delhi, Bengaluru and Mumbai with 1,137 keys and eleven upcoming projects with 2,146 keys across Bengaluru, Mumbai, Chennai, Goa, and Hyderabad, etc. ICRA expects the parent to provide timely financial support to PHVL, for funding shortfall, if any, given its strategic importance to PEPL and the latter's reputation sensitivity to default.

Credit challenges

Moderate occupancy levels and high leverage – The company's occupancy levels for the consolidated portfolio continues to remain moderate at around ~59.3% during 9M FY2025 (59.5% in FY2024). Healthy ramp up in occupancy and ARR will remain critical from the credit perspective. The company's consolidated debt levels are estimated be high owing to debt-funded capex in the ongoing and upcoming hotel projects in the medium term, resulting in high leverage. Nonetheless, significant portion of the total debt is from promoters in the form of OCDs/ICDs, which are subordinated to the bank debt. Further, PHVL is exposed to execution risks associated with the four under-construction hotels in Delhi, Mumbai and Bengaluru.

Cyclical industry dependent on discretionary spend; vulnerable to general economic slowdown and exogenous shocks – The hotel industry is significantly exposed to macro-economic conditions, inflation level, tourist arrival growth, etc, which lead to an inherent cyclicality. The industry is exposed to several exogenous shocks such as geopolitical crisis, terrorist attacks, disease outbreaks, etc. Given that the travel and tourism industry is dependent on discretionary spending, the industry is highly susceptible to any severe crisis.

Vulnerability of debt coverage indicators to changes in occupancy and interest rates – The company's debt coverage indicators remain at moderate levels and are exposed to any decline in occupancy levels or increase in interest rates.

Liquidity position: Adequate

For the rated entity - PHVL: Adequate

PHVL's liquidity is adequate. The company has around Rs. 282.5 crore of cash and liquid investments, as on March 31, 2025. The cash flow from operations is expected to remain comfortable to service the expected debt obligations in FY2026.

For the guarantor (Prestige Estates Private Limited): Adequate

PEPL's liquidity profile is adequate, supported by cash balances and liquid investments of ~Rs. 2,270.0 crore as on June 30, 2024. Following the QIP exercise, the company had a healthy liquidity balance of Rs. 6,770 crore as on September 15, 2024, which will be utilised towards the reduction of debt levels and funding of capex and land acquisition plans. It has a consolidated principal repayment of Rs. 1,814.9 crore in Q2-Q4FY2025, which can be serviced comfortably from the cash flow from operations and surplus liquidity

Rating sensitivities

Positive factors – A significant and a sustained improvement in RevPAR, along with a material reduction in debt levels resulting in significant improvement in leverage and coverage metrics and improvement in the credit profile of the guarantor, could trigger a rating upgrade.

Negative factors – A sustained reduction in earnings and/or significant increase in indebtedness impacting the company's liquidity and debt protection metrics could result in a rating downgrade. Deterioration in the credit profile of the guarantor (PEPL) or weakening of business linkages or strategic importance of the company for the parent could put pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Parent Company: Prestige Estates Projects Limited. ICRA expects the parent, PEPL, to provide timely financial support to the company, for funding any shortfall, given their close financial linkages, the company's strategic importance for the parent and the parent's reputation sensitivity to default. Moreover, PEPL has provided an irrevocable, unconditional corporate guarantee to the rated bank facility of PHVL.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of PHVL and its subsidiaries and JV, given the close business, financial and managerial linkages among them.

About the company

Incorporated in December 2017, PHVL is the holding company for the Prestige Group's hospitality business. On a standalone basis, it owns three assets - Conrad hotel in Ulsoor, Oakwood Premier Prestige service apartments in UB City, Bengaluru and Tribute – Mulbery hotel at Nandi Hills, Bengaluru. Apart from the above, PHVL has subsidiaries and JVs - owning operational and under-construction hotel projects. At consolidated levels, PHVL has 7 operational hotels (1,445 keys), four ongoing projects (1,116 keys) and eight upcoming projects (1,393 keys) as of March 2025 across the top cities.

Key financial indicators (audited)

PHVL (consolidated)	FY2023	FY2024
Operating income	1040.9	992.9
PAT	199.7	239.3
OPBDIT/OI	43.9%	48.0%
PAT/OI	14.8%	16.3%
Total outside liabilities/Tangible net worth (times)	7.3	7.5
Total debt/OPBDIT (times)	8.6	8.4
Interest coverage (times)	3.1	3.3

Source: Company, ICRA Research; 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 (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jun 30, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	350.0	[ICRA]A+(CE) (Stable)	-	-	28 -Mar - 2024	[ICRA]A+(CE) (Stable)	30-Dec-2022	[ICRA]A+(CE) (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	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
NA	**Term loan**	Dec 2019	-	Sep 2031	350.0	[ICRA]A+(CE)(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	PEPL ownership	Consolidation approach
Prestige Hospitality Ventures Limited	-	Full consolidation
Sai Chakra Hotels Pvt Ltd	100%	Full consolidation
Northland Holding Company Pvt Ltd	100%	Full consolidation
Prestige Leisure Resorts Private Limited	100%	Full consolidation
Prestige Reality Ventures	99.9%	Full consolidation
Bamboo Hotel and Global Centre (Delhi) Private Ltd	100%	Full consolidation
Prestige MRG Eco Ventures	50%	Equity method

Source: Company, ICRA Research

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