

May 30, 2025

## Northland Holding Company Private 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	300.00	300.00	[ICRA]A+(CE) (Stable); reaffirmed
<b>Total</b>	<b>300.00</b>	<b>300.00</b>	

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) (Stable) for the Rs. 300-crore term loan of Northland Holding Company Private Limited (NHCPL) is based on the strength of the corporate guarantee provided by the ultimate 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.

The rating without explicit credit enhancement factors in the improvement in NHCPL's operating performance in 9M FY2025, supported by the increase in occupancy levels of JW Marriot, Golfshire Resort to 53% (44% in 9M FY2024 and 49% in FY2024) and the consequent increase in RevPARs by 21%YoY, which is likely to sustain in FY2025 and FY2026, driven by favourable industry demand. NHCPL's operating income (OI) increased by 129% YoY in 9M FY2025 to Rs. 451 crore, which includes 52% from hospitality segment and the remaining from one-time construction contract undertaken by NHCPL from Prestige Realty Ventures, which is expected to be completed in Q2 FY2026. The hospitality revenues are projected to grow by around 7-8% each in FY2025 and FY2026, with operating margins of 30-31%. ICRA expects the overall operating margins to be around 25-27% in FY2025-2026 and the overall OI to grow by 85-90% in FY2025, largely supported by the one-time construction contract. The same is likely to moderate in FY2026 due to completion of one-time construction contract in Q2 FY2026. The holding company of NHCPL, Prestige Hospitality Ventures Limited (PHVL) has filed a Draft Red Herring Prospectus (DRHP) in April 2025, for fund raising (IPO) of Rs. 1,700 crore, which will be primarily deployed towards deleveraging. The fund raising, if materialised, will materially improve the leverage and coverage metrics of NHCPL.

However, the rating is constrained by the moderation in the debt coverage metrics, given the increase in debt levels in Q4 FY2025, which was used for repayment of inter-corporate deposits from Prestige Estates Projects Limited. The company's debt coverage indicators remain exposed to any decline in occupancy levels or increase in interest rates. It plans to add ~309 keys at an estimated capital expenditure of Rs. 350-400 crore over the next 3-4 years, which is expected to be funded through equity/internal accruals, exposing it to execution risk. Further, given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movements and several exogenous factors, leading to inherent cyclicity. Nevertheless, the rating derives comfort the Prestige Group's strong record in real estate and hospitality sectors and favourable location of the asset, which is likely to support the demand.

### 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 NHCPL 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.

### Salient covenants of the rated facility

1. The ratio of debt to promoter's contribution for the project until completion not to exceed 0.89 times and after completion, at any time during the tenor of the facility, debt-to-equity ratio shall not exceed 1.25 times;
2. The parent company, PEPL, to furnish an undertaking to bring in additional funds for any cost overrun beyond the estimated project cost, and to cover any shortfall in the debt servicing requirements during the tenor of the facility;
3. Financial covenants include Debt-to-Tangible Net Worth to remain equal to or below 1.25 times and Debt-to-EBITDA to remain less than or equal to 5.0 times (in FY2027), 4.5 times (in FY2028), 4.0 times (in FY2029), 3.5 times (in FY2030) and 3.0 times (FY2031 onwards).

## Key rating drivers and their description

### Credit strengths

**Corporate guarantee provided by PEPL towards rated bank facilities of NHCPL** – 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.

**Established track record of the Prestige Group in real estate and hospitality sectors** – The Prestige Group has over 38 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 seven operational properties with 1,445 keys in total, three under-construction hotel properties in Delhi and Bengaluru with 951 keys and nine upcoming projects with 1,558 keys across Bengaluru, Goa, Chennai, Hyderabad, Sakleshpur and Mumbai. ICRA expects the parent to provide timely financial support to NHCPL, for funding shortfall, if any, given its strategic importance to PEPL and the latter's reputation sensitivity to default.

**Improved operating performance in 9M FY2025, expected to sustain in FY2025 and FY2026** – NHCPL's operating performance improved in 9M FY2025, supported by an increase in occupancy levels to 53% (44% in 9M FY2024 and 49% in FY2024) and the consequent rise in RevPARs by 21%YoY, which is likely to sustain in FY2025 and FY2026, driven by favourable industry demand. NHCPL's OI increased by 129% YoY in 9M FY2025 to Rs. 451 crore, which includes 52% from the hospitality segment and the remaining from one-time construction contract undertaken by NHCPL from Prestige Realty Ventures, which is expected to be completed in Q2 FY2026. The hospitality revenues are projected to grow by around 7-8% each in FY2025 and FY2026, with operating margins of 30-31%. ICRA expects the overall operating margins of around 25-27% in FY2025-2026 and the overall OI to grow by 85-90% in FY2025, largely supported by the one-time construction contract and to moderate in FY2026 due to completion of one-time construction contract in Q2 FY2026.

## Credit challenges

**Moderate occupancy levels and exposure to execution risk** – The hotel commenced operations in April 2022 and hence the property is still in its initial years of operations. Given the limited operational track record, the ramp-up in occupancy levels, along with a healthy ARR will remain critical from the credit perspective. Considering its capital expenditure plans in the medium term, the company plans to add ~309 keys at an estimated capital expenditure of Rs. 350-400 crore, over the next 3-4 years, which is expected to be funded through equity/internal accruals, exposing it to execution risk.

**Cyclical industry dependent on discretionary spend; vulnerable to general economic slowdown and exogenous shocks** – The company, akin to other players in the industry, is exposed to industry cyclicity/seasonality, macroeconomic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc). Given the discretionary nature of spending, the Indian hospitality industry is susceptible to macroeconomic conditions, tourist movements and several exogenous factors, leading to inherent cyclicity. However, the Prestige Group's strong record in real estate and hospitality sectors and favourable location of the asset is likely to support the demand.

**Vulnerability of debt coverage indicators to changes in occupancy and interest rates** – The company's debt coverage metrics are expected to be moderate, given the increase in debt levels in Q4 FY2025, which was used for repayment of inter-corporate deposits from Prestige Estates Projects Limited. The company's debt coverage indicators remain exposed to any decline in occupancy levels or increase in interest rates.

## Liquidity position

### For the rated entity (Northland Holding Company Private Limited): Adequate

The company's liquidity is adequate with Rs. 57.9 crore of cash and liquid investments as of December 2024. The cash flow from operations are adequate to service the term loan repayments of Rs. 34.9 crore in FY2026. NHCPL's capital expenditure plans of Rs. 90-100 crore in FY2026 are likely to be funded through equity/internal accruals.

### 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. 6,770.0 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-Q4 FY2025, 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 and material reduction in debt levels resulting in significant improvement in leverage and coverage metrics, along with the 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 also put pressure on the rating.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Hotels</a>
Parent/Group support	The rating assigned to NHCPL factors in the high likelihood of its parent, PEPL (rated [ICRA]A+ (Stable)), to provide timely financial support to NHCPL, for funding any shortfall, given their close business linkages, NHCPL's strategic importance to the Prestige Group and the Group's reputation sensitivity to default. Moreover, PEPL has provided corporate guarantee to the borrowing programme of NHCPL. <a href="#">Link to the last rating rationale of the guarantor.</a>
Consolidation/Standalone	Standalone

## About the company

Northland Holding Company Private Limited is a 100% subsidiary of Prestige Hospitality Ventures Limited, which is the holding company for Prestige Group's hospitality business. The company has constructed a 5-star resort with 301 key capacity and partnered with the 'Marriott Hotels Group' and launched the hotel under the brand of JW Marriott. The hotel started its operations in March 2022. The resort spreads over ~25 acres in Devanahalli, Nandi Hills, Bengaluru as a part of the mixed-use developmental property 'Prestige Golfshire', which consists of an 18-hole golf course, luxury residential villas and a clubhouse. The luxury resort comprises villas, a large convention centre, four food and beverages outlets and other recreational areas. The company plans one upcoming hotel in South Goa, which is expected to be completed by FY2028 and will be launched under the brand of JW Marriott.

## About the guarantor

Prestige Estates Projects Limited (PEPL) is the flagship company of Prestige Group (Prestige). It was incorporated as Prestige Estates and Properties, a partnership firm, in 1986. Subsequently, it was converted into a private limited company in June 1997 and into a public company in November 2009. The company is promoted by Mr. Irfan Razack and his brothers, holding 60.94% of the shares. The remaining shares are held by institutional investors and other public shareholders, as on December 31, 2024.

Prestige has over 38 years of experience in real estate development and is one of the leading real estate developers in South India. It has completed 302 real estate projects of 193 msf, as of December 2024. It has developed a diversified portfolio of real estate projects focusing on projects in the residential, commercial, hospitality and retail segments of the real estate industry. Besides, Prestige offers a variety of services, such as property management services, sub-leasing, and fit-out services. It has 59 ongoing projects across segments, with a total developable area of around 101 msf as of December 2024.

## Key financial indicators (audited)

	FY2023	FY2024	9M FY2025*
Operating income	229.9	293.0	451.0
PAT	-38.4	-3.1	36.1
OPBDIT/OI	31.1%	34.5%	27.5%
PAT/OI	-9.9%	-1.5%	8.0%
Total outside liabilities/Tangible net worth (times)	7.5	7.9	6.0
Total debt/OPBDIT (times)	10.1	6.9	4.3
Interest coverage (times)	2.3	3.0	4.8

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)	May 30, 2025	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	300.0	[ICRA]A+(CE) (Stable)	-	-	Feb 27, 2024	[ICRA]A+(CE) (Stable)	Nov 25, 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 loans	Jun 2019	-	May 2034	300.00	[ICRA]A+(CE) (Stable)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis: Not Applicable

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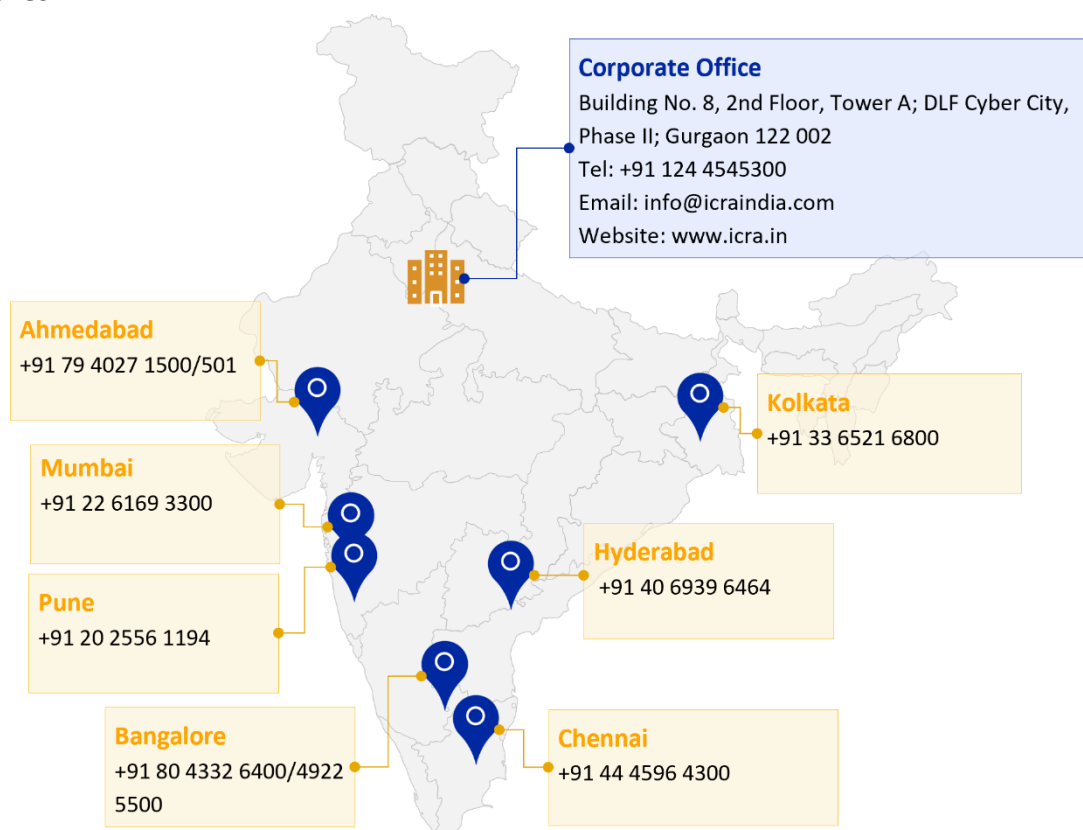
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### Branches



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