# Peninsula Land Limited

| Instrument | Amount | Rating Action (August 2016) |
|---|---|---|
| NCD | Rs. 1,160 crore | **[ICRA]A (Stable) / *reaffirmed*** |
| NCD | Rs. 550 crore | **[ICRA]A (Stable) / *assigned*** |
| NCD | Rs. 180 crore | [ICRA]A (Stable) **Withdrawn** |
| CP | Rs. 175 crore (revised from Rs. 250 crore) | **[ICRA]A1 / *reaffirmed*** |

ICRA has reaffirmed the long term rating outstanding on the Rs. 1,160 crore[1] Non-Convertible Debenture (NCD) programme of Peninsula Land Limited (PLL) at [ICRA]A (pronounced ICRA A)[2]. The long term rating is assigned a stable outlook. ICRA has re-affirmed the short term rating outstanding on the Rs. 175 crore (revised from Rs. 250 crore) Commercial Paper (CP) programme of PLL at [ICRA]A1 (pronounced ICRA A one). ICRA has also assigned long term rating of [ICRA]A (Stable) to the Rs. 550 crore fresh NCD programme of the company. Further, ICRA has withdrawn the [ICRA]A rating assigned to the Rs. 180 crore NCD proramme as the company has fully repaid the debt facility. There is no amount outstanding against the rated instruments.

The ratings reaffirmation take into consideration PLL's status as the flagship company of the Ashok Piramal group, the long standing experience of the promoters and key personnel in real estate development and PLL's established brand in Mumbai supported by the company's demonstrated track record of nearly two decades the industry having developed well-known projects across all major real estate segments in the city. PLL currently has nine residential projects under execution, with a total saleable area of 3.79 million square feet (sqft), with nearly 37% of the area tied up as of March 31, 2016. The ratings also take into account the improved collections from the ongoing residential projects, with nearly Rs. 422 crore of customer receipts during the year (up from Rs. 92 crore in FY2015), supported by finalization of agreements and registration of sales. The collections had been subdued till FY2015 owing to delays in project related documentation and consequent finalization of agreements, which in-turn had hindered the company' ability to raise demand notices thus constraining the collections. The ratings also take into account PLL's willingness and focus to monetize land parcels located in non-core geographies which is expected to support the company's liquidity position as well as reduce its debt levels. PLL's existing land-bank is largely entirely paid for and all projects to be developed on the existing land-bank are residential projects where milestone-linked customer advances are expected to support cash flows during the project construction phase.

While assigning the rating, ICRA has taken note of PLL's high debt levels with ~Rs. 2,100 crore of debt outstanding on a consolidated basis as of March 31, 2016. The debt levels increase further to Rs. 2,800 crore on factoring in the project level debt obligations. The near term debt repayment obligations remain high with ~Rs. 1,400 crore due for repayment over FY2017 and FY2018. Further, the company also plans to provide an exit to the fund, the co-developer for five projects (of which four are under execution), in the current fiscal which further increases the funding requirement. PLL plans to raise fresh NCD (Rs. 550 crore) as a part of its debt replacement programme thus extending the debt maturity profile. Of this, nearly Rs. 450 crore of NCD is proposed to have a maturity of six years with an interest and principal moratorium of one and three years respectively. The company also plans to monetize non-core and long gestation projects in order to deleverage its balance sheet which provides comfort. Further, the company also has access to un-mortgaged land parcels, which provides the company with refinancing capability should the need arise. ICRA also draws comfort from the availability of undrawn overdraft (OD) facilities which provides liquidity cushion to the company. The ratings also take into account the losses at net level, with the company yet to achieve revenue recognition in certain projects as well as cost escalation in some of the ongoing projects.

The rating is also constrained by the continuing subdued performance of the ongoing projects like Goa, Nashik and Lonavala as well as the exposure to execution risks for the overall project portfolio considering the significant area under development compared to completed projects. Further, given that PLL's ongoing and future projects include several large developments outside its traditional focus-market (Mumbai), PLL's ability to

[1] 100 lakh = 1 crore = 10 million
[2] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications.

forge strong JVs/JDAs and ensure strong sales velocity particularly in newer markets where its brand is relatively lesser-known remains to be ascertained.

Given the high ticket size for its projects, particularly Mumbai based projects, the sales tie-up is expected to remain lumpy. Thus, going forward, the company's ability to achieve bookings in its residential portfolio, as well as ensure healthy collections remains critical from a credit perspective. Further, the progress achieved on the monetization of non-core assets, timely refinancing of its debt obligations and PLL's ability to deleverage its balance sheet would be other key rating sensitive factors.

**About the Company**

Peninsula Land Ltd (PLL), a part of the Ashok Piramal Group, is a real estate development company with a portfolio comprising commercial, residential and retail developments. The developments include 'Ashok' product line in the residential sector and 'Peninsula' in the commercial sector. Since 1997, PLL has developed over 6.4 million square feet (sqft) of real estate projects in Mumbai. Most of the development by PLL in the past has been either on former textile mill land owned by the group or in joint development with the owners of land. PLL has initiated the diversification of its operations outside of Mumbai by undertaking projects in cities such as Pune, Nasik, Hyderabad, Bangalore and Goa. PLL also manages a venture capital fund through a subsidiary and has co-invested in five projects with the fund.

For the financial year ending March 2016, PLL reported an operating income of Rs. 379.9 crore on a consolidated basis and a net loss of Rs. 31.5 crore as against an operating income of Rs. 167.01 crore and a net loss of Rs. 11.73 crore in the previous fiscal.

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