Peninsula Land Limited

February 23, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	100.0	100.0	[ICRA]A2+; Downgraded from [ICRA]A1
Commercial Paper	75.0	0.0	[ICRA]A1; Withdrawn
Non-convertible Debenture Programme	761.2	761.2	[ICRA]A-(Negative); Downgraded from [ICRA]A (Negative)
Non-convertible Debenture	268.0	0.0	[ICRA]A(Negative); Withdrawn
Total	**1,204.2**	**861.2**	

Rating action

ICRA has downgraded the long -term rating to [ICRA]A- (pronounced ICRA A minus) from [ICRA]A (pronounced as ICRA A) assigned earlier to the Rs. 761.2[1] crore (reduced from the earlier Rs. 1,029.2 crore) non-convertible debenture programme of Peninsula Land Limited (PLL[2] or the company). ICRA has also downgraded the short-term rating to [ICRA]A2+ (pronounced ICRA A two plus) from [ICRA]A1 (pronounced ICRA A one) assigned earlier to Rs. 100 crore (reduced from Rs. 175 crore) commercial paper programme of the company. The outlook on the long-term rating remains Negative. Further, ICRA has withdrawn the ratings for Rs. 268 crore of NCDs and Rs. 75 crore of CP programme, in line with the ICRA's policy on withdrawal and suspension of credit rating, as the same has been repaid.

Rationale

The rating downgrade reflects the continuing delay in the planned monetisation of land bank and weak sales velocity in its projects, both leading to elevated debt levels for the company. At the end of December 31, 2017, PLL's debt stood at ~Rs. 2,473 crore on a consolidated basis, with a gearing of 1.6 times. Further, the refinancing risks are heightened for the company given the sizeable debt repayment obligations are scheduled over the medium term (~Rs. 290 crore in Q4FY2018 and Rs. 457 crore in FY2019). The company has indicated plans to monetize its non-core assets in the near term, thus receipt of funds, following the closure of these deals, and utilization of the same towards material debt reduction will be a key rating sensitivity. The ratings continue to remain constrained by exposure to execution risks for the overall project portfolio considering the significant area under-development. Though the company has reported operating profit of Rs. 109 crore in 9MFY2018 as against operating profit of Rs. 114 crore for the same period year ago, it has continued to report net losses due to high interest and finance costs. The negative outlook takes into account the sluggish demand in the real estate sector that poses a challenge to the company in maintaining its sales, especially in its on-going residential projects specifically those having large ticket size where the activity has remained tepid. In 9MFY2018, PLL has booked 0.25 mn sft as compared to 0.27 mn sft for the same period year ago.

---

[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*

The ratings, however, draws support from the experience of the promoters and key personnel in real estate industry and PLL's established brand in Mumbai's real estate market. Also, the rating continues to draw strength from PLL's continued willingness and focus to monetize land parcels located in non-core geographies as is reflected by consummation of Pune land sale deal in current fiscal. Further, PLL's existing land-bank is entirely paid-for which enhances the company's flexibility.

Outlook: Negative

The outlook may be revised to 'Stable' in case there is higher-than-expected pick-up in sales and collections, thus, improving the operational cash flows of the company and notable reduction in debt levels because of the closure of the on-going land deals. The rating may be further downgraded in case there is considerable delay in the monetisation programme of the company or moderation in the sales velocity, thus, increasing the pressure on cash flows.

Key rating drivers

Credit strengths

Strong parentage and established position in the Mumbai real estate market - PLL, the flagship of the Ashok Piramal Group (a diversified business group with interests in textiles, real estate and engineering), is a real estate development company with a portfolio that comprises commercial and residential developments majorly in western India. PLL has a strong brand recall in Mumbai with over 6.4 million sqft of area developed till date. The promoters have long-standing experience of over 17 years in the real estate industry.

Existing land bank entirely paid for which increases the financial flexibility - PLL's existing land bank is entirely paid for with no major funding required for land acquisition which improves the financial flexibility to an extent.

Credit challenges

Delays in asset monetisation plans – PLL has categorized some of the land parcels held by it as non-core assets and plans to divest the same. The land sale plans have, however, proceeded at a slower-than-expected pace, thereby delaying its plans to deleverage the balance sheet. The company is currently in talks for sale of some of its land parcels. Timely completion of the land deals planned for the current fiscal would remain critical to reduce debt.

Exposure to refinancing risks considering the significant debt repayment due in the near term – The company's debt levels remain high owing to a large under-construction portfolio and slower-than-expected realizations from land sale. With sizeable debt repayment obligations in the near term (~Rs. 290 crore in Q4FY2018 and Rs. 457 crore in FY2019), the company is exposed to refinancing risks. However, the rating draws support from PLL's demonstrated track record of refinancing its debt in the past.

Net losses continue in 9MFY2018 – The company has reported operating profit of Rs. 109 crore at a standalone level in 9MFY2018 compared to Rs. 114 crore for the same period a year ago. However, the net losses continue due to high finance costs. In 9MFY2018, the company has reported net loss of Rs. 125 crore at standalone level.

Exposed to project execution risks – As against the budgeted cost, the company is yet to spend Rs. 1,400 crore towards completion of the project. Further, with many of its projects at the intermediate stage, the company continues to remain exposed to execution risk. Notwithstanding the debt tie-up for most of the projects, timely completion of the projects will remain a key monitorable.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology]
[Rating Methodology for Real Estate Entities]

About the company:

Incorporated in August 10, 1871 as a public limited company, Peninsula Land Limited (PLL) is a part of the Ashok Piramal Group. The company is in to real estate development with a portfolio comprising commercial, residential and retail developments. The projects include PLL's '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 lands owned by the group, or in joint development with the land owners. PLL has initiated the diversification of its operations outside of Mumbai by undertaking projects in cities such as Pune, Nashik, Lonavla, Bangalore and Goa. PLL also manages a Real Estate fund through a subsidiary, having co-invested in five projects with the fund.

Key financial indicators

	FY2016	FY2017	9MFY2018
Operating Income (Rs. crore)	113.5	269.7	377.1
PAT (Rs. crore)	-46.0	-219.6	-124.8
OPBDIT/ OI (%)	-57.7%	-30.7%	20.5%
RoCE (%)	0.1%	-0.2%	
Total Debt/ TNW (times)	1.1	1.5	1.6
Total Debt/ OPBDIT (times)	-30.7	-29.0	14.2
Interest coverage (times)	-0.9	-0.5	

Source: Company, ICRA research
*9MFY2018 numbers are provisional in nature and at the standalone level

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2018)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating February 2018	Date & Rating August 2017	Date & Rating in FY2017 September 2016	Date & Rating in FY2016 September 2015	Date & Rating in FY2015 July 2014
1	Commercial Paper Programme	Short Term	100.00	**95.00**	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
2	Commercial Paper Programme	Short Term	75.00	**0.00**	[ICRA]A1; Withdrawn	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
3	NCD	Long Term	761.20	**726.67**	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
4	NCD	Long Term	268.00	**0.00**	[ICRA]A (Negative); Withdrawn	[ICRA]A (Negative)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE138A07439	NCD	20-May-16	12.06%	20-May-18	4.15	[ICRA]A- (Negative)
INE138A07462	NCD	20-May-16	12.28%	20-May-19	7.90	[ICRA]A- (Negative)
INE138A07447	NCD	20-May-16	12.37%	20-May-18	3.05	[ICRA]A- (Negative)
INE138A07504	NCD	2-Jun-16	12.37%	2-Jun-18	10.00	[ICRA]A- (Negative)
INE138A07421	NCD	30-Dec-15	12.50%	30-Dec-18	15.10	[ICRA]A- (Negative)
INE138A07470	NCD	20-May-16	12.60%	20-May-19	8.93	[ICRA]A- (Negative)
INE138A07454	NCD	20-May-16	12.75%	20-May-18	3.16	[ICRA]A- (Negative)
INE138A07512	NCD	2-Jun-16	12.75%	2-Jun-18	9.64	[ICRA]A- (Negative)
INE138A07249	NCD	25-Feb-13	13%	25-Feb-18	50.00	[ICRA]A- (Negative)
INE138A07264	NCD	26-Feb-13	13%	26-Feb-18	27.80	[ICRA]A- (Negative)
INE138A07306	NCD	6-Nov-13	12.41%	6-Nov-18	0.70	[ICRA]A- (Negative)
INE138A07314	NCD	6-Nov-13	13%	6-Nov-18	2.60	[ICRA]A- (Negative)
INE138A07348	NCD	22-Nov-13	13%	22-Nov-18	50.00	[ICRA]A- (Negative)
INE138A07363	NCD	13-Dec-13	13%	13-Dec-18	50.00	[ICRA]A- (Negative)
INE138A07488	NCD	20-May-16	13%	20-May-19	22.81	[ICRA]A- (Negative)
INE138A07520	NCD	2-Jun-16	13%	2-Jun-19	6.36	[ICRA]A- (Negative)
INE138A07546	NCD	7-Oct-16	8%	7-Oct-22	450.00	[ICRA]A- (Negative)
INE138A07496	NCD	2-Jun-16	12.06%	2-Jun-18	4.00	[ICRA]A- (Negative)
INE138A07256	NCD	25-Feb-13	13%	25-Feb-18	0.20	[ICRA]A- (Negative)
INE138A07272	NCD	26-Feb-13	13%	26-Feb-18	0.05	[ICRA]A- (Negative)
INE138A07280	NCD	26-Feb-13	11%	26-Feb-18	0.22	[ICRA]A- (Negative)
INE138A07389	NCD	12-Sep-14	13.3%	12-Sep-17	65.00	[ICRA]A (Negative); withdrawn
INE138A07397	NCD	12-Sep-14	13.3%	12-Sep-18*	65.00	[ICRA]A (Negative); withdrawn
INE138A07405	NCD	12-Sep-14	13.3%	12-Sep-19*	60.00	[ICRA]A (Negative); withdrawn
INE138A07538	NCD	09-Sep-16	12.75%	09-Sep-19*	78.00	[ICRA]A (Negative); withdrawn
Not Yet Placed	NCD	--	--	--	34.53	[ICRA]A- (Negative)
INE138A14286	Commercial Paper	--	~11.0%	16-Mar-18	45.00	[ICRA]A2+
INE138A14278	Commercial Paper	--	~11.0%	6-Mar-18	50.00	[ICRA]A2+
NA	Commercial Paper	--	~11.0%	Dec-17	75.00	[ICRA]A1; withdrawn
Not Yet Placed	Commercial Paper	--	--	--	5.00	[ICRA]A2+

*Rs. 203 crore of NCDs have been pre-paid

Source: Peninsula Land Limited

ICRA

ANALYST CONTACTS

Mr. Shubham Jain
+91 124 4545 306
shubhamj@icraindia.com

Mr. Manav Mahajan
+91 124 4545 817
Manav.mahajan@icraindia.com

Mr. Anand Patel
+91 22 6169 3326
anand.patel@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 6606 9999