Peninsula Land Limited

March 25, 2019

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	530.53	530.53	[ICRA]BBB-(Negative); Downgraded from [ICRA]BBB+(Negative)
Non-convertible Debenture Programme	118.40	-	[ICRA]BBB-(Negative); Downgraded from [ICRA]BBB+(Negative) and withdrawn
Total	**648.93**	**530.53**	

Rationale

The rating downgrade reflects continued lower-than-expected sales and collections against the backdrop of delay in receipt of Occupancy Certificate (OC) in some of the company's large sized completed projects. Sizeable pending collections from the projects resulted in higher-than-expected debt levels thus putting pressure on debt servicing ability of project level loans. As on December 2018, the debt level stood high at Rs. 2,596 crore on a consolidated basis (including SPV level debt). The company will be exposed to refinancing risk given the sizeable debt repayments of Rs. 760 crore in FY2020 and Rs. 729 crore in FY2021. Also, the company has sizeable pending collections of Rs. 1,671 crore, out of which around Rs. 525 crore are stuck due to pending OC from completed projects.

The rating is also constrained by exposure to project execution risk for overall project portfolio considering significant area under development. The pending cost remains at Rs. 1,364 crore as on December 31, 2018. The rating takes into account modest financial risk profile characterised by considerable losses, deterioration in gearing levels and weak debt coverage indicators.

The rating, however, draws support from experience of the management 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 monetise land parcels as is reflected by earlier land sales in Pune and Hyderabad and receivables of Rs. 90-100 crore accruing out of Goa SEZ advances given earlier. The rating also favourably considers healthy response achieved in recently launched affordable housing project AddressOne in Gahunje with 4.9 lakh sqft sold out of total launched area of 5.2 lakh sqft. In January 2019, the company further launched ~3.97 lakh sqft area as Phase 2 in AddressOne and sold 49% of the area as on date. Nevertheless, the ability to improve the sales and collections sustainably against the backdrop of fixed commitments towards debt repayment, project execution and corporate expenses will remain amongst the key monitorable.

Outlook: Negative

The Negative outlook continues to reflect the sluggish demand in the real estate sector that poses a challenge to the company in maintaining its sales velocity, specifically in projects having large ticket size where the activity has remained tepid. The outlook may be revised to Stable if 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. Timely monetisation of assets also remains critical for improving the capital structure. The rating may be further downgraded if considerable delay in collections from the completed projects and delay in monetisation programme of the company or moderation in the sales velocity increases the pressure on cash flows. Timely receipt of OC for completed projects remains critical going forward.

Key rating drivers

Credit strengths

Established position in Mumbai real estate market - PLL, the flagship company of the Ashok Piramal Group (a diversified business group with interests in textiles, real estate and engineering), has 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 22 years in the real estate industry.

Good response from recently launched affordable housing project in Pune – The company launched affordable housing project AddressOne in Gahunje, Pune in Q1FY2019. Out of total launched area of 5.2 lakh sqft, the company has already sold 94% of the area as on December 31, 2018. In January 2019, the company further launched ~3.97 lakh sqft area as Phase 2 in AddressOne and sold 49% of the area as on date.

Credit challenges

Weak cashflow position- The company sold 65% of the total launched area of 44.91 lakh sqft as on December 31, 2018 for a total sale value of Rs. 4,124 crore. Out of this, the company has sizeable pending collections of Rs. 1,671 crore, out of which around Rs. 525 crore are stuck due to pending OC from completed projects

Exposure to high 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 sales and realizations from ongoing projects and land sale. The company is exposed to refinancing risk with sizeable debt repayment obligations due of Rs. 760 crore in FY2020 and Rs. 729 crore in FY2021.

Exposure to project execution risk – As against the budgeted cost, the company is yet to spend Rs. 1,364 crore towards completion of the project. Out of this, ~57% of the pending cost is to be incurred on a single project – Salsette 27 – which is in nascent stage of construction. Notwithstanding the debt tie-up for most of the projects, timely completion of the projects will remain a key monitorable.

Deterioration in financial risk profile – The company's financial risk profile has weakened as characterized by the continued losses and resultant in deterioration in net worth, elevated debt levels and weakening of its debt coverage metrics. The company has reported standalone operating loss of Rs. 38 crore in 9MFY2019 compared to operating profit of Rs. 105 crore in 9MFY2018 mainly because of thin project profitability and accounting changes under IndAS 115. High interest expense due to elevated debt levels and exceptional items (inventory write-downs and impairment of investments/loans extended to project SPVs) have also led to net losses of Rs. 424 crore in 9MFY2019 compared to net losses of Rs. 125 crore in 9MFY2018. The gearing deteriorated from 2.22 times as on December 31, 2018 from 1.54 times as on March 31, 2018.

Liquidity Position:

PLL has been generating operational cash flow deficit over the last two quarters. Though the company has cash balances of Rs. 57 crore and Rs. 21 crore of undrawn OD limits as on December 31, 2018, sizeable scheduled debt repayments in the near term and considerable project cost outgo requirements put pressure on the liquidity position.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	NA
Consolidation / Standalone	Consolidation: ICRA has consolidated PLL along with its operational subsidiaries, joint ventures and associate companies (mentioned in Annexure 2) on account of the strong business and financial linkages between these entities.

About the company:

Incorporated on 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 the 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, Lonavala, 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 (audited) - Consolidated

	FY2017	FY2018
Operating Income (Rs. crore)	269.74	657.91
PAT (Rs. crore)	-219.65	-458.18
OPBDIT/ OI (%)	-27.19%	-12.38%
RoCE (%)	-0.17%	-6.14%
Total Debt/ TNW (times)	1.51	2.21
Total Debt/ OPBDIT (times)	-32.72	-31.27
Interest coverage (times)	-0.43	-0.37

Source: Company, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Current Rating (FY2019) Date & Rating March 2019	Date & Rating September 2018	Chronology of Rating History for the past 3 years: Date & Rating in FY2018 February 2018	August 2017	Date & Rating in FY2017 September 2016	Date & Rating in FY2016 September 2015
2	NCD	Long Term	530.53	496.00	[ICRA]BBB- (Negative)	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A (Stable)	[ICRA]A (Stable)
3	NCD	Long Term	118.4	-	[ICRA]BBB- (Negative); withdrawn	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[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
INE138A07462	NCD	20-May-16	12.28%	20-May-19	7.90	[ICRA]BBB- (Negative)
INE138A07470	NCD	20-May-16	12.60%	20-May-19	8.93	[ICRA]BBB- (Negative)
INE138A07488	NCD	20-May-16	13%	20-May-19	22.81	[ICRA]BBB- (Negative)
INE138A07520	NCD	2-Jun-16	13%	2-Jun-19	6.36	[ICRA]BBB- (Negative)
INE138A07546	NCD	7-Oct-16	8%	7-Oct-22	450.00	[ICRA]BBB- (Negative)
Not Yet Placed	NCD	--	--	--	34.53	[ICRA]BBB- (Negative)
INE138A07421	NCD	30-Dec-15	12.50%	30-Dec-18	15.10	[ICRA]BBB- (Negative); withdrawn
INE138A07306	NCD	6-Nov-13	12.41%	6-Nov-18	0.70	[ICRA]BBB- (Negative); withdrawn
INE138A07314	NCD	6-Nov-13	13%	6-Nov-18	2.60	[ICRA]BBB- (Negative); withdrawn
INE138A07348	NCD	22-Nov-13	13%	22-Nov-18	50.00	[ICRA]BBB- (Negative); withdrawn
INE138A07363	NCD	13-Dec-13	13%	13-Dec-18	50.00	[ICRA]BBB- (Negative); withdrawn

Source: Peninsula Land Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Rockfirst Real Estate Limited	100%	Full Consolidation
Truewin Realty Ltd	100%	Full Consolidation
Goodhome Realty Ltd	100%	Full Consolidation
Goodtime Real Estate Development Pvt. Ltd.	57%	Full Consolidation
RA Realty Ventures LLP	40%	Full Consolidation
Bridge View Real Estate Development LLP	50%	Full Consolidation

ANALYST CONTACTS

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

Anand Kulkarni
+91 22 6169 3326
anand.kulkarni@icraindia.com

Ashirbad Rath
+91 22 6169 3327
ashirbad.rath@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
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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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
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