

## Pioneer Urban Land and Infrastructure Limited

Instrument	Amount (Rs. Crore)	Rating Action August 2016
Non-fund Based Limits	50	[ICRA]BBB+ (stable outlook); Reaffirmed

ICRA has reaffirmed the long term rating assigned to Rs. 50 crore<sup>1</sup> bank lines of Pioneer Urban Land and Infrastructure Limited (PULIL) at **[ICRA]BBB+** (pronounced ICRA triple B plus)<sup>2</sup>. The outlook on the rating is **stable**.

The rating reaffirmation takes into consideration the high booking ratio (88% as on June 30, 2016) in PULIL's ongoing residential projects, comfortable liquidity profile of the company with free cash and liquid investments of Rs. ~70 crore as on June 30, 2016 and debt-free status of all ongoing residential projects.

The rating also reflects tie-up with Pepsico India Private Limited for ~30% space in the company's first lease-based commercial project in Gurgaon (Haryana) giving it a reputed anchor tenant and improving the prospects of achieving incremental leases at competitive rates. The rating continues to derive comfort from significant experience of the promoters in real estate business, favorable location of the company's projects in Gurgaon, large unencumbered commercial FSI available at Golf Course Extension road in Gurgaon, its large, entirely-paid-for & unencumbered land bank at Sohna road in Gurgaon and its finished inventory in JV with Unitech.

The rating is, however, constrained by low sales velocity in FY2015 and FY2016 across all its projects due to slowdown in real estate market. The subdued bookings coupled with outflows on projects in last two years led to decline in committed inflows/pending cost ratio from 80% as on March 31, 2015 to 58% as on June 30, 2016. Though cash inflows have been impacted due to slowdown in real estate market, execution on the projects has been healthy, resulting in 73% of the work getting completed as on June 30, 2016, as against 64% as on March 31, 2015.

Rating continues to be constrained by company's large expansion plans, which pose high execution risks. The company has already utilised most of its residential FSI in the Gurgaon market and will now be focusing more on commercial launches. This is expected to increase debt levels as upfront funding requirement in commercial segment is higher- the company has already availed loan of Rs. 175 crore for its commercial project 'C3' on Golf Course Extension road. The C3 project is nearing completion and is company's first project on lease model. Any delay in tying up adequate leases will impact company's ability to refinance the construction loan through an LRD loan and may result in pressure on credit risk profile of the company.

Going forward, pace of leasing in the commercial project, sales and collections in ongoing as well as upcoming projects, and extent of land acquisition expenditure will be the key rating sensitivities.

### Company's Profile

Pioneer Urban Land & Infrastructure Ltd., incorporated in 1985, is a real estate development company which is a part of the Perival Group having interests in plastics and real estate. PULIL & Unitech are jointly developing projects since 1980s and the present arrangement is such that both Unitech and PULIL pool in resources jointly to acquire land bank and the key decision making is done jointly. After having acquired experience in real estate development, PULIL decided to launch individual projects in 2005 on the Golf Course Extension Road in Gurgaon. The development is of a mix use projects spanning 75 acre consisting of residential, retail and commercial projects. PULIL has co developed more than 9 million square feet in Gurgaon and has around ~520 acre of land bank in Gurgaon, Indri and Rewari in Haryana. The ongoing projects of PULIL are presently confined to Gurgaon.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating definition please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

**Recent Results**

As per the provisional financial statements for FY2016, Pioneer Urban Land and Infrastructure Limited (PULIL) has recorded operating income of Rs. ~216 crore and net profit of Rs. ~13 crore as against operating income of Rs. ~387 crore and net profit of Rs. ~6 crore in FY2015.

**August 2016**

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