

## Peninsula Land Limited

October 05, 2018

### Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	100.00	0.00	[ICRA]A2+; withdrawn
Non-convertible Debenture Programme	112.27	0.00	[ICRA]A-(Negative); withdrawn
Non-convertible Debenture Programme	648.93	648.93	[ICRA]BBB+(Negative); Downgraded from [ICRA]A- (Negative)
<b>Total</b>	<b>861.20</b>	<b>648.93</b>	

### Rating action

ICRA has downgraded the long-term rating to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]A- (pronounced as ICRA A minus) assigned earlier to the Rs. 648.93<sup>1</sup> crore non-convertible debenture programme of Peninsula Land Limited (PLL<sup>2</sup> or the company). The outlook on the long-term rating remains Negative.

ICRA has also withdrawn the short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) outstanding on the Rs. 100.00 crore CP programme and the long-term rating of [ICRA]A-, with negative outlook, outstanding on the Rs. 112.27 crore NCD programme of the company, 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 lower-than-expected collections against the backdrop of weak sales velocity in its ongoing projects (excluding recently launched affordable housing project – AddressOne in Gahunje, Pune) leading to higher-than-expected debt levels. As on June 30, 2018, the debt level stood at Rs. 2,593 crore on a consolidated basis (including SPV level debt). Slow sales velocity as well as slower pace of collections has further heightened the exposure to refinancing risk given the sizeable debt repayments due (~Rs. 196 crore in Q3FY2019 and Rs. 197 crore in Q4FY2019) in H2FY2019 and in subsequent period (Rs. 606 crore in FY2020 and Rs. 674 crore in FY2021). However, liquidity of Rs. 150 crore (including cash balances and undrawn OD limits) as on September 30, 2018 provide comfort to some extent.

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, especially in its on-going residential projects specifically those having large ticket size where the activity has remained tepid. PLL achieved sales for Rs. 617 crore in FY2018 and the same was Rs. 203 crore (excluding sales of new project at Gahunje, Pune, sustenance sales were Rs. 36 crore) in Q1FY2019. In addition, the collections have also been considerably lower-than-expected. It was Rs. 122 crore in Q1FY2019 compared to Rs. 134 crore in the previous quarter.

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. 1,572 crore as on June 30, 2018. 48% of the pending cost is to be incurred in one project Salsette 27 (total development potential of 9.2 lakh sqft) which is in nascent stage of

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

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

construction. Ability to tie-up new sales and ensure pick-up in collections in the on-going projects will be essential to maintain pace of execution. The rating is also constrained by weak financial risk profile characterized by negative profit margins, deterioration in gearing levels, and weakening of its debt coverage metrics. The company reported an operating loss of Rs. 73 crore in FY2017 and Rs. 81 crore in FY2018 mainly because of thin reported project profitability and higher overheads. High reported interest expense (Rs. 170 crore in FY2017 and Rs. 218 crore in FY2018) 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 (Rs. 220 crore in FY2017 and Rs. 458 crore in FY2018). The gearing deteriorated from 1.5 times as on March 31, 2017 to 2.2 times as on March 31, 2018.

The rating, however, draws support from the experience of the promoters and key management personnel 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 recent land sales in Hyderabad and Pune. The rating also favourably considers healthy response achieved in recently launched affordable housing project AddressOne in Gahunje with 4.6 lakh sqft sold out of total launched area of 5.2 lakh sqft. The rating also factors in the visibility of cash flows owing to pending collections of Rs. 1,706 crore as on June 30, 2018. Nevertheless, the ability to improve the sustenance sales and collections against the backdrop of fixed commitments towards debt repayment, project execution and corporate expenses will remain amongst the key monitorable.

## Outlook: Negative

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 because of the closure of the on-going land deals. The rating may be further downgraded if considerable delay in the monetisation programme of the company or moderation in the sales velocity increases the pressure on cash flows.

## Key rating drivers

### Credit strengths

**Strong parentage and established position in 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.

**Healthy cashflow visibility** – The company sold 64% of the total launched area of 44.56 lakh sqft as on June 30, 2018 for a total sale value of Rs. 3,930 crore. Out of this, the company has pending collections of Rs. 1,706 crore which provides healthy cashflow visibility going forward.

**Strong 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 88% of the area as on June 30, 2018.

### Credit challenges

**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 realizations from land sale. With sizeable debt repayment obligations due (~Rs. 196 crore in Q3FY2019 and Rs. 197 crore in Q4FY2019) in H2FY2019 and in subsequent period (Rs. 606 crore in FY2020 and Rs. 674 crore in FY2021), the company is exposed to high refinancing risks.

**Exposure to project execution risk** – As against the budgeted cost, the company is yet to spend Rs. 1,572 crore towards completion of the project. Out of this, 48% of the pending cost is to be incurred in only one 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 further weakened as characterized by the negative profit margins, deterioration in gearing, stretched liquidity position and weakening of debt coverage metrics. The company reported an operating loss of Rs. 73 crore in FY2017 and Rs. 81 crore in FY2018 mainly due to thin reported project profitability and higher overheads. High reported interest expense (Rs. 170 crore in FY2017 and Rs. 218 crore in FY2018) due to elevated debt levels and exceptional items (inventory write-downs and impairment of investments/loans extended to project SPVs) has also led to net losses (Rs. 220 crore in FY2017 and Rs. 458 crore in FY2018). The gearing deteriorated from 1.5 times as on March 31, 2017 to 2.2 times as on March 31, 2018.

**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 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, 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 (Audited)

	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:**

Current Rating (FY2019)					Chronology of Rating History for the past 3 years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating October 2018	Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					February 2018	August 2017	September 2016	September 2015	
1 Commercial Paper Programme	Short Term	100.00	0.00	[ICRA]A2+ withdrawn	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
2 NCD	Long Term	648.93	614.40	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3 NCD	Long Term	112.27	0.00	[ICRA]A- (Negative) withdrawn	[ICRA]A- (Negative)	[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](http://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)
INE138A07421	NCD	30-Dec-15	12.50%	30-Dec-18	15.10	[ICRA]BBB+ (Negative)
INE138A07470	NCD	20-May-16	12.60%	20-May-19	8.93	[ICRA]BBB+ (Negative)
INE138A07306	NCD	6-Nov-13	12.41%	6-Nov-18	0.70	[ICRA]BBB+ (Negative)
INE138A07314	NCD	6-Nov-13	13%	6-Nov-18	2.60	[ICRA]BBB+ (Negative)
INE138A07348	NCD	22-Nov-13	13%	22-Nov-18	50.00	[ICRA]BBB+ (Negative)
INE138A07363	NCD	13-Dec-13	13%	13-Dec-18	50.00	[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)
INE138A07439	NCD	20-May-16	12.06%	20-May-18	4.15	[ICRA]A- (Negative); withdrawn
INE138A07447	NCD	20-May-16	12.37%	20-May-18	3.05	[ICRA]A- (Negative); withdrawn
INE138A07504	NCD	2-Jun-16	12.37%	2-Jun-18	10.00	[ICRA]A- (Negative); withdrawn
INE138A07454	NCD	20-May-16	12.75%	20-May-18	3.16	[ICRA]A- (Negative); withdrawn
INE138A07512	NCD	2-Jun-16	12.75%	2-Jun-18	9.64	[ICRA]A- (Negative); withdrawn
INE138A07249	NCD	25-Feb-13	13%	25-Feb-18	50.00	[ICRA]A- (Negative); withdrawn
INE138A07264	NCD	26-Feb-13	13%	26-Feb-18	27.80	[ICRA]A- (Negative); withdrawn
INE138A07496	NCD	2-Jun-16	12.06%	2-Jun-18	4.00	[ICRA]A- (Negative); withdrawn
INE138A07256	NCD	25-Feb-13	13%	25-Feb-18	0.20	[ICRA]A- (Negative); withdrawn
INE138A07272	NCD	26-Feb-13	13%	26-Feb-18	0.05	[ICRA]A- (Negative); withdrawn
INE138A07280	NCD	26-Feb-13	11%	26-Feb-18	0.22	[ICRA]A- (Negative); withdrawn
INE138A14286	Commercial Paper	--	~11.0%	16-Mar-18	45.00	[ICRA]A2+; withdrawn
INE138A14278	Commercial Paper	--	~11.0%	6-Mar-18	50.00	[ICRA]A2+; withdrawn
Not Yet Placed	Commercial Paper	--	--	--	5.00	[ICRA]A2+; withdrawn

Source: Peninsula Land Limited

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