

L&T South City Projects Private Limited

February 27, 2019

Summary of grading action

Project name	Phase	Towers	Grading Action
L&T Eden Park	2A	Peach, Marigold, Jasmine, Almond	[ICRA]Chennai Six Star; Assigned

Rationale

ICRA's grading assessment takes into account the advanced stage of completion of the L&T Eden Park Phase 2A project, a residential apartment project being developed by L&T South City Projects Private Limited (LSCPPL) ¹. Out of the four towers being developed under Phase 2A, three towers (Peach, Marigold and Almond) are in hand-over phase and the fourth (Jasmine) is expected to be ready for possession by April 2019. The aforementioned phase is a part of a larger township development, to be branded as L&T Eden Park—comprising residential apartments, villas, row-houses, school, recreational facilities, shopping mall and other essential services—upon completion. Phase-1 of the project, with a total saleable area of 1.09 million square feet (mn sqft), is already complete and has been occupied. The grading draws comfort from the healthy occupancy witnessed in the completed phase, the presence of school and the proposed future commercial development, which would add to the social infrastructure of the township. Further, the grading considers the proximity of the project to SIPCOT IT Park, one of the largest commercial developments along the Old Mahabalipuram Road in Chennai.

The grading factors in the subdued sales progress in the last two-three years, caused by the implementation of Real Estate Regulation and Development Act (RERA) and GST and the moderate demand for some of the higher ticket size units of the project. Nevertheless, with the completion and delivery of three towers and the expected hand-over of the fourth tower by April 2019, sales for the project are expected to improve going forward. In 9MFY2019 (April-Dec), the company witnessed improvement in sales momentum, with area sales bookings of 51,995 sqft (Rs. 25.6 crore in value terms) as compared to area sales bookings of 28,555 sqft (Rs. 14.2 crore in value terms) in 9MFY2018. ICRA notes the high competition faced by L&T Eden Park from several completed and under-development projects in its vicinity. Some of these projects are located near the OMR road and hence enjoy better access as compared to Eden Park. However, the presence of three routes between OMR and the project (Eden Park), eases the accessibility of the project. ICRA also notes that demand for the project remains susceptible to macroeconomic factors such as interest rate, slowdown in economic growth and inherent cyclicity in the Chennai real estate market.

Outlook: Not Applicable

¹ At present, 75.4% of the shares of LSCPPL are held by Pragnya Group and the remaining 24.6% is being held by Aditya Birla Real Estate Fund. Earlier, L&T Realty Limited (L&T) held 51% of shares in LSCPPL; however, In March 2017, shares of L&T were purchased by Pragnya Group, thereby increasing Pragnya's stake in LSCPPL to 75.4%.

Key Grading drivers

Grading strengths

Low execution risk; advanced stage of completion – Out of the four towers being developed under Phase 2A, Peach is already complete and has been handed-over to buyers. Finishing work for towers, Marigold and Almond, is almost complete and final hand-over process for the booked flats is underway. The fourth tower, Jasmine, is expected to be completed and the hand-over to commence by April 2019. Development of basic amenities and facilities surrounding the towers are also completed. Overall, the construction of phase 2A of the project is in near completion stage, with insignificant execution risk.

Part of planned integrated township – L&T Eden Park is planned to be developed into an integrated township, comprising residential apartments, villas, row-houses, school, recreational facilities, shopping mall and other essential services. Phase-1 of the project, with a total saleable area of 1.09 million square feet (mn sqft), is already complete and has been occupied. Also, PSBB school, located within the project premises, is currently operational and has a total student strength of 1000. The project is expected to offer facilities such as premium club house (for which construction is underway), shopping centre, restaurant, creche, sewage treatment plant and rainwater harvesting, in line with premium project offerings. Healthy occupancy in the completed phase, the presence of school and the proposed future commercial development enhance the marketability of the project.

Presence of adequate infrastructure in nearby regions – The project is located off the Old Mahabalipuram road (OMR), which is witnessing good development in its surroundings. Several residential apartments, malls, and hospitals have come up along the road in the recent past. SIPCOT IT Park, one of the largest commercial development along OMR, is situated right next to the L&T Eden Park.

Grading challenges

Subdued sales performance – The project has witnessed subdued sales progress over the last two-three years due to the implementation of RERA and GST, and moderate demand for some of the higher ticket size units of the project. Even though the project was launched in November 2013, it achieved sales bookings for only 60% of the total saleable area, as on December 2018. Nevertheless, with the completion and delivery of three towers and expected hand-over of the fourth tower by April 2019, sales for the project are expected to improve going forward. In 9MFY2019 (April-Dec), the company witnessed improvement in sales momentum, with area sales bookings of 51,995 sqft (Rs. 25.6 crore in value terms) as compared to area sales bookings of 28,555 sqft (Rs. 14.2 crore in value terms) in 9MFY2018.

High competition from other projects in vicinity – The project faces high competition from several completed and under-development projects in its vicinity. Some of these projects are located nearer to OMR road and hence enjoy better access than Eden Park. Also, majority of these projects have similar two and three BHK unit configurations and are priced at rates lower or at par with L&T Eden Park. However, the integrated township nature and premium amenities in L&T Eden Park support higher price points for the project.

Sensitivity to external factors - Being a cyclical industry, real estate is sensitive to macro-economic factors such as interest rate and slowdown in economic growth, which might impact demand.

Liquidity Position: Not Applicable

Analytical approach:

Analytical Approach	Comments
Applicable Grading Methodologies	ICRA Real Estate Star Grading
Parent/Group Support	Not applicable
Consolidation / Standalone	Not applicable

Project and Sponsor Profile:

L&T South City Projects Private Limited (LSCPPL), established in 2006, is engaged in real estate development and construction activity. At present, it is developing a township project named 'Eden Park' on 91 acres of land located just off the Old Mahabalipuram Road (OMR), in Chennai. The project is an integrated residential township in Chennai and is being implemented in multiple phases, comprising residential apartments, villas, row-houses, school, state-of-the-art recreational facilities, shopping mall and other essential services. The Phase 1 of the project, comprising 654 residential units, has already been completed and handed over for occupation. Currently, Phase 2A of the project is under development and is in fairly advanced stages of completion. Out of the four towers being developed under Phase 2A, three towers (Peach, Marigold, Almond) are in the hand-over phase and the fourth (Jasmine) is expected to be completed by April 2019.

Project Overview

Particulars	Details
Project Name	L&T Eden Park – Phase 2A
Promoter Group	Pragnya Group
Project Location	Off Old Mahabalipuram Road (OMR), in Siruseri, Chennai
Type of development	Residential Apartments
Land area	12.8 acres
Total saleable area	1,268,590 square feet (sqft)
Number of towers	4 (Peach, Marigold, Jasmine, Almond)
Number of Units	1000
Construction start date	November 2013
Scheduled completion date	April 2019
Total project cost	Rs. 497.09 crore
Cost incurred as on Jan 31, 2019	Rs. 374.00 crore
Tentative funding plan	Term Loan - Rs. 200.0 crore Promoters' contribution and customer advance- Rs. 297.09 crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Grading history for last three years:

Current Grading (FY2019)			Chronology of Grading History for the Past 3 Years			
Project	Phase	Towers	Date & Grading	Date & Grading in FY2018	Date & Grading in FY2017	Date & Grading in FY2016
L&T Eden Park	2A	Peach, Marigold, Jasmine, Almond	Feb 2019 [ICRA]Chennai Six Star	-	-	-

ANALYST CONTACTS

Shubham Jain

+91 124 4545 306

shubhamj@icraindia.com

Mathew Kurian Eranat

+91 80 4332 6415

mathew.eranat@icraindia.com

Ishan Luthra

+91 80 4332 6426

ishan.luthra@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
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

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