

## RATING RATIONALE

**Peninsula Land Limited**

**27 Sep 2019**

**Brickwork Ratings downgrades the ratings for Non-Convertible Debentures of ₹. 90 Crores of Peninsula Land Limited.**

### Particulars:

Instrument	Previous O/s Amt (Rs in Crs)	Present O/s Amt (Rs in Crs)	Coupon	Issue Date	Maturity Date	ISIN Details	Previous Rating (Dec 2018)	Present
NCD Series IV	45.00	45.00	11% p.a	19 Dec 2017	19 Dec 2019	INE138A07553	<b>BWR A Stable</b>	<b>BWR BBB-Negative (Downgraded)</b>
	45.00	45.00	12.5% p.a	13 Mar 2018	19 Dec 2019	INE138A07561		

*\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings*

### RATING ACTION / OUTLOOK

The rating of Peninsula Land Limited ('PLL' or 'the Company') has been downgraded to BWR BBB-/Negative.

The change in outlook to Negative factors in sluggish demand in real estate sector and relatively slow bookings and funding risks associated with the Company's ongoing projects. Further the sales velocity as well as the collections is expected to remain low, bearing pressure on the cash flows and necessitating refinancing or mobilisation of additional funds to repay the debt obligations.

The rating downgrade factors in high refinancing risk given consolidated ongoing project debt repayments of Rs.663 Crs (already paid Rs.176 Crs during Q1FY20) from July 2019 to March 2020 and Rs. 417 Crs in FY21 as there is a slowdown in the sale and collection of the ongoing projects due to weak economic environment and delay in obtaining OC (Occupancy Certificate) in one of the completed project named 'Carmichael Residences'.

Consolidated operating loss of Rs. 370.48 Crs in FY19 compared to consolidated operating loss of Rs. 113.75 Crs in FY18 mainly because of change in the accounting methodology from percentage completion method to Project completion method as per IND AS 115, thin project profitability, high interest expense due to elevated debt levels (due to offtake of new projects).

Additionally exceptional items inventory write-downs and impairment of investments/loans extended to project SPVs of Rs.410.28 Crs have also led to net losses of Rs. 599.07 Crs in FY19 compared to net losses of Rs. 452.39 Crs in FY18 at standalone level.

At standalone and consolidated level TNW has decreased by ~ 55% in FY19 on account of huge losses. On consolidated level gearing deteriorated to 4.59 times as on March 31, 2019 from 2.24 times as on March 31, 2018. The coverage ratios have deteriorated due to higher losses.

The rating has positively factored in healthy response achieved in recently launched affordable housing project 'addressOne' in Gahunje Pune, receipt of Occupation Certificate in the project 'Peninsula Heights' and progress in the monetization of non-core assets in Q1 FY20.

The rating continues to reflect the strength derived from an established track record of the promoter group in building and scaling successful businesses, established position and brand name of the Company in Mumbai real estate market, demonstrated ability to complete large scale residential and commercial office space projects and sizeable Land Bank of (owned and fully paid by Company) at various locations in Maharashtra and Goa.

## KEY RATING DRIVERS

### Credit Strength:

**Experienced promoters/competent management and established brand name of PLL in Mumbai Real Estate Market:** Peninsula Land Ltd derives strength from the extensive experience of its promoters, strong and competent management, reflecting the expertise in its execution capabilities in their key businesses. The promoters have experience of over two decades in the real estate industry.

PLL is a flagship company of the Ashok Piramal Group, and is into real estate development with a portfolio comprising commercial, residential and retail developments. Since 1997, PLL has developed over 7.82 mn sq ft real estate area and has 6.46 mn sq ft real estate area under development in Mumbai, Bangalore, Pune, Goa, Nasik, and Lonavala.

**Land Bank available as non core assets for monetisation enabling debt reduction:** PLL has categorised some of the land parcels held by it as non-core assets located at non-core geographies and plans to divest off the same to support the Company's liquidity position as well as to reduce its debt levels. PLL's existing land-bank is entirely paid for and all projects to be developed on the existing land-bank are residential projects where milestone-linked customer advances are expected to support cash flows during the project construction phase. The Company has showcased strong track record of generating liquidity by monetizing land parcels whenever required. It has done monetization of its land parcel of Rs. 316 Crs in FY19 and Rs. 130 Crs in Q1FY20 which was used to repay the debt.

**Healthy response in project 'addressOne' and receipt of OC in Project 'Peninsula Heights':** The Company has entered into the affordable housing space with the launch of 50-acre project, called 'addressOne', located at Gahunje, Hinjewadi, Pune. The project comes under the Pradhan Mantri Awas Yojana (PMAY) initiative. After selling 814 units (out of 900 launched units) post launch of the project in the Q1FY19, PLL has launched 600 units in second phase of addressOne in January 2019 and has sold around ~ 330 units within one and a half months time. The project is PMAY approved and thus allows homebuyers to get interest subsidy. Project 'addressOne' has received healthy response being affordable housing project and due to its strategic location as Hinjewadi is Pune's biggest IT hub and is also easily accessible from the Pune International Airport. Gahunje has good connectivity to all parts of the city via the Pune-Mumbai Highway.

Further, PLL has obtained OC for the project 'Peninsula Heights' which has unlocked sold receivables of ~Rs.150 Crs out of Rs. 525 Crs.

### Credit Risk:

**High refinancing risk:** On a standalone basis, the total debt of the Company stood at Rs. 1766.95 Crs (present o/s Rs.1546.29 Crs) and on a consolidated basis total debt stood at Rs. 2373.41 Crs as on 31st March 2019 (present o/s Rs. 2309.29 Crs). Further, on a consolidated basis total debt due for repayment in FY20 is Rs. 1171 Crs. Out of that Company has already repaid Rs.176 Crs in Q1 FY 20. Due to high repayment obligations in the near to medium term, the Company is exposed to refinancing risk. However,

the risk is partly mitigated by extensive experience of its promoters in the real estate sector and their financial ability to raise the funds through asset monetisation, disposal of non core assets, and mobilisation of additional funds.

**Weak cash flows and significant losses of PLL:** Currently PLL has 11 ongoing projects with total launched area of 4.93 msf and has sold ~70% of the launched area as on June 30, 2019 for a total sale value of Rs. 4,427 Crs. Out of this, the company has sizeable pending collections of Rs. 1729 Crs. Rs.639 Crs out of the receivables of Rs. 1729 Crs are linked to construction of Project 'Salsette 27' and it will start realizing the same as the project progresses, and another Rs. 268 Crs are stuck due to pending occupancy certificate from a completed project 'Carmichael Residences'.

The Company has reported consolidated operating loss of Rs. 370.48 Crs in FY19 compared to consolidated operating loss of Rs. 113.75 Crs in FY18 mainly because of thin project profitability, high interest expense due to elevated debt levels (due to offtake of new projects). The Company has reported exceptional items of inventory write-downs and impairment of investments/loans extended to project SPVs of Rs.410.28 Crs, resulting in huge losses at standalone and consolidated level. TNW on standalone and consolidated basis has been decreased by around 55% in FY19 on account of huge losses. On consolidated level gearing deteriorated to 4.59 times as on March 31, 2019 from 2.24 times as on March 31, 2018.

**Exposure to project execution risk:** On a consolidated basis, 75% of the total project cost had been incurred till June, 2019. However, certain projects are at an immediate stages, thus exposing PLL to project execution risks. Construction progress in the PLL's largest project, Salsette 27, stands at 40% as in June, 2019. Some of the other large projects are also at intermediate to advanced stages of construction and the pending cost to be incurred in the ongoing projects is around Rs.1,244 Crs as on June 2019. PLL has planned constructed area of around 1.44 msf to be developed over the medium to long term.

**Exposure to risks and cyclicity inherent in the real estate industry:** PLL remains exposed to inherent risks and cyclicity associated with the Indian real estate industry.

#### ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has principally relied upon consolidated and standalone audited financials from FY16 to FY19, ongoing project cash flows, publicly available information and information/clarification provided by the management of the company.

#### RATING SENSITIVITIES

Going forward, PLL's ability to monetise its non core assets and unlock sold receivables in timely manner to service repayment obligations, reduce debt levels, and improve liquidity profile will be the key rating sensitivities.

**Positive:** The outlook may be revised to stable if the company is able to reduce its debt substantially from current levels and there is an improvement in the operational cash flows backed by timely execution of projects and steady realisation of payments from its customers.

**Negative:** Inability to secure timely refinancing or adequate liquidity in the near term aggravating the risk of cash flow mismatches against the upcoming repayment obligations and any delays in obtaining occupancy certificate in completed projects will result in further downgrade in the rating.

### LIQUIDITY POSITION:

The pending cost to be incurred in the ongoing projects is around Rs.1,244 Crs as on June 2019. The Company has committed receivables (from sold units) of nearly Rs.1,729 Crs and debt o/s of Rs. 1,010 Crs against these ongoing projects. With the committed receivables covering 77% of the pending costs and debt outstanding, its liquidity position is moderate. PLL has consolidated ongoing project debt repayment obligation of Rs.663 Crs (already paid Rs.176 Crs in Q1FY20) scheduled for FY20. PLL reported cash and cash equivalents of Rs.22 Crs as on June 2019 and Rs 7 Crs of undrawn OD limit.

### COMPANY PROFILE

Incorporated on August 10, 1871 as a public limited company, Peninsula Land Limited is a flagship company of the Ashok Piramal Group. It is listed on BSE and NSE. The Company ventured into real estate business by utilizing the land reserves owned by the group or in joint development with other landowners to develop commercial office space and residential projects. The Company develops residential projects under the brand name 'Ashok', commercial projects under the brand name 'Peninsula' and retail projects under the brand name 'Cross roads'.

### KEY FINANCIAL INDICATORS (in ₹ Cr)

On a Standalone basis, the total Revenue for the FY19 stood at Rs.134.96 Crs as against Rs.315.13 Crs for FY18. Revenue during Q1FY20 stood at Rs.35.16 Crs as against Rs.37.08 Crs in Q1FY19.

On a Consolidated basis, the total Revenue for the FY19 stood at Rs.327.83 Crs as against Rs.497.64 Crs for FY18. Revenue during Q1FY20 stood at Rs.21.78 Crs in Q1FY19.

### KEY FINANCIALS:

Key Parameters	Units	Standalone		Consolidated	
		FY18	FY19	FY18	FY19
Result Type		Audited	Audited	Audited	Audited
Total operating income	Rs in Crs	315.13	134.96	497.64	327.83
OPBDIT	Rs in Crs	-55.31	-198.33	-113.75	-370.48
PAT	Rs in Crs	-333.67	-777.91	-452.39	-599.07
Tangible Networth (TNW)	Rs in Crs	1353.12	576.01	1135.36	516.58
Total Debt/TNW	Times	1.45	3.07	2.24	4.59

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA**

## RATING HISTORY

Instrument	Current Rating (Sep 2019)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	31 Dec 2018	7 Dec 2017	6 Dec 2017
NCD Series IV	Long Term	90	BWR BBB- (Negative)	BWR A Stable	-	-
NCD Series III		-	-	Withdrawal of BWR A Stable	Rating Not Reviewed	BWR A Stable
NCD Series II		-	-			
NCD Series I		-	-			
Total		90.00	Rupees Ninety Crores Only			

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

## Hyperlink/Reference to applicable Criteria

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