

## Peninsula Land Limited

November 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	250.00	CARE BBB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Peninsula Land Limited (PLL) derives strength from experienced promoters, favourable location of the leased property, presence of debt service reserve account (DSRA), escrow mechanism and established track record of full occupancy levels with reputed tenant base. The lease rental discounting (LRD) facility is estimated to have an adequate average cash coverage ratio of 1.53x over the tenor of the loan with debt to rental ratio of 5.43x. The rating also factors in significant reduction in PLL's borrowings from FY20 to FY24 period, which has resulted an improvement in the capital structure. In the real estate (RE) segment, PLL has entered a joint venture agreement with two partners for undertaking RE projects for which the company has raised optionally convertible debentures worth ~₹150 crore in Q1 FY25.

However, the rating is constrained by high tenant concentration risk with the entire leasable area being occupied by only two tenants and the top tenant accounting for 73% of the total monthly rentals and agreement rollover risk. While assigning the rating, CARE Ratings Limited (CARE Ratings) notes multiple instances of delay in receipt of monthly rentals from the tenants in the last six months wherein the shortfall in the escrow account was funded by PLL from its free liquidity. While CARE Ratings expects PLL to maintain sufficient liquidity in the escrow account to timely meet its repayment obligations, continued delays in receipt of rentals remains a key rating sensitivity.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Timely renewal of agreement with all tenants with realisation of arrears.
- Reduction in overall gearing below 1.0x.

#### Negative factors

- Significant delay in renewal of lease agreement or delay in receipt of rentals impacting the liquidity position.
- Average occupancy levels falling to less than 90%.
- Any deterioration in capital structure with overall gearing above 1.75x.

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook reflects comfortable revenue visibility considering established track record of full occupancy level in the coming years.

### Detailed description of key rating drivers:

#### Key strengths

##### Presence of escrow mechanism and DSRA

PLL has leased out its property 'Piramal Chambers' at Lalbaug, Mumbai, to two tenants in lieu of monthly lease rentals and the company has availed the lease rental discounting (LRD) facility of ₹250 crore. The entire cash inflow consisting of lease rentals (including parking charges and maintenance charges) generated from the property, is being routed through a designated escrow account maintained with the lender, which prevents fund leakages as the bank does not allow withdrawal of surplus rental income only after settlement of the monthly repayment obligation. Also, the company has maintained DSRA of ₹8.22 crore (equivalent to three months' debt servicing obligation) by fixed deposit with the bank, which provides added security in relation to its repayment obligations.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Full occupancy and reputed client base but delay in renewal of rental agreements

The company has leased out 100% of its total leasable area (1.3 lsf) as on September 30, 2024. There are only two tenants at the property which are government entities such as Income Tax Department (CBDT) and GST Department. The contract's tenure with the Income Tax Department is for three years with rent escalation upto 8% per annum at the time of renewal. CARE Ratings notes while agreement with the Income Tax Department has been renewed, renewal of rental agreement with GST Department is under process but the department has made an offer and PLL has conveyed their willingness to continue to lease the property by accepting the offer. Going forward, CARE Ratings expects the company will be able to maintain full occupancy level in the near-to-medium term.

### Strategic location of the leased property

Parel is one of the commercial hubs in Mumbai with a sizeable number of government offices, private offices, and MNCs resulting an average rate is over 30, 000 per square feet. 'Piramal Chambers' is in Lalbaug, Parel, which is at a distance of less than 1km from Lower Parel Railway station. Both roadways and railways are well connected to this location.

### Key weaknesses

#### Moderate leverage and coverage metrics; despite significant reduction in debt levels

While PLL's total debt has reduced significantly from ₹1,303 crore as on March 31, 2020, to ₹359 crore as on March 31, 2024, its overall gearing remains moderate at 1.75x in FY24 (FY20: 12.35x). In Q1 FY25, PLL raised funds worth ₹150 crore through preferential issue of optionally convertible debentures to fund the upcoming RE projects. Further, debt coverage indicators stood moderate with interest coverage ratio at 3.06x and total debt to gross cash accrual (TD/GCA) at 3.51x as on March 31, 2024. For LRD debt, cash coverage ratio is comfortable above 1.2x for the tenure of debt servicing.

#### Exposure to tenant risk and delays in receipt of monthly rentals

PLL is susceptible to tenant concentration risk with only two tenants occupying 100% of the total leased out area. However, given the tenants being government companies and PLL having long track record of leasing the property to these tenants over five decades, credit and revenue risks are mitigated to some extent in the medium term. While the counterparty credit risk is low, there have been multiple instances of delays in timely receipt of monthly rentals from the tenants in the last six months with the extent of delay running into several months from one tenant. While PLL has maintained liquidity in the escrow account to service debt obligations, timely receipts of rentals and renewal of the agreement with tenants will be a key monitorable.

#### Liquidity: Adequate

The company's liquidity position is projected to remain adequate as monthly rental income of the company is ~₹3.91 crore against equated monthly instalments (EMI) of ₹2.74 crore in FY25. The company also maintains DSRA of ₹8.22 crore which is equivalent to three months of debt servicing obligations. Further, PLL has free cash and bank balance worth ₹15 crore as on November 21, 2024, which provides comfort.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Debt backed by lease rentals](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in 1871, PLL is the real estate (RE) development arm of Ashok Piramal Group. The company is primarily engaged in real estate development of residential and commercial projects. In the LRD segment, PLL has leased a property in Parel, Mumbai to two government tenants since 1970. The company has 23 subsidiaries (including direct and step-down subsidiaries), five JVs, and one associate company as on March 31, 2024. Till FY24, the company has sold total area of 67 lakh square feet (lsf) and delivered a total of 13 real estate projects across Mumbai, Pune, Bangalore, and Goa.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	966.04	519.63	82.35
PBILDT	81.23	114.30	16.83
PAT	50.30	93.79	6.78
Overall gearing (times)	37.73	1.75	1.97
Interest coverage (times)	1.50	3.06	0.76

A: Audited; UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2039	250.00	CARE BBB-; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	250.00	CARE BBB-; Stable				

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

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### About us:

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### Disclaimer:

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