Peninsula Land Limited

July 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	300.00 (Enhanced from 250.00)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of 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. In FY25, the company availed a top-up of ₹45.50 crore on the existing lease rental discounting (LRD) term loan against Piramal Chambers, Lalbaug, Mumbai, for the purpose of meeting general corporate expenses/group development purposes. With this enhancement, the loan's principal repayment obligation is slated to increase by ₹2-4 crore p.a. over the loan tenure. However, this is mitigated to a large extent by downward revision in the interest cost by ~110 bps on April 2025, translating into an adequate average cash coverage ratio (CCR) of 1.47x over the tenor of the loan with debt to rental ratio of 5.6x as on March 31, 2025. In the real estate (RE) segment, PLL has entered a joint venture (JV) agreement with two partners for undertaking RE projects for which the company has raised optionally convertible debentures (OCD) worth ~₹150 crore in Q1 FY25, which has led to a deterioration in its capital structure with overall gearing of 2.19x as on March 31, 2025. In FY25, the company's profit before interest, lease rentals, depreciation and taxation (PBILDT) margin declined to 8.48% (PY: 22%) due to delay in recognition of sizeable revenue from sale of real estate inventory, which is likely to be recognised in the coming quarters. Its PBILDT interest cover also declined to 0.56x in FY25, partly due to lower profits and partly due to finance costs of ~₹2.6 crore on arranging of OCDs and ~₹5.6 crore of non-cash IndAS adjustments. While reaffirming the rating, CARE Ratings Limited (CareEdge Ratings) also notes the signing of the lease agreement with the GST department on June 26, 2025 (for September 01, 2023 to August 31, 2026) owing to which, the company is due to receive rent arrears of ~₹1.91 crore over the coming months.

However, the rating remains 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 with all existing lease agreements expiring in August 2026. The rating also factors in multiple instances of delays in receipt of monthly rentals from the tenants in last six months, where the shortfall in the escrow account has been funded by PLL from its free liquidity. While PLL is expected 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

- Realisation of all rental arrears and steady track record of timely receipt of monthly rentals.
- Reduction in overall gearing below 1x on a sustained basis.

Negative factors

- Significant delays in renewal of lease agreements and/or delay in receipt of rentals impacting debt servicing ability.
- Average occupancy falling below 90%.
- Deterioration in overall gearing above 2.5x.
- Reduction in free liquidity buffer below ₹20 crore in addition to DSRA per sanction terms.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CareEdge Ratings' expectations that PLL will maintain adequate debt coverage metrics and liquidity buffer to service its repayment obligations backed by healthy revenue visibility and full occupancy of its leased out property.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

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 LRD facility of ₹295.50 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 before settlement of the monthly repayment obligation. The company has maintained DSRA of ₹10.12 crore (equivalent to three months' debt servicing obligation) by fixed deposit with the bank, which provides added security in relation to its repayment obligations.

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

The company has leased out 100% of its total leasable area of 1.30 lakh square feet (lsf) as on March 31, 2025. 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 and GST Department is for three years with rent escalation upto 8% per annum and 15%, respectively, at the time of renewal. Going forward, CareEdge Ratings expects the company will be able to maintain full occupancy level in the near-to-medium term. The presence of strong tenants in the form of government departments mitigates the counterparty credit risk to a large extent, but exposes the company to risks arising from delays in dealing with government, regulatory changes, and tenant concentration.

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 1 km from Lower Parel Railway station. Both roadways and railways are well connected to this location.

Key weaknesses

Constrained leverage and coverage metrics

While PLL's total debt has reduced significantly from ₹1,303 crore as on March 31, 2020, to ₹438 crore as on March 31, 2025, its overall gearing remains moderate at 2.19x in FY25 (FY20: 12.35x). In Q1 FY25, PLL raised funds worth ₹150 crore through preferential issue of OCDs to fund the upcoming RE projects. Debt coverage indicators remain constrained by decline in profitability owing to delay in recognition of revenue from sale of real estate inventory translating into PBILDT interest coverage ratio at below unity in FY25. For LRD debt, average CCR is comfortable at 1.47x for the tenure of debt servicing with minimum CCR above 1.15x.

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 remains adequate with monthly rental income of ~₹3.91 crore against average monthly interest and principal repayment obligation of ₹2.94 crore in FY26. PLL also maintains sizeable surplus liquidity in form of free cash and liquid investments worth ~₹35 crore as on June 26, 2025, in addition to balance of ₹10.12 crore in DSRA, equivalent to three months of debt servicing obligations, 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 dveloping residential and commercial real estate projects. It has leased out a property in Parel, Mumbai, to two government tenants since 1970. The company has 23 subsidiaries (including 7 direct and 16 step-down subsidiaries), six JVs, and one associate company as on March 31, 2025. Till FY25, the company has developed and delivered total area of 11.82 million square feet (msf) of 15 real estate projects across Mumbai, Pune, Bangalore, and Goa.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	519.63	241.65
PBILDT	114.30	20.48
PAT	93.79	-25.27
Overall gearing (times)	1.75	2.19
Interest coverage (times)	3.06	0.56

A: Audited; 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	300.00	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	300.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (27-Nov-24)	-	-

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: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Akhil Goyal Director **CARE Ratings Limited** Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in Raunak Modi Assistant Director **CARE Ratings Limited** Phone: +91-22-6754 3537 E-mail: raunak.modi@careedge.in Rakshata Khatawkar Lead Analyst **CARE Ratings Limited** E-mail: rakshata.k@careedge.in

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information,
please visit www.careratings.com