

## Realty sector slowdown: Rise and fall of Ashok Piramal's Peninsula Land

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*Representative image*

Peninsula Land, promoted by Ashok Piramal Group, had many firsts to its credit. It built Crossroads in South Mumbai, which was the country's first mall. It developed Peninsula Corporate Park — one of the first mill lands in Mumbai to get converted into a corporate complex.

It also has real estate

funds with Brookfield of Canada, thus, becoming one of the first companies to start a trend of real estate company co-investing with a global fund manager. But all these were in the good old days. The slowdown in the real estate sector has hit the company hard. It reported an operating loss of Rs 129 crore during the first half (H1) of 2019-20 (FY20) and is struggling to repay debt. The company had interest liability of around Rs 80 crore during H1FY20 and a consolidated outstanding debt of around Rs 2,240 crore at the end of March this year.

The company first reported operating losses in 2016-17. Its finances have been on a downward trajectory ever since. Analysts fear default by the company due to mounting losses unless promoters infuse fresh equity to make

good the losses. Last week, rating agency ICRA downgraded the debentures of Peninsula Land from 'BB' to 'C', citing irregularities in debt servicing and poor liquidity. Till a year ago, the company's non-convertible debentures had 'A'-rating, indicating adequate degree of safety, according to Brickwork Ratings.

The company faces high refinancing risk because of its debt repayment obligations (excluding collection-linked payments) totalling Rs 1,167 crore in the next 12 months, said ICRA. The company till July 2019 had Rs 2,310 crore in debt on a consolidated basis (including special purpose vehicle).

The company has been making operating losses for the past three years, thereby struggling to pay interest charges. The company's shares have now become a penny stock. It has fallen 65 per cent in the past 12 months; it ended at Rs 3.92 on Thursday.

<b>HOME TRUTHS</b>					
Consolidated data (₹crore)					
Quarter-end	Net sales	PBIDT	Net profit	Net interest	Total debt
Jun-18	30.39	35.26	-133.57	35.26	
Sep-18	115.43	39.78	-71.66	39.78	
Mar-19	51.15	47.08	-251.51	47.08	1919.25
Jun-19	19.29	41.37	-74.13	41.37	
Sep-19	20.03	38.22	-147.89	38.22	1313.62

Source: Capitaline Compiled by BS Research Bureau

People who have tracked the company say weak sales and collections, its focus on the Mumbai market, especially in the luxury segment, and non-operative debt were the

main reasons for its financial stress. "The cash flow position of the company is severely impacted due to delays in collection of sizeable sold inventory as well as weak sales velocity in ongoing and completed projects," said ICRA. As on June 30, 2019, the company sold 70 per cent of the total launched area of 4.97 million square feet for a sale value of Rs 4,394 crore. However, of this, a sizeable collection of Rs 1,685 crore was pending, it added. An email sent to the company did not elicit any response.

Experts say that while the National Capital Region property market has been facing severe issues for the past four years, signs of distress showed up in the Mumbai property market for the first time after the non-banking financial company liquidity crisis, which severely impacted the refinancing route of developers. "Developers overestimated the affordability of buyers and the companies focused on Mumbai market that too in luxury segment were the most impacted," said Amit Bhagat, chief executive and managing director at ASK Property Investment Advisors.

Bhagat said cash flows and receivables are the only two factors acknowledged by lenders and investors, while customers recognise quality and delivery. Peninsula Land has a few projects in South Mumbai — in the Byculla and Sewri areas.

The Mumbai Metropolitan Region saw new supply of nearly 27,000 units between 2013 and the first quarter of 2019 of properties priced at Rs 4 crore and above. Of this, South Central Mumbai accounted for 81 per cent, or 22,000 units, according to Anarock Property Consultants.

Moreover, 11,000 units were unsold in South Central Mumbai, it said.

According to a consultant, the company has taken loans on properties in Pune and Mumbai, which do not earn any income, thereby making it non-operating debt.

"There should be excess cash at the company level to pay interest. Otherwise it becomes difficult for any company to pay interest," he said.

However, the consultant said the company has been trying to improve liquidity situation by selling land parcels in Mumbai and Pune. It could not be independently verified.