Crest Ventures Ltd

February 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non- Convertible Debentures	100.00	CARE BBB; Stable	Assigned
Issuer Rating	0.00	CARE BBB; Stable	Revised from CARE BB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in issuer rating and rating assigned to the proposed instruments of Crest Ventures Ltd (CVL) factor in the improvement in the capitalisation and financial risk profile of the company post sale of its stake in one of its associate companies i.e. Classic Mall Development Company Limited (CMDCL) in May, 2022 and improvement in profitability during 9MFY23 (unaudited) vis-à-vis net loss reported by the company during FY22. Further, with increase in the scale and asset base, the company has been classified as a non-deposit taking, systemically important NBFC (NBFC-ND-SI) with sub classification of Investment and Credit Company (ICC).

The ratings continue to factor in the company's longs track record of operations, experience of the promoters and adequate liquidity profile.

The rating remains constrained by moderate profitability, inherent sector risk by way of exposure to real estate segment, volatility of income from its investment book and moderate resource profile with high reliance on Inter Corporate Deposits (ICD) which have relatively shorter maturity term of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Sustained improvement in profitability with ROTA of 1.50% on standalone basis
- Improvement in constitution of loan book with diversification towards non-real estate segment
- Diversification of resources profile with reduced reliance on short term ICDs

Negative factors:

- Deterioration in profitability and income profile
- Delays in construction or sale of real estate project in portfolio impacting liquidity of the company
- Deterioration in liquidity from investments in real estate and other investments
- Deterioration in asset quality of investment and lending portfolio
- Increase in overall gearing above 0.30x

Analytical approach

CARE has analysed the financial risk profile of Crest Ventures Limited on a Standalone basis and has factored in the exposure and revenue from its investee companies/ventures.

Key strengths

Long track record of operations: Crest Ventures Limited (CVL) was incorporated in 1982 as "Sharyans Resources Limited". The Company made an Initial Public Offer (IPO) in 1983 on the Calcutta Stock Exchange. The Company was registered with RBI as an NBFC in 2007 post which the name of the Company was changed to 'Crest Ventures Limited' in 2014. The Company provides loans as well as makes investments mainly in real estate projects and financial services sector. The Company also has certain real estate projects on its own balance sheet under own book and has demonstrated exits from such projects on completion. The Crest group has delivered projects of over 10 million sq. ft. across India and has developed real estate projects through tie-ups with companies/groups like Kalpataru and the Phoenix Mills Limited. In March 2022, the company's total assets increased to over Rs.500 crore which has resulted in change in classification of the company to Non-Banking Financial Company-Systemically Important-Non-Deposit taking Company.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Experienced promoter: CVL is headed by a team having good experience in the real estate and financial services sector. The management of CVL is headed by Mr. Vijay Choraria, Promoter and Managing Director, who has over 25 years of experience in the real estate and financial sector.

Improvement in capitalisation and financial risk profile: CVL's overall gearing levels deteriorated as on March 31, 2022 to 0.87x from 0.37x as on March 31, 2021 due to increased losses during FY22 resulting in erosion of networth. The Company reported Capital Adequacy Ratio (CAR) of 13.96% as on March 31, 2022: 13.96% which was lower than the minimum regulatory requirement of 15%. However, during May 2022, the Company along with its Wholly Owned Subsidiary company Escort Developers Private Limited sold off its entire stake in its associate company Classic Mall Development Company Limited to The Phoenix Mills Limited for Rs.936 crore which resulted in its tangible net worth improving to Rs.864 crore (standalone) as on September 30, 2022 from Rs.283 crore as on March 31, 2022 and overall gearing of 0.13x as on September 30, 2022. The Company reported improved Capital Adequacy Ratio (CAR) of 88.40% (Tier I: 86.71%) as on December 31, 2022.
The group's consolidated net worth stood at Rs.962 crore (March 31, 2022: Rs.585 crore and March 31, 2021: Rs.571 crore) and consolidated debt of Rs.126 crore (March 31, 2022: Rs.246 crore and March 31, 2021: Rs.119 crore) with overall gearing at 0.13x (March 31, 2022: 0.42x and March 31, 2021: 0.21x) as on September 30, 2022.

Moderate profitability: The loss of CVL on a standalone basis increased from Rs.20.21 crore in FY21 to Rs.28.79 crore in FY22 due to lower interest income, higher loss from Kara Property Ventures LLP (limited liability partnership), increase in total borrowings and higher credit costs. The company increased its ICD (most of which is unsecured) lending significantly from the proceeds of stake sale and reduced its borrowings from ICDs during 9MFY23 which resulted in increased net interest income and allowed the company to breakeven excluding the impact of the profits due to stake sale.
On a consolidated basis, the company's loss increased during FY22 for similar reasons mentioned for standalone. However, inclusive of share of profit from associates, the company earned a PAT of Rs.12.10 crore in FY22 as against Rs.2.98 crore in FY21. In 9MFY23, the company reported consolidated profit excluding profits from stake sale as against loss for 9MFY22. Profit from associates was lower for 9MFY23 as compared to corresponding previous year.

Investments in group companies and lending through ICDs: The Company being sub-classified as an investment and credit company (ICC) has largely invested through equity and debt in the sectors like real estate and financial services either through SPVs or through joint venture partners and also provides loans and advances to group companies and other companies largely towards real estate projects. As on September 30, 2022, the Company had investments of Rs.239.42 crore (March 31, 2022: Rs.222.69 crore) and loans and advances of Rs.486 crore (March 31, 2022: Rs.143 crore).
As on September 30, 2022, around 49% of CVL's investment book comprised exposure towards group companies in the form of equity and convertible debentures whereas around 29% of loans and advances were given to group companies by way of ICDs. ICDs to non-group companies stood at Rs.343.80 crore (March 31, 2022: Rs.55.12 crore) which are unsecured in nature and given to entities known to the promoters. Around 51% of CVL's investment book is in the form of listed equity shares/ MF units/ AIF and whereas around 71% of ICDs are given to non-group companies. The ICDs are generally for contractual maturities of up to 1 year with option to call back with a notice of up to seven days.
During FY22, CVL made a strategic investment of 5.12% stake in Vascon Engineers Limited, EPC and real estate development company, for a total consideration of Rs.25 crore during October 2021. CVL plans to appoint Vascon Engineers Limited as construction company for its upcoming projects in Mumbai region.
Company's investment in Kara Property Ventures LLP, which is through Partner's current account, has been making losses due as the projects in its JV exposures have seen slowdown in sales leading to CVL bearing losses during FY21, FY22 and 9MFY23. The group exited its investment of 50% stake (46% through CVL's own balance sheet) in Classic Mall Development Company Limited, which operates the Phoenix Market City Mall in Chennai. The Company had a Gross Stage 3 assets of 0.38% (March 31, 2022: 0.88%) and Nil Net Stage 3 assets (March 31, 2022: Nil) as on September 30, 2022.

Key weaknesses

Moderate resource profile with borrowings predominantly being from non-banking sources and ICDs: The borrowing profile of CVL comprises of term loans from a bank and an NBFC as on September 30, 2022. CVL also resorts to short term borrowings through unsecured ICDs from corporates and related parties for onward lending regularly. Its long-term borrowing is thus concentrated with two lenders. The Company is planning to raise funds by Non-Convertible Debentures (NCDs) in the near term thus diversifying its source of borrowing.

Volatility of income considering investment nature of business: The income profile of the company primarily comprises management fees, interest income on its lending activities and income from real estate and related activities is subject to vulnerabilities of the market. CVL, being an investment company, stability of income is dependent on performance of its subsidiaries and favourable market opportunities to liquidate its investments.

Industry risk owing to high exposure to real estate segment: CVL has exposure to real estate projects in its own book as well as majority of its investments (through equity and ICDs) are into real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the liquidity is highly dependent on the property markets and not have stable revenue generation and therefore there is risk of non-repayment of the ICDs. Although, the Company has a good track record of maintaining asset quality as they only lend to those who are known to the promoter group and have had past relationship with CVL, there is a risk as these companies are small, unrated and have limited source of financing. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and might depress the real estate market.

Liquidity: Adequate

CVL has a comfortable liquidity profile with positive cumulative mismatches in all the time buckets up to one year due to well-matched tenure of assets and liabilities as per standalone asset liability maturity (ALM) statement on December 31, 2022. Comfort can also be drawn from the significant investments in listed equity shares and mutual funds/alternative investment funds as on September 30, 2022. The company had cash and bank balance as on September 30, 2022 at Rs.27.34 crore.

Applicable criteria

Policy on default recognition
Financial Ratios - Financial Sector
Investment Holding Companies
Issuer Rating
Rating Outlook and Credit Watch
Non Banking Financial Companies

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Investment Company

Crest Ventures Limited (CVL) was incorporated in 1982 as "Sharyans Resources Limited". The Company made an Initial Public Offer (IPO) in 1983 on the Calcutta Stock Exchange. The Company shifted its registered office from Kolkata to Mumbai in 1996 and registered itself with the RBI as an NBFC in 2007, post which the name of the Company was changed to 'Crest Ventures Limited' in 2014. CVL is registered with the RBI as Non-deposit taking Systemically Important Non-Banking Financial Company (NBFC) and is classified as an 'Investment Company'.
The Company's total asset size during the FY 2021-22 (w.e.f. March 16, 2022) has increased above Rs.500 Crore as compared to previous financial year. This increase in total asset size of the Company has changed the classification of the Company from Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company to Non-Banking Financial Company- Systemically Important-Non-Deposit taking Company. Post the increase in the asset size, the prudential norms regarding the concentration of credit / investment under the Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 are applicable to the Company.
At present, the equity shares of the Company are listed on the NSE and BSE. The Company is a holding cum operating company operating under three verticals (i) Real Estate, (ii) Financial Services & (iii) Investments and Credit and is involved in the business of real estate development and investment. CVL and its subsidiaries taken together have a staff strength of approx. 200 employees as on December 31, 2022.

CVL Standalone

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total income	26.51	29.86	796.94
PAT	-20.21	-28.79	585.01
Total Assets	433.68	541.15	1,072.03
Net NPA (%)	Nil	Nil	Nil
ROTA (%)	-ve	-ve	NM

A: Audited, UA: Unaudited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: 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 along with Rating Outlook
Non-Convertible Debentures	Proposed	-	-	-	100.00	CARE BBB; Stable
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE BBB; Stable

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BBB; Stable	1)CARE BB+; Stable (26-Dec-22)	1)CARE BB+ (Is); Stable (22-Nov-21) 2)CARE BBB- (Is); Negative (08-Apr-21)	-	1)CARE BBB (Is); Stable (30-Mar-20) 2)CARE BBB (Is); Stable (11-Apr-19)
2	Debentures-Non Convertible Debentures	LT	100.00	CARE BBB; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities – Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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