

## Crest Ventures Limited

November 22, 2021

### Ratings

Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Issuer Rating	0.00	CARE BB+ (Is); Stable [Double B Plus (Issuer Rating); Outlook: Stable]	Revised from CARE BBB- (Is); Negative [Triple B Minus (Issuer Rating); Outlook: Negative]

*Details of instruments/facilities in Annexure-1*

*\*The rating is subject to the company maintaining overall gearing not exceeding 0.5 times*

### Detailed Rationale & Key Rating Drivers

The revision in the Issuer Rating of Crest Ventures Limited (CVL) factors in continued weakening in the financial risk profile with decline in income and impact on profitability during H1FY22 (refers to period from April 01 to September 30) with moderation in cash flows from its associate companies.

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

The rating continues to factor in the company's long track record of operations, experienced management team, healthy capitalization levels, moderate gearing levels and adequate liquidity profile of the company as the company has raised resources through Inter Corporate Deposits (ICD) on account of lower accruals.

### Key Rating Sensitivities

#### Positive Sensitivities

- Sustained improvement in profitability with ROTA of 1.50%
- Diversification of resources profile with reduced reliance on short term ICD

#### Negative Sensitivities

- Continued deterioration in profitability and income profile
- Delays in construction or sale of real estate project in portfolio
- Deterioration in liquidity from investments in real estate and other investments
- Sustained deterioration in asset quality of investment portfolio
- Deterioration in overall gearing below 0.50x

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### ***Weakening in financial risk profile with decline in income and deteriorating profitability***

During FY21, CVL saw decline of 64% in the service and license income (rental income) to Rs.4.58 Crore as compared to Rs.12.77 Crore for FY20. The rental income was impacted on account of decline in management fee from its associate company Classic Mall Development Company Limited (CMDCL) whose financial profile was impacted due to Covid-19 induced lockdown resulting in lower footfalls as well as extended moratorium benefits to its lessors in another commercial project which impacted the rental income as 30% of the occupants vacated the premise in Crest Mukta (commercial building) and the company also gave concessions and discounts due to pandemic situation.

The company has managed to reduce its operating cost by Rs.5 crore and also the provisioning cost was significantly lower as there were no defaults. Accordingly, CVL reported net loss of Rs.20.21 crore on a total income of Rs.26.51 crore on a standalone basis, as against Profit After Tax (PAT) of Rs.6 crore on a total income of Rs.35.01 crore. The loss was account of company's 50% share in loss from Kara Property Ventures LLP, which is JV with Kalpataru Group for developing One Crest Project, amounting to Rs.24.63 crore. The LLP has reported a loss due to impact of COVID-19 on number of sales and undercutting selling prices.

During H1FY22, CVL continued reporting loss due to loss from Kara Property Ventures LLP and recorded loss of Rs.11.29 crore on a total income of Rs.12.73 crore as against a loss of Rs.5.53 crore on a total income of Rs.13.34 crore for the same period in previous year.

On a consolidated basis, the company saw a de-growth of 70% in rental income, and 14% de-growth in brokerage income for FY21. The company recorded a loss of Rs.13.24 crore on a total income of Rs.54.89 crore in FY21, as against PAT of Rs.10.25 crore on a total income of Rs.67.58 crore in FY20. Inclusive of share of profit from

associates, the company earned a PAT of Rs.2.98 crore in FY21 as against Rs.45.19 crore in FY20. In H1FY22, the company reported consolidated loss of Rs.7.44 crore due to share of loss from Kara Property Ventures LLP on a total income of Rs.27.49 crore. Inclusive of profit from associates, the company reported PAT of Rs.6.78 crore for H1FY22 as compared to loss of Rs.0.30 crore.

***Moderate resource profile with borrowings being from non-banking sources and ICDs***

The Crest group has a limited resource profile with majority of the company's borrowings being in the form of inter-corporate deposits from corporates and related parties as the company actively reduces its long-term secured and unsecured loans from bank and financial institution. The proportion of ICD in borrowing mix has increased from nil as on March 31, 2019 to 55% as on September 30, 2021, indicating increased dependence on short-term finance.

***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. The company lends to its related parties and select external customers. 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 are into real estate sector which has inherent risk related to subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, government policies, etc. thereby resulting in stress on cash flows. Further, the real estate industry is highly cyclical in nature and has seen low demand for quite some time now primarily due to factors like demonetization, inflationary pressures due to implementation of GST and impact of COVID-19 and sustained moderate inflation which apart from keeping interest rates high, has adversely impacted the buying power and affordability for the consumers.

Company's rental income from Crest Mukta project were impacted during FY21 due to Covid-19 related rental concessions and higher vacancy.

**Key Rating 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.

The group has also been operating Crest Finserv Limited (earlier known as Tullett Prebon (India) Limited (TPIL)) as a joint venture with Prebon Holdings B.V. of Netherlands for over 19 years. CVL acquired Prebon Holdings BV's 48% stake in TPIL on July 25, 2018 making it a subsidiary and renamed the company as Crest Finserv Limited. CVL further acquired stake in Crest Finserv Limited in January 2019 leading to the subsidiary becoming wholly owned by CVL.

The company in Q4FY20 (refers to period from January to March) has acquired 21% stake in TBOF Foods Private Limited (TBOF) for a consideration of Rs.5 crore. TBOF is a newly incorporated company with interest in manufacturing and trading of dairy and organic products. The company has acquired 10% stake in CMS IT Services Private Limited, a leading system integration company, for a total consideration of Rs.6.47 crore during July 2021.

***Experienced management team***

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 having guided the group business in various verticals including joint ventures with leading International groups. Mr. Choraria has served as an Independent Director on the Board of several prominent companies and on the Executive Committee of BSE. The company also has set up a

professional management team for several business functions. Further, the investee companies of the group are managed by a team of professionals.

#### ***Moderate capitalization levels and low gearing levels***

CVL's capitalization levels remained comfortable in relation to the size of the business with tangible net worth of Rs.310 crore (standalone) and overall gearing of 0.37x as on March 31, 2021. The overall gearing has further declined to 0.39x as on September 30, 2021 as the tangible net worth has eroded to Rs.299.08 crore due to recurring losses.

The company has largely been investing in projects and ventures through equity and its debt consisted entirely of term loans from banks and financial institutions and Inter-corporate deposits. Being a non-systemically important investment company, capital adequacy norms are not applicable to CVL.

On a consolidated basis, the group's net worth stood at Rs.571 crore (March 31, 2020: Rs.561 crore) and consolidated debt of Rs.119 crore with overall gearing at 0.21x (March 31, 2020: 0.17x) as on March 31, 2021 and at 0.20x as on September 30, 2021.

#### ***Moderation in asset quality of investments***

The company being an investment company has largely invested 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 largely towards real estate projects. Majority of the investments continue to be in the real estate segment. As on March 31, 2021, the company had investments of Rs.208.13 crore (standalone), loans and advances in form of partner's current account to group company of Rs.113.48 crore and ICDs of Rs.43.26 crore. During FY21, the company had acquired 21% stake in TBOF Foods Private Limited in February 2020 and management indicated that the company has achieved operational break-even. In H1FY22, the company acquired ~10% stake in CMS IT Services Private Limited, a leading integration services company, for a total consideration of Rs.6.47 crore during July 2021 and 5.12% stake in Vascon Engineers Limited, real estate development company, for a total consideration of Rs.25 crore during October 2021 as 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 to as the projects in its JV exposures have seen slowdown in sales leading to CVL bearing heavy losses during FY21 and H1FY22 thereby impacting the financial position of the company.

Group's other major 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, has been performing well, helping the company break-even on consolidated basis but there have been no cash-flows supporting the same.

#### **Liquidity: Adequate**

The company's debt profile has changed significantly as the company has total borrowings of Rs.115.97 crore of which short term ICD borrowing now constitute more than 55%, as against previously when the company was largely funded by long-term loans from NBFCs and financial institutions.

In comparison, as part of its asset profile, the company has loan to related parties of Rs.95.50 crore which is Partner's Current Account of the company in its partnership – Kara Property Ventures LLP and short-term inter-corporate deposits (ICD) of Rs.61.97 crore with maturities up to 365 days and are callable on a short notice. The company had cash and bank balance as on September 30, 2021 at Rs.2.94 crore and quoted equity shares worth Rs.3.78 crore.

**Analytical approach:** CARE has analyzed 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.

#### **Applicable Criteria**

Rating Methodology - Non Banking Finance Companies (NBFCs)

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

CARE's Policy on Default Recognition

Financial ratios - Financial Sector

Rating Methodology: Notching by factoring linkages in Ratings

CARE's Issuer Rating

### About the 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. The company registered itself 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 a non-systemically important non-deposit accepting NBFC and is classified as an ‘Investment 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 had staff strength of 87 employees as on March 31, 2021.

The company has been involved in the development and management of real estate projects and is developing various premium residential and commercial properties in Mumbai, Kolkata, Chennai, and Raipur. Crest group has delivered projects of over 10 million sq. ft. across India.

CVL is also involved in financial services including wealth management and broking businesses. The company, through its subsidiary Crest Finserv Limited, operates as an inter-dealer broker primarily operating in the Wholesale Debt Markets, Foreign Exchange Markets, Interest Rate Swaps and Currency Options. As part of its Investment activities, the company invests in and builds up businesses. Crest group has, in the past, made investments in companies like Phoenix Market City – Pune, Fortune Financial Services Ltd (now ITIL), Link Intime, assisting the companies consolidate and grow their businesses and unlock the value of its investments in keeping with its long-term goals. The operating businesses are carried out by group entities with independent management teams.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (UA)
Total Income	35.01	26.51	12.73
PAT	6.00	(20.21)	(11.29)
Total Assets*	428.93	433.68	424.82
ROTA (%)	1.46	(4.69)	(5.26)

A: Audited, UA: Unaudited

\* Net of Intangible Assets and Deferred Tax Assets

Note: The calculations are as per CARE Rating’s calculation

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** N.A.

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE BB+ (Is); Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB+ (Is); Stable	1)CARE BBB- (Is); Negative (08-Apr-21)	-	1)CARE BBB (Is); Stable (30-Mar-20) 2)CARE BBB (Is); Stable (11-Apr-19)	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA****Annexure-4: Complexity level of various instruments rated for this company**

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

**Annexure 5: Bank Lender Details for this Company**

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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