

Crest Ventures Limited
March 30, 2020

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Issuer Rating	-	CARE BBB (Is); Stable [Triple B (Issuer Rating); Outlook: Stable]	Reaffirmed

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 Issuer Rating of Crest Ventures Limited (CVL) factors in the company's long track record of operations, experienced management team, healthy capitalization levels and low gearing levels. The rating also takes into account strong asset quality of the company's investments, and comfortable liquidity profile of the company. The rating is constrained by sector risk by way of exposure to real estate segment, moderate profitability, volatility of income from its investment book, and moderate resource profile of the company.

Key Rating Sensitivities**Positive Sensitivities**

- Sustained improvement in profitability
- Diversification of resources profile

Negative Sensitivities

- 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 profitability
- Deterioration in overall gearing below 0.45x

Detailed description of the key rating drivers**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.

In the past, CVL invested in companies like Fortune Financial Services Limited (now Investment Trust of India Limited (ITIL)), Sai Consulting Engineers Pvt Ltd, Intime Spectrum Share Registry Ltd and Inga Capital, as a measure towards consolidating and expanding its business. The group has also been operating 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 Ltd. CVL further acquired stake in Crest Finserv 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.

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.

Healthy capitalization levels and low gearing levels

During FY19 (refers to period from April 01 to March 31), the company had capital infusion of around Rs.54 crore through promoter dilution of shareholding to the extent of 8.42% shareholding through a Qualified Institutional Placement (QIP) resulting in the tangible net worth increasing to Rs.327 crore (standalone) (I-GAAP) and overall gearing of 0.19x as on March 31 2019.

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. Being a non-systemically important investment company, capital adequacy norms are not applicable to CVL.

Tangible net worth of the company increased to Rs.320.85 crore (unaudited) (as per Ind-AS) as on December 31, 2019 and overall gearing stood at 0.30x. CVL plans to raise incremental debt of around Rs.50 crore in the next two years and the company's standalone gearing levels are expected to remain under 0.50x till FY22. The company plans to deploy the incremental borrowings largely by way of providing inter-corporate deposits (ICDs) as part of its lending activities, along with investment in redevelopment projects which would be on CVL's own books. However, at any given point in time, the company plans to maintain a minimum amount of its borrowings outstanding in the form of ICDs which are recallable in nature. On a consolidated basis, the group's net worth stood at Rs.554.56 crore (March 31, 2019: Rs.526.61 crore) and consolidated debt of Rs.96.38 crore with overall gearing at 0.17x (March 31, 2019: 0.11x) as on December 31, 2019.

Strong 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. As on March 31, 2019, the company had investments of Rs.189.02 crore (standalone) [Rs.187.77 crore as on December 31, 2019], loans and advances to group companies of Rs.94.49 crore and ICDs of Rs.50.41 crore (out of which Rs.3.30 crore were to group companies).

In the past, CVL invested in companies like Fortune Financial Services Ltd. (now ITIL), Sai Consulting Engineers Pvt Ltd, Intime Spectrum Share Registry Ltd and Inga Capital, taking initiative to consolidate and expand the businesses. In keeping with the long term goals of the Company to unlock value from businesses that it builds /invests in, the Company decided to exit the companies, retaining only a minority stake in Fortune Financial Services (now ITIL). During FY18, CVL divested its entire stake of 5% in Phoenix Market City, Pune for Rs.47.50 crore. During FY19, CVL acquired complete control of its subsidiary company TPIL for a total consideration of Rs.4.52 crore and changed its name to Crest Finserv. In June 2018, the company sold its entire stake in Caladium Properties for Rs.1.93 crore. In June 2018, CVL sold its entire stake in Edelweiss Fund Advisors to Edelweiss Commodities Services for a consideration of Rs.0.12 crore. In April 2018, the company sold 2.86% of its stake in Tamarind Global Services, its associate company.

During FY20, the company sold its entire stake of 62% in Crest Wealth Management Private Limited to Dues Berg Bosson Financial Services Pvt. Ltd. for a consideration of Rs.3.32 crore, recording loss on sale of Rs.0.24 crore in Q2FY20 as the company's AUM portfolio declined by 8.5% and was running into losses and hence the company took a strategic decision to move out of PMS business. The sale was done to its indian partner at a marginal loss of Rs.24 lakhs. The company has recently acquired 21% stake in TBOF Foods Private Limited and management indicated that the company has achieved operational break-even.

Moderate liquidity profile

The company's debt profile consists entirely of long-term borrowings from banks and financial institutions. The company's borrowings as on March 31, 2019 stood at Rs.61.52 crore (standalone) [Rs.96.37 crore as on December 31, 2019], with tenure in the range of 5 years – 15 years. In comparison, as part of its asset profile, the company has loan to related parties of Rs.94.49 crore which is Partner's Current Account of the company in its partnership – Kara Property Ventures LLP and short-term inter-corporate deposits of Rs.50.41 crore which are generally for a period of 30 days – 365 days and are callable on a short notice.

Key Rating Weaknesses

Industry risk owing to high exposure to real estate segment

Majority of the exposures of CVL are to the 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 moderation in demand in recent time due to factors like demonetization, inflationary pressures due to implementation of Goods and Services Tax (GST) and sustained moderate inflation which apart from keeping interest rates high, has adversely impacted the buying power and affordability for the consumers.

Moderate profitability on the back of volatile income profile

During FY19, CVL reported PAT of Rs.7.93 crore on a total income of Rs.30.98 crore on a standalone basis, as against PAT of Rs.48.44 crore on a total income of Rs.71.82 crore. The increase in total income was on account of one-time gain on sale of investments of Rs.54.61 crore in FY18 on account of stake sale in Phoenix Market City Pune (gain of around Rs.46 crore) and partial stake sale in Fortune Financial Services (gain of Rs.8 crore). Adjusted for the gain on sale of investments, the company's income has grown significantly by 75.88% to Rs.30.27 crore in FY19. Adjusted for one-time gain on sale of investments, the company's PBT for FY18 would have been (Rs.0.02 crore) as against Rs.11.38 crore of PBT for FY19. During 9MFY20 (refers to period from April 01 to December 31), CVL reported PAT of Rs.4.08 crore on a total income of Rs.26.75 crore.

In FY19, on a consolidated basis, the company saw a growth of 108% in real estate and related services, 47% growth in interest income while its brokerage income registered a marginal dip of 4%. Adjusted for one time gain, the total income has increased by 26% while PBT has grown by 427%. The company earned PAT of Rs.6.45 crore on a total income of Rs.51.93 crore in FY19, as against PAT of Rs.50.06 crore on a total income of Rs.95.82 crore in FY18. Inclusive of share of profit from associates, the company earned a PAT of Rs.45.38 crore in FY19 as against Rs.94.73 crore in FY18. In 9MFY20, the company reported PAT of Rs.9.32 crore on a total income of Rs.50.82 crore (consolidated). Inclusive of profit from associates, the company reported PAT of Rs.38.74 crore.

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 which 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.

Moderate resource profile with borrowings being from non-banking sources

CVL's resource profile was moderate with majority of the company's borrowings being entirely in the form of long-term secured and unsecured loans from banks and financial institutions. Secured term loans are secured against vehicles, office building and some realty work-in-progress of the companies.

Liquidity: Adequate

The company's debt profile consists entirely of long-term borrowings from banks and financial institutions. As on December 31, 2019, the company had total debt of Rs.96.37 crore (standalone) and has repayment of Rs.6.47 crore during FY21 against which the company has projected accruals of around Rs.35 crore indicating adequate coverage. The company had short-term inter-corporate deposits (ICD) of Rs.50.41 crore with maturities up to 365 days and are callable on a short notice. The company's cash and bank balance as on December 31, 2019 stood at Rs.0.41 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](#)

[Criteria for assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios - Financial Sector](#)

[Rating Methodology: Factoring Linkages in 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 98 employees as on March 31, 2018.

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 asset management and broking businesses. The company, through its subsidiary Crest Finserv, 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.

In August, 2019, the company exited its investment in 'Crest Wealth Management Private Limited' which was into wealth management business. In February, 2020, the company invested Rs.5 crore for acquiring 21% stake in TBOF Foods Private Limited (TBOF) which is a newly incorporated company with interest in manufacturing and trading dairy and organic products.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total Income (net of share of loss in JV/ LLP)	71.82	30.27
PAT	48.44	7.93
Total Assets	341.86	400.03
ROTA (%)	15.42	2.14

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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 BBB (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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BBB (Is); Stable	1)CARE BBB (Is); Stable (11-Apr-19)	-	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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