

Crest Ventures Limited

April 11, 2019

Ratings

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

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 moderate 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. Profitability, project risk in the real estate portfolio, liquidity and asset quality are the key rating sensitivities.

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.

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

CVL's capitalization levels remained comfortable in relation to the size of the business with tangible net worth of Rs.264 crore (standalone) and overall gearing of 0.25x as on March 31, 2018. 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.325.31 crore (unaudited) as on December 31, 2018 and overall gearing stood at 0.23x. CVL plans to raise incremental debt of around Rs.125 crore in the next two years and the company has projected to keep overall gearing (standalone) of less than 0.50x till FY21 (refers to period from April 01 to March 31). 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 callable in nature. On a consolidated basis, the group's net worth stood at Rs.516.12 crore (March 31, 2018: Rs.430 crore) and consolidated debt of Rs.74.94 crore with overall gearing at 0.15x (March 31, 2018: 0.15x) as on December 31, 2018.

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, 2018, the company had investments of Rs.172.18 crore (standalone) [Rs.176.93 crore as on December 31, 2018], loans and advances to group companies of Rs.84.41 crore and ICDs of Rs.20.81 crore (out of which Rs.1.04 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.

CVL entered into a Share Purchase Agreement (SPA) on May 15, 2018 for acquiring a stake of 48% held by Prebon Holdings BV in TPIL, its Subsidiary Company at a total consideration of Rs.4.52 crores. Subsequent to the above acquisition, the equity holding of CVL in TPIL increased from 51.99% to 99.99%, and the company was named as Crest Finserv Ltd w.e.f. July 25, 2018. The company further increased its stake in Crest Finserv to 100% in January 2019. 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.

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, 2018 stood at Rs.64.98 crore (standalone) [Rs.74.60 crore as on December 31, 2018], with tenure in the range of 10 years – 15 years. In comparison, as part of its asset profile, the company has loan to related parties of Rs.84.41 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.20.81 crore which are generally for a period of 30 days – 365 days and are callable on a short notice. CVL also had liquid investments in mutual funds of Rs.1.36 crore and cash and bank balance of Rs.0.71 crore as on March 31, 2018.

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 FY18, CVL reported PAT of Rs.48.44 crore on a total income of Rs.71.82 crore on a standalone basis, as against PAT of Rs.3.32 crore on a total income of Rs.21.10 crore in FY17. 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 (now ITIL) (gain of Rs.8 crore). Adjusted for the gain on sale of investments, the company's income declined by 16.37% to Rs.17.21 crore. As a result of the gain, the company's PAT margin was higher at 67.44% as against 16.13% in FY17 and ROTA was at 15.42% (P.Y.: 1.23%) and RONW at 20.09% (P.Y.: 1.70%) in FY18. Adjusted for one-time gain on sale of investments, the company's PBT for FY18 would have been (Rs.0.02 crore). During 9MFY19, CVL reported PAT of Rs.6.25 crore on a total income of Rs.23.17 crore.

The company has a 50% shareholding in Classic Mall Development Company Ltd. for its Phoenix Market City, Crest Towers, Design Hotel and Club Crest projects in Chennai. In FY18, on a consolidated basis, the company saw a growth of 15% in income from brokerage and related services, while its rental income registered a marginal dip of 2%. Lead by the gain on sale of these investments, the company earned PAT of Rs.50.06 crore on a total income of Rs.96.24 crore in FY18, as against PAT of Rs.5.18 crore on a total income of Rs.49.07 crore in FY17. Considering the share of profit from associates, the company earned a PAT of Rs.94.73 crore in FY18 as against Rs.38.91 crore in FY17. In 9MFY19, the company reported PAT of Rs.4.63 crore on a total income of Rs.38.37 crore (consolidated). Considering the company's share of profit from associates, the company reported PAT of Rs.35.25 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.

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.

Liquidity Profile

The company's debt profile consists entirely of long-term borrowings from banks and financial institutions. As on December 31, 2018, the company had total debt of Rs.74.60 crore (standalone) and has repayment of Rs.6.48 crore during FY20 against which the company has projected accruals of around Rs.42 crore indicating adequate coverage. The company had short-term inter-corporate deposits (ICD) of Rs.20.81 crore with maturities up to 365 days and are callable on a short notice. CVL also had liquid investments in mutual funds of Rs.1.36 crore and cash and bank balance of Rs.0.71 crore as on March 31, 2018. The company's cash and bank balance as on December 31, 2018 stood at Rs.1.38 crore.

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. Crest Wealth Management, a SEBI registered portfolio management company, provides investment management services for family offices and high net worth individuals with a focus on superior risk-adjusted returns.

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)	FY17 (A)	FY18 (A)
Total Income	20.58	71.82
PAT	3.32	48.44
Total Assets	286.53	341.86
ROTA (%)	1.23	15.42

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

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	-

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