

## Real Value Ventures Private Limited

September 19, 2017

### Ratings

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Non-Convertible Debentures Issue I	140 (Rupees One hundred and forty crore only)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB- (Double B Minus)
Non-Convertible Debentures Issue II	29 (Rupees Twenty Nine crore only)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB- (Double B Minus)
Non-Convertible Debentures Issue III	27 (Rupees Twenty Seven crore only)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB- (Double B Minus)
Proposed Non-Convertible Debentures Issue IV	16 (Rupees Sixteen crore only)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned

*Details of instruments in Annexure-1*

### Detailed Rationale & Key Rating Drivers

*The revision in the rating assigned to the various Non-Convertible Debenture (NCD) issues of Real Value Ventures Private Limited (RVV) factors in delay in commencement of the proposed residential real estate project of the company mainly due to delays faced in land aggregation. Furthermore, the rating continues to be constrained by the nascent and pre-approval stage of the project and the associated implementation risk, high dependence on customer advances for execution and saleability risk of the units. The rating also takes into account the inherent cyclicity and intense competition associated with the real estate industry.*

*The rating, however, draws strength from the experience of the promoters, favourable location of the project and the group's established track record in the real estate sector.*

*Going forward, completion of land aggregation, timely commencement of the project post receipt of requisite approvals, execution of the project within the estimated timelines & costs and saleability of the units would be the key rating sensitivities.*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

***Delay in land aggregation, nascent stage of the project with approval risks, project implementation and associated risks***

The company is in negotiations with the land owners and the prolonged land acquisition process has significantly delayed the launch of the project from the earlier envisaged timelines. Any further delays in land acquisition and subsequent approval processes will be a key rating monitorable. In the phase I of the project, the company would develop 11.58 acres of land which would house 1200 units. The company is in the process of obtaining the requisite approvals for launch of the project. Any delay in approvals will delay the execution of the project and may result in higher interest costs which might affect the profitability of the project. The long gestation period on account of the size also exposes the company to the volatility in material and labour costs with the selling prices fixed upon booking.

#### ***High dependence on customer advances for execution of the project***

The land acquisition for the project is to be majorly funded through promoter's equity (Rs.45 crore) and debt. The company has raised about Rs.196 crore of debt via NCDS as on August 31, 2017. The company has a significantly high dependence on customer advances for the construction of the project and ability to ensure booking in a timely manner and collect the customer advances will be critical to the progress of the project and debt servicing.

#### ***Saleability risk***

In the first phase of the proposed project, the company plans to sell 1,200 units with an average area of 1050sq.ft. Though the group has sold many projects in the past, the current project of RVV has a high saleability risk with such high number of units at a single project location.

#### ***Inherent cyclicity and intense competition associated with the real estate industry***

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The real estate market in Chennai is highly fragmented with a large number of developers. The real estate industry in the city has also slow down in the recent past due to slow economic activity and demand has been subdued. The company also faces competition from number of projects of similar sizes within the vicinity.

**Key Rating Strengths****Experienced promoters**

The RV group is in the business of real estate development in Chennai since 1995 and has developed more than 2 million sq.ft of area spread over 30 residential projects across Chennai. At present, the group has 4 ongoing residential projects in Chennai with total area under development of 6 lsf.

**Favourable location of the project**

The project is located at Pallavaram, Chennai, off the Grand Southern Trunk (GST) road, in one of the upcoming micro markets of the city. The location is also near the Rajiv Gandhi IT Express way. The project location enjoys good connectivity to other parts of the city by Roadways, Railways and Airways.

**Analytical approach:**

Standalone

**Applicable Criteria**

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

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

[Financial ratios –Non-Financial Sector](#)

**About the Company**

RVV is a special purpose vehicle (SPV) formed by the Real Value Promoters (RV) group, to develop a real estate residential project at Pallavaram, Chennai. The RV group has over two decades experience developing various residential projects across Chennai. The group has developed & sold over 30 residential and 3 commercial projects aggregating to a total area of 20 lakh square feet (lsf).

The proposed project is expected to come up in two phases on an area of 30.25 acres with a mix of 2 BHK and 3 BHK flats. In the first phase the company plans to develop 11.58 acres at a cost of Rs.706 crore

**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](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.

**Analyst Contact:**

Name: Mr. Harihara Subramanian C

Tel: 044-2849 7811

Mobile: +91 97899 98514

Email: [harihara.subramanian@careratings.com](mailto:harihara.subramanian@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**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.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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
Debentures-Non Convertible Debentures	Sept, 2015	21.30%	Nov, 2019	140.00	CARE B+; Stable
Debentures-Non Convertible Debentures	Apr, 2016	21.30%	Nov, 2019	29.00	CARE B+; Stable
Debentures-Non Convertible Debentures	Oct, 2016	21.30%	May, 2020	27.00	CARE B+; Stable
Debentures-Proposed Non-Convertible Debentures	-	-	-	16.00	CARE B+; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	140.00	CARE B+; Stable	-	1)CARE BB-(19-Sep-16) 2)CARE BB-(06-Apr-16)	1)CARE BB-(15-Sep-15)	-
2.	Debentures-Non Convertible Debentures	LT	29.00	CARE B+; Stable	-	1)CARE BB-(19-Sep-16) 2)CARE BB-(06-Apr-16)	-	-
3.	Debentures-Non Convertible Debentures	LT	27.00	CARE B+; Stable	-	1)CARE BB-(19-Sep-16)	-	-
4.	Debentures- Proposed Non-Convertible Debentures	LT	16.00	CARE B+; Stable	-	-	-	-

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
 Cell: + 91 98190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
 Cell: + 91 98196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
 Cell: + 91 99675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
 Cell: + 91 98209 98779  
 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
 32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-9099028864  
 Tel: +91-79-4026 5656  
 E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
 304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 95490 33222  
 Tel: +91-141-402 0213 / 14  
 E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91 98407 54521  
 Tel: +91-80-4115 0445, 4165 4529  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.  
 Cell: +91-98319 67110  
 Tel: +91-33- 4018 1600  
 E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
 SCF No. 54-55,  
 First Floor, Phase 11,  
 Sector 65, Mohali - 160062  
 Chandigarh  
 Cell: +91 99888 05650  
 Tel: +91-172-5171 100 / 09  
 Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
 13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.  
 Cell: +91-98117 45677  
 Tel: +91-11-4533 3200  
 E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
 Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.  
 Cell: +91 98407 54521  
 Tel: +91-44-2849 7812 / 0811  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
 9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-98361 07331  
 Tel: +91-20- 4000 9000  
 E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
 T-3, 3rd Floor, Manchester Square  
 Puliakulam Road, Coimbatore - 641 037.  
 Tel: +91-422-4332399 / 4502399  
 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD**

**Mr. Ramesh Bob**  
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Cell : + 91 90520 00521  
 Tel: +91-40-4010 2030  
 E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)