

PVS Builders & Developers: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Term Loan	7.00	SMERA B+/ Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) to the abovementioned bank facility of PVS Builders & Developers (PVS). The outlook is '**Stable**'. The rating draws comfort from the firm's experienced management. However, the rating is constrained by the firm's exposure to project execution risk, moderate booking levels and customer advances. The rating notes that the firm is susceptible to cyclical and intense competition inherent in the real estate sector.

The Kerala-based PVS, a real estate firm established in 1991 is part of the Kerala Transport Company (KTC) group. It has undertaken construction of a residential building, PVS Green Valley at Kannur. PVS benefits from its experienced management. The partners of the firm have over two decades of experience in the real estate sector. Moreover, the firm has completed ~25 residential and commercial projects across the state.

However, with around 37 per cent of the construction work pending the firm is exposed to project execution risk. The project is expected to be completed by June 2017 at an estimated cost of Rs.17.06 crore, likely to be funded through customer advances of Rs.5.56 crore, bank borrowings of Rs.7.00 crore and promoters' funds of Rs.4.50 crore. PVS is thus highly dependent on external funding for the project.

The project has moderate booking levels with 41 units being booked as on date out of 69. The firm has received moderate customer advances of Rs.8.76 crore as against total expected sales proceeds of Rs.28.00 crore.

Rating Sensitivity Factors

- Completing the project on schedule
- Timely sale of units at envisaged price

Outlook: Stable

SMERA believes PVS will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in project execution or collection of booking money.

About the Project

PVS has undertaken construction of a four-storey residential building - 'PVS Green Valley' at Chala, Kannur. The proposed building with 69 apartments in three blocks received requisite approvals with construction having commenced in 2015. The project is expected to be completed by June 2017. PVS has sold 41 apartments as on July 31, 2016 and has received ~Rs.8.76 crore as customer advances.

About the Firm

The Kerala-based PVS, a real estate firm established in 1991 is part of the Kerala Transport Company (KTC) group. Promoted by Mr. P.V. Gangadharan, Sri. P.V. Nidhish and Smt. P.V. Hemalatha Chandran, the firm is engaged in the development of residential as well as commercial projects. It has completed 25 projects in Kerala.

For FY2015-16 (provisional), PVS reported profit after tax (PAT) of Rs.1.64 crore on operating income of Rs.10.32 crore, as compared with PAT of Rs.0.58 crore on operating income of Rs.13.29 crore in FY2014-15. The firm's net worth stood at Rs.8.30 crore as on March 31, 2016, as compared with Rs.7.79 crore a year earlier.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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