

Press Release

PVS Builders & Developers

24 November, 2017



Rating Downgraded

Total Bank Facilities Rated	7.00 Cr.
Long Term Rating	SMERA D (Downgraded from SMERA B+/Stable)

SMERA has downgraded the long term rating on the Rs. 7.00 crore bank facilities of PVS Builders and Developers (PVS) to **'SMERA D' (read as SMERA D)** from **'SMERA B+' (read as SMERA B plus)** .

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 commenced construction in 2015 and is expected to be completed by November 2017. PVS has sold 56 apartments as on October 31, 2017 and has received ~Rs.15.50 crore as customer advances.

About the rated entity:

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.

The rating downgrade is in view of the delay in debt servicing obligations observed in the firm for the last three months ended October, 2017.

List of Key Rating drivers

Strengths

Experienced promoters

The promoters of PVS have experience of over two decades in the development of residential and commercial property.

Moderate booking levels and customer advances

Out of the total 69 units, the firm has received bookings for 56 (~81% of total units) with the remaining expected to be booked over the near to medium term. The firm has collected customer advances of Rs. 15.50 crore out of total expected sales proceeds of Rs.24.20 crore from this project.

Weaknesses

Delay in debt servicing obligations

Delays in debt servicing obligations have been observed in the last three months with regards to payment of term loan principal and interest due to a stretched liquidity position of the firm and insufficient net cash accruals to repay the debt obligation. The net cash accruals are insufficient and stood at Rs. 1.87 crore in FY2017 (Provisional) as against the long term debt obligation of Rs. 6.45 crore in FY2017.

Risk of capital withdrawal

The financial risk profile is susceptible to the inherent risk of capital withdrawal considering the partnership constitution of the firm. Further, capital withdrawals are observed during FY2016-17 (Provisional) wherein the partner's capital stood at Rs. 6.57 crore as against Rs. 8.30 crore in FY2015-16.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of PVS to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

About the Rated Entity – Key Financials

In FY2016-17 (Provisional), the firm reported profit after tax (PAT) of Rs.1.71 crore on operating income of Rs.8.83 crore as against net profit of Rs.1.64 crore on operating income of Rs.10.32 crore in the previous year. The tangible net worth stood at Rs. 6.57 crore as on 31 March, 2017 as against Rs. 8.30 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
26-Aug, 2016	Term loan	Long Term	7.00	SMERA B+/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Term loan	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA D (Downgraded from SMERA B+/Stable)

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