

## Rating Rationale

### PVP Ventures Limited (PVPVL)

6 July 2018

Brickwork Ratings revises the rating to BWR D for the listed, rated, secured, redeemable Non-Convertible Debentures (NCDs) of Rs 195.00 Crs (INR One Hundred and Ninety Five Crores only) [Tranche A & Tranche B] with a tenure of 5 years of PVP Ventures Limited ('PVPVL' or 'the Company')

Brickwork Ratings revises the rating for PVP Ventures Limited (PVPVL)'s listed, rated, secured, redeemable Non-Convertible Debentures (NCDs) of Rs 195.00 Crs (INR One Hundred and Ninety Five Crores only) [Tranche A & Tranche B] with a tenure of 5 years as follows.

#### Particulars:

| Instrument                             | ISIN   | Issue Date    | Coupon | Maturity date | Amount (Rs Crs) | Rating (12 Mar 2018)  | Present Rating                               |
|--|--|---------------|--------|---------------|-----------------|---|--|
| Secured, rated, listed Redeemable NCDs | Tranche A<br>INE362A07021  | 27 June 2017  | 18% pa | 27-June-2022  | 38.60           | BWR BB<br>[Pronounced as BWR Double B]<br>(Outlook: Negative) | BWR D<br>[Pronounced as BWR D]<br>Downgraded |
| Secured, rated, listed Redeemable NCDs | Tranche B<br>INE362A07039  | 20 April 2018 | 18% pa | 31-Jan-2023   | 5.00            | BWR BB<br>[Pronounced as BWR Double B]<br>(Outlook: Negative) |  |
|  |  | 27 April 2018 |        |               | 27.90           |   |  |
|  |  | To be issued  |        |               | 123.50          |   |  |
| <b>Total</b>                           | <b>Rs 195.00* Crs [Rupees One Hundred and Ninety Five Crores Only]</b> |               |        |               |                 |   |  |

\*Note: Out of the rated NCD issue of Rs 195 Crs, Tranche A of Rs 38.60 Crs was raised on 27 June 2017; Out of the Tranche B issue size of Rs 156.40 Crs, the Company has raised Rs 5 Crs and Rs 27.90 Crs in two series on 20 April 2018 and 27 April 2018 respectively and the balance is expected to be raised in subsequent series.

^For definitions of the rating symbol please visit our website [www.brickworkratings.com](http://www.brickworkratings.com).

## **Rating downgraded from BWR BB (Negative) to BWR D**

### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financials upto FY18, debenture trustee feedback, publicly available information and information/clarifications provided by the Company's management.

The rating downgrade reflects delays in servicing of the NCDs by the Company due to its strained cash flow position. The company has delayed payment of the coupon as well as principal repayment due on June 30 2018 (as per terms of the Debenture Trust Deed) in respect of Tranche A of the rated Non-Convertible debentures. The company is currently in discussions with the debenture holders for extension of the time period for the first coupon/principal payment to 31<sup>st</sup> Dec 2018. However, consent of the debenture holders for reschedulement of the coupon and principal payment as requested by the company has not been obtained.

The company has witnessed significant deterioration in its business and credit profile over the past year. PVPVL continues to face delays in the progress of the ongoing residential North Town Project at Chennai as efforts to monetize its assets have not fructified within planned timelines. Financial performance during FY18 has further declined. As PVP Ventures Ltd is the holding company for the Hyderabad based PVP group, the strained overall liquidity position of the various group companies has impacted its credit profile. The statutory auditors of the company have reiterated their comments/qualifications on the non-repayment of loans by third parties for which certain assets of the company were offered as mortgage security, the existence of material uncertainty in recoverability of net carrying value of investments in its subsidiaries, material weaknesses identified in the operating effectiveness of the company's internal financial controls over financial reporting in determining carrying value of the company's investments in its subsidiaries and recoverability of loans to its subsidiaries. The auditors' comments on the erosion in the net worth of these subsidiary companies, their dependence on the holding company to continue as a going concern, absence of cash flows, delay in commencement of projects and other related factors reflect that there are strong possibilities of further diminution in these investments, leading to further weakening of the credit profile of the company. The rating, however, continues to factor the experienced management.

Going forward, the Company's ability to obtain reschedulement of the NCDs as proposed, generate sufficient cash flows to service the outstanding NCDs in a timely manner going forward, ensure sale of the remaining North Town project flats/row houses, develop and market the plotted layouts as envisaged, resolve the ongoing liquidity position of the group and address the issues raised by the statutory auditors, realise its investments in the group entities, strengthen its credit profile and manage its debt liabilities prudently would be the key rating sensitivities.

### **Analytical approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale)

### **About the Company**

Incorporated in January 1991 at Chennai, PVP Ventures Limited (PVPVL) is the holding company of the Hyderabad based PVP group, which has business interests in real estate, media & entertainment. The Group is engaged in developing urban infrastructure, movie production and movie financing related activities. PVPVL is listed on NSE and BSE. PVPVL has entered into a joint development agreement (“JDA”) with North Town Estates Pvt. Ltd. [a consortium of Unitech Ltd. & Arihans Foundations and Housing Ltd -“Developers”] on a revenue sharing basis to build an integrated township called “Northtown” at Perambur, Chennai. Presently, a project consisting of 33.5 acres of construction of 2396 Flats and 110 Row Houses, total valuing Rs 1200 Crs with PVP’s Share of ~ Rs 450 Crs, is underway. There were time overruns in completion of North Town Project, as the project was expected to be handed over in Dec 2015 and is now proposed to be completed by Dec 2018. Progress of the project is not as per planned timelines.

Mr Prasad V. Potluri is the Chairman & Managing Director. Mr. R. Nagarajan and Mr. N S Kumar are the Independent Directors.

### **Standalone Financial Performance**

At standalone level, income from operations declined to Rs 28.39 Crs in FY18 as against Rs 37.67 Crs in FY17 mainly due to sluggish progress of the North Town Project in Chennai. The Company has reported loss of Rs 0.40 Crs in FY18 as against PAT of Rs 20.67 Crs in FY17. Total debt stood at Rs 139.31 Crs as on March 31 2018. Tangible net worth of Rs 623.83 Crs as on March 31 2018 is invested mainly as Non-current investments in subsidiaries viz. Picturehouse Media Ltd, PVP Global Ventures Pvt Ltd, New Cyberabad City Projects Pvt Ltd, PVP Media Ventures Pvt Ltd and Blaster Sports Ventures Pvt Ltd. The Key Financial indicators are summarized in Annexure I.

### **Consolidated Financial Performance**

At consolidated level, income from operations declined to Rs 58.43 Crs in FY18 as against Rs 155.60 Crs in FY17. Consolidated revenue comprises of income from Real estate, income from movie rights & related activities, income from film financing activity, commission income and other operating income. The Company has reported net loss of Rs. 62.06 Crs in FY18 as against PAT of Rs 8.22 Crs in FY17 mainly on account of reduced operating income and higher interest & finance charges. Consolidated EBITDA is negative in FY18 [Rs (9.07) Crs], indicating strained liquidity position with EBITDA being insufficient to take care of large debt obligations of the group. Tangible net worth declined to Rs 222.10 Crs as on March 31 2018 as against Rs 284.10 Crs as on March 31 2017, due to the losses incurred by the various group entities. Consolidated debt stood at Rs 304.01 Crs as on March 31 2018. Key Financial indicators are summarized in Annexure II.

**For other details, please refer to our earlier Rating rationale:**

[Previous Rating Rationale](#)



Status of non-cooperation with other CRA: Not applicable

Any other information: Not applicable

Rating History for the last three years:

| Sl. No. | Instrument                          | Current Rating (2018) |   |  | Rating History  |                             |      |
|---------|-------------------------------------|-----------------------|---|--|---|-----------------------------|------|
|         |                                     | Tenure                | Amount (Rs Crs)   | Rating   | 12-Mar-2018 <sup>^</sup>                                  | 3-May-2017 <sup>^</sup>     | 2016 |
| 1       | Secured Rated Listed Redeemable NCD | 5 years               | 195.00<br>(1) Tranche A-Rs 38.60 Crs<br>[Raised ]<br>(2) Tranche B-Rs 32.90 Crs<br>raised out of 156.40 Crs | BWR D<br>Downgraded                                | BWR BB<br>Downgraded with revision in Outlook to Negative | BWR BBB-(Sable)<br>Assigned | -    |
|         | <b>Total</b>                        |                       | <b>195.00</b>   | <b>INR One Hundred and Ninety Five Crores Only</b> |   |                             |      |

<sup>^</sup>Amount rated: Rs 195 Crs

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Default Recognition and Post Default Curing Period](#)

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**PVP Ventures Limited**  
**Annexure I**

**Standalone- Key Financial Indicators**

| <b>Particulars</b>              | <b>31/Mar/2017</b> | <b>31/Mar/2018</b> |
|---------------------------------|--------------------|--------------------|
|                                 | <b>Audited</b>     | <b>Audited</b>     |
| Income from operations (Rs Crs) | 37.67              | 28.39              |
| EBITDA (Rs Crs)                 | 29.45              | 21.19              |
| PAT (Rs Crs)                    | 20.67              | (0.40)             |
| Total Debt (Rs Crs)             | 144.06             | 139.31             |
| Tangible Net Worth (Rs Crs)     | 624.22             | 623.83             |
| DSCR (Times)                    | 2.09               | 1.01               |
| Current Ratio (Times)           | 0.90               | 0.66               |

**PVP Ventures Limited**  
**Annexure II**

**Consolidated- Key Financial Indicators**

| <b>Particulars</b>              | <b>31/Mar/2017</b> | <b>31/Mar/2018</b> |
|---------------------------------|--------------------|--------------------|
|                                 | <b>Audited</b>     | <b>Audited</b>     |
| Income from operations (Rs Crs) | 155.60             | 58.43              |
| EBITDA (Rs Crs)                 | 44.63              | (9.07)             |
| PAT (Rs Crs)                    | 8.22               | (62.06)            |
| Total Debt (Rs Crs)             | 307.93             | 304.01             |
| Tangible Net Worth (Rs Crs)     | 284.10             | 222.10             |
| DSCR (Times)                    | 1.19               | (0.20)             |
| Current Ratio (Times)           | 2.21               | 2.04               |

**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.