

Crest Ventures Ltd.

(NSE : CREST) (BSE: 511413)

Date : 7-9-2018



CMP : 205

TP : 317

Buy

Stock Data

Sector : NBFC/Real Estate

CMP INR : 205

Target Price INR : 317

Recommendation : Buy

Stock DataBSE Code : 511413

Industry segment : NBFC/Real Estate

NSE Code : CREST

52 Week high/low (INR) : 297.5/140.1

Face Value (INR) : 10

Market Cap (INR Cr.) : 584

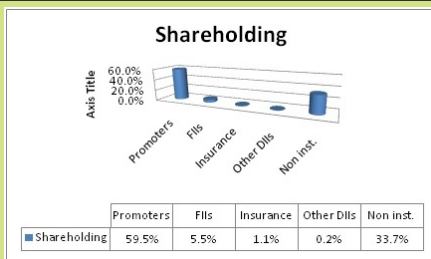
TTM EPS (INR) : 35.05

P/E Ratio : 5.85x

NBFC Industry P/E ratio : 41.05x

Real Estate Industry P/E ratio : 27.48x

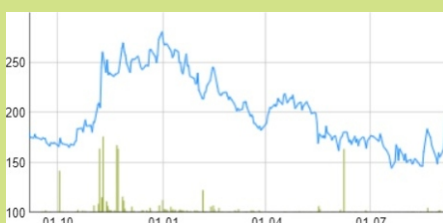
Shareholding Pattern (%)



Stock Performance (%)

	1M	6M	12M	24M
Absolute (%)	38.33	1.81	13.69	231.82

Price Chart :



We initiate coverage on Crest Ventures Ltd with a **Buy** rating. Crest Ventures Ltd is a diversified company having interest in real estate, financial services and investment & credit segment. Company's all verticals perform very well since last five years and strong performance remains continue in next 2-3 years.

Company background : The Company was formerly known as Sharyans Resources Limited and changed its name to Crest Ventures Limited in September 2014. It operates through its 6 subsidiaries, 5 associates companies and 1 joint venture company in three segments: Real Estate, Financial Services, and Investment and Credit. The company is involved in the development and management of various real estate properties, such as residential, commercial, and township properties. It also provides financial services, including intermediation services in government securities, non-government securities, interest rate derivatives, rupee options, currency forwards and wealth management services. The company provides its intermediation services to approximately 200 banks, institutions, mutual funds, primary dealers, corporates; mutual fund distribution services; and brokerage services in the derivative segment as well as offers derivatives desk dealing in interest rate swaps. It provides investment management services for family offices and high net worth individuals. Further, the company offers tours, meetings, incentives, conferencing, and exhibitions, events and online services.

Real estate segment: Company has successfully established its reputation by developing townships, large format retail properties, residential and commercial properties. Brief particulars of some of the developments are:

Crest Greens - Raipur

Crest Greens, situated in the heart of designated "Smart City" Raipur (Capital of Chhattisgarh) was conceived as a residential township project that cocoons you in greenery and at the same time provides world class infrastructure and clubhouse facilities. The first phase, built over an area of 38 acres (13.93 lacs sq. ft.), was completed in July, 2018. Phase I comprises of 276 units separated by planted green lanes and are interspersed amongst 280,000 sq. ft. of landscaped grounds.

Crest Towers and The Crest, Chennai

Crest Towers and The Crest constitute the residential components of the Phoenix Market City Complex at Velachery. The two together offer about half a million square feet of prime residential space. Of the total 161 apartments, 87% of the apartments have been sold and the company has taken a strategic decision to lease out the remaining apartments.

Phoenix Market City - Chennai (PMCC)

Among the largest shopping centres currently operational in the city of Chennai and spread over 2.5 million square feet, Phoenix Market City has become a landmark in the city of Chennai. This year marks the completion of 5 years of operations of PMCC. The Mall houses the boutique "Design Hotel" and the 35,000 square feet, members only "Club Crest" which includes a 100

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5 Year Financials :

INR Cr.	FY14	FY15	FY16	FY17	Fy18
INCOME	165.65	173.45	34.24	46.38	94.46
EBITDA	16.26	9.05	19.54	16.04	65.84
PBT	2.78	-0.58	9.96	6.07	56.53
PAT	-7.57	-5.09	11.35	5.18	50.06
Share in Profit of associates	18.59	27.68	25.85	33.74	44.68
Consolidated NP	10.15	22.33	37.19	38.08	94.01
EPS (Rs.)	5.84	12.85	21.41	14.62	36.08

Ratios

Particulars	FY14	FY15	FY16	FY17	Fy18
ROE	5.15	10.29	14.69	11.41	22.06
ROCE	4.08	9.45	11.48	9.41	18.67
EBITDA Margin	9.81	5.21	57.06	34.58	69.7
PBT Margin	1.63	-0.33	27.93	13.38	59.84
PAT Margin	-4.57	-2.93	33.15	11.16	52.99

Financials :

INR Cr.	Q1FY19	Q1FY18	YoY (%)	FY18	FY17	YoY (%)
Sales	10.35	9.66	7	94.46	46.38	104
Net profit	9.36	11.42	-18	94.01	38.08	147
EPS	3.35	4.38	-24	36.08	14.62	147

seater theatre for performing arts, restaurant, indoor games facility, juice bar and spa. The Mall generated a retail consumption of INR 10,750 Million in FY 18 with an average occupancy of 95%. The Mall clocked an average footfall of 1.31 million per month. Company has acquired additional stake of 4.16% in Classic Mall Development Company Pvt. Ltd. (CMD CPL). With this acquisition, company now owns 50% shareholding in this SPV. The shares were acquired for INR 57.50 Crores.

Palladium Mall - Chennai

Palladium started operations in December, 2017. Palladium is the latest addition to the mixed use project developed in Chennai. The luxury mall covering a retail space of about 215,000 square feet is designed to house around 78 internationally and nationally renowned retailers to cater to the shopping needs of Chennai. The mall has achieved 65% occupancy in the first three months of operations and an additional 15% of area is under fit outs. International Brands like H&M, Canali, Hugo Boss, Coach, Michael Kors, Paul & Shark and Starbucks are some of the major brands that are a part of the retailer mix. 1.8 million Footfalls averaged in the first three months of operations, indicate a highly exciting future for the Mall. Company expects Palladium to become fully leased by September, 2018.

One Crest - Chennai

“One Crest”, the premium residential project in Chennai is located in the upscale area of Nungambakkam. Despite the

- Company operates through its 6 subsidiaries, 5 associates and 1 joint venture company in three segments: Real Estate, Financial Services, and Investment and Credit.
- During Q1FY19, the Company completed issue and allotment of 23,95,000 equity shares of face value Rs.10 each at a price of Rs.229.50 each (including share premium of Rs.219.50 each) aggregating to Rs.5,496.53 Lakhs by way of preferential issue on a private placement basis.
- Company's EBITDA grew 64% CAGR while PAT grew 43% CAGR in last three years.

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comparatively depressed real estate scenario in this southern state, nearly 40% of total inventory has been sold. The project is expected to be completed by March, 2019.

Crest Mukta - Mumbai

This commercial property has a built up area of 100,000 Square Feet. Company continues to earn lease rentals. Some of the prominent tenants are Turner Group, Prime Focus, and Hardrock Cafe etc.

Phoenix Market City - Pune

During the year, company has successfully divested its 5% stake in this project for INR 47.50 crores thereby unlocking the value of investment for the company.

Financial Services, Credit and Investments segment:

Crest Finserv Limited (formerly known as Tullett Prebon (India) Limited), during the year has managed to maintain its market share (YoY) in Government Bonds though overall market volume decreased by around 20%.

Crest Wealth Management Private Limited ("Crest Wealth") has continued to expand its AUM. The AUM stands at INR 172.14 crores as compared to INR 150 crores in the previous year with an additional AUM of INR 150 crores contributed by the advisory arm, taking the total AUM size to INR 322.14 crores. With a strong management team, good distribution network and upbeat capital market scenario, Crest Wealth is well poised to achieve best returns for investors and eventually grow the asset under management. The Company has been able to break even during the current year.

Tamarind Global Services Private Limited ("Tamarind") is a focused destination and event management company.

Having a large global presence, the company operates under four verticals: Tours, MICE (Meetings, Incentives, Conferencing and Exhibitions), Events and Online. The company has a growing share in the MICE segment which is the upcoming segment in the Industry.

Strong financial performance: Company's EBITDA grew 64% CAGR while PAT grew 43% CAGR in last three years.

During FY18, its PAT zoomed 147% to Rs.94.01crore against Rs.38.08crore on income of Rs.94.46crore fetching an EPS of Rs.36.08. For Q1FY19, CREST posted income of Rs.10.35crore while its PAT stood to Rs.9.36crore fetching an EPS of Rs.3.35.

Outlook:

Real estate segment: Company has approximately 4.50 Lacs of FSI for development in the PMCC mixed used project at Chennai. Company is evaluating the options of using the FSI to develop as a commercial or residential property. In Phase II of its project at Raipur, company plans to develop the balance of 14 acres land available. In addition to developing own assets, company has also identified properties in metros like Mumbai and Kolkata and Tier II cities as potential areas for joint development.

Financial Services, Credit and Investments segment: The Company strives to improve its share in the industry and is building its brand with partnership based model to improve the advisory penetration. Building of a talented and dynamic team is the focus area for the company. Company intends to build its market share in the Debt Market segment and is currently focussing on developing the required pool of talent and experience along with developing technology based platforms needed to provide the expected levels of service in this competitive segment.

Valuation: AT CMP of Rs.205, the stock is trading at PE of 5.85x on its EPS (TTM) of Rs. 35.05 per share. The stock is available at a discount compared to NBFC industry PE of 41.05x and real estate industry PE of 27.48x. We are expecting revenue to increase by 10% and 15% in FY19E and FY20E respectively. PAT can rise ~20% in FY19E and FY20E. We are initiating CREST with a BUY rating at Rs. 205 with TP of Rs.317 (valuing at 8x its FY19E EPS). We are closely monitoring company's executions and will keep upgrading our forecasts on the basis of earnings.

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