

March 10, 2023

Foundations, Developers and Promoters: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term loan	3.06	7.70	[ICRA]B (Stable); reaffirmed
Long-term - Unallocated	11.94	7.30	[ICRA]B (Stable); reaffirmed
Total	15.00	15.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Foundations, Developers and Promoters (FDP) continues to factor in the extensive experience of the promoters spanning over two decades in the real estate industry and the firm's asset light policy with projects developed under joint development agreement (JDA)/joint venture (JV), limiting upfront capital requirement. Additionally, the favourable location of the projects in Mysore with good inter-city connectivity and proximity to commercial establishments near Dattagalli, Aregowdanahalli and Jettihundi, are expected to support its saleability.

The rating, however, continues to be constrained by the firm's modest scale of operations, which limits the operational and financial flexibility. The rating factors in the high market and execution risks in its ongoing projects, Bhagyashree, Siri and Flora, which are in the intermediate stages of construction with ~20% of sales booking as on date. Additionally, fund infusion or debt tie-up for the upcoming project, Project Silver Spring II and Dandakeri would be critical for timely execution of the same. The firm faces high geographical concentration risk with projects being undertaken in Mysore. Going forward, FDP's ability to achieve healthy sales and collection efficiency for its projects will be the key rating sensitivities.

The Stable outlook reflects ICRA's opinion that FDP will benefit from the extensive experience of its promoters in the real estate industry.

Key rating drivers and their description

Credit strengths

Extensive experience of promoter in real estate industry – FDP's partners have extensive experience of over two decades in the real estate industry and is actively involved in sales, finance, operations and marketing of the projects.

Asset light policy with projects developed under JDA/JV, which limits upfront capital requirement – The firm primarily focuses on developing projects, on a JV basis, with the landowners on a unit sharing basis. The same reduces the capital outlay towards investment on land.

Credit challenge

Modest scale of operations – FDP's scale of operations remained modest over the last few years. The firm achieved an operating income (OI) of ~Rs. 3.4 crore in FY2022. At present, it is executing three projects Bhagyashree, Siri and Flora.

High market and execution risks for ongoing project and upcoming projects; delay in planned projects – The firm faces high execution and market risks for its ongoing projects Bhagyashree, Siri and Flora, which are in intermediate stages of construction

with ~20% of sales booking as on date. Additionally, fund infusion or debt tie-up for the upcoming project, Project Silver Spring II and Dandakeri would be critical for timely execution of the projects. Project Silver Spring II was initially planned to start construction in FY2022. Due to pending legalities, the project has been delayed and is expected to be launched in FY2024.

Concentration risks arising from presence only in Mysore – The firm has presence only in Mysore, which exposes it to geographical concentration risk. Any adverse development in the region can impact the execution and sales levels of its projects.

Liquidity position: Stretched

FDP's liquidity is expected to be stretched. The firm had Rs. 0.2 crore of cash and equivalents as on January 31, 2023. Further, the committed receivables can cover ~19% of the pending cost and debt outstanding. However, some comfort can be taken from the unsold inventory in the ongoing projects and undrawn bank lines of Rs. 1.5 crore.

Rating sensitivities

Positive factors – ICRA could upgrade FDP's rating if there is an improvement in its scale of operations and profitability. ICRA could upgrade the rating if the sales and collections from its upcoming projects are healthy on a sustained basis.

Negative factors – ICRA could downgrade FDP's rating if cash flow from operations is lower than expected because of subdued booking levels in the ongoing and new projects, or if there is any significant delay in completion of the projects leading to weakening of liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for real-estate entities
Parent/group support	Not applicable
Consolidation/standalone	Standalone

About the company

Foundations, Developers and Promoters (FDP) was established in 2006 as a partnership firm. The partners of FDP floated a company in 2010 named FN Infrastructures Pvt Ltd. (FNIPL) with Mr. N. S. Muralidhara as the Managing Director. The firm, primarily based in Mysore, has developed more than 8 lakh square feet of area with ten successful completed projects.

Key financial indicators

FDP Standalone	FY2021 (Audited)	FY2022 (Audited)
Operating income (Rs. crore)	7.2	3.4
PAT (Rs. crore)	0.2	0.01
OPBDIT/OI (%)	11.9%	3.0%
PAT/OI (%)	3.3%	1.1%
Total outside liabilities/Tangible net worth (times)	5.9	7.0
Total debt/OPBDIT (times)	6.6	85.6
Interest coverage (times)	1.3	0.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on January 31, 2023 (Rs. crore)	Date & Rating on	FY2022	FY2021	FY2020
				March 10, 2023	December 28, 2021	September 18, 2020	-
1 Term loans	Long-term	7.7	6.2	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable)	-
2 Unallocated	Long-term	7.3	-	[ICRA]B (Stable)	[ICRA]B (Stable)	[ICRA]B (Stable)	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based – Term loans	Simple
Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2022	-	FY25/FY26	7.7	[ICRA]B (Stable)
NA	Unallocated limits		-	-	7.3	[ICRA]B (Stable)

Source: FDP and ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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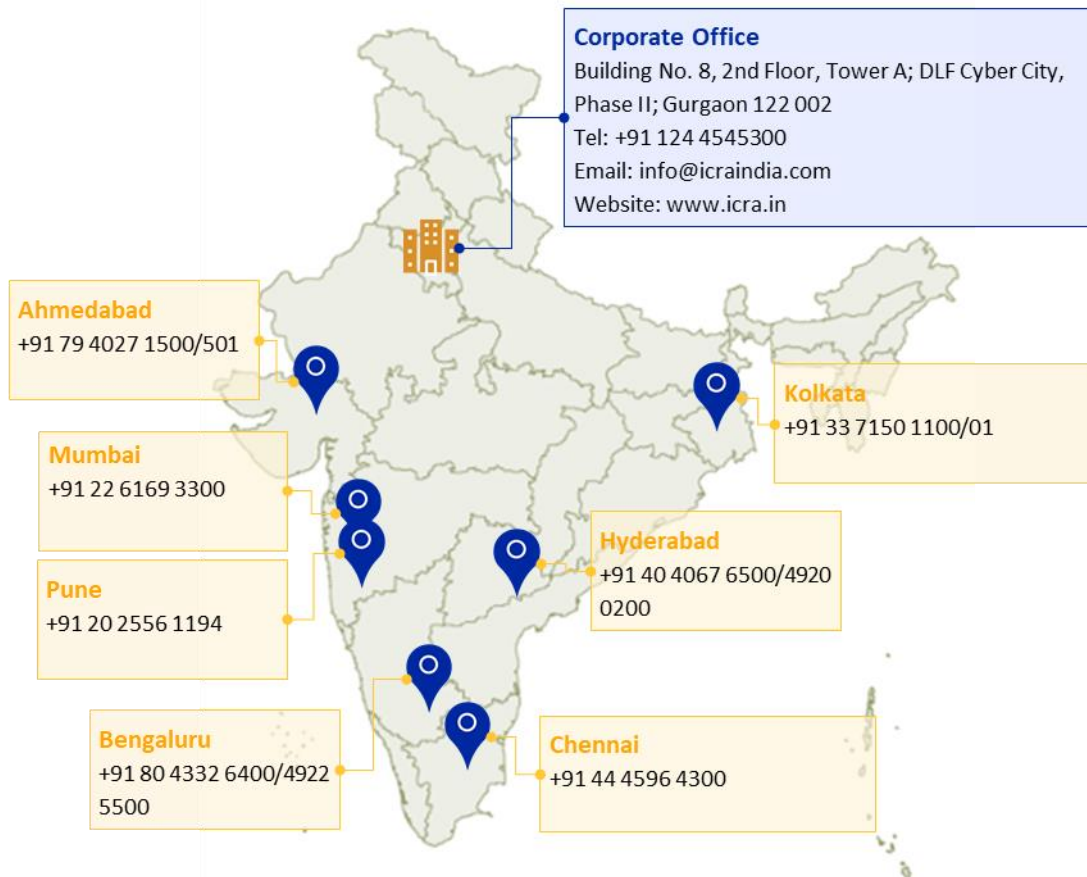
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