

Favourite Constructions Private Limited

August 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	57.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.38	CARE A4; ISSUER NOT COOPERATING*	Revised from CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Favourite Constructions Private Limited (FCPL) to monitor the ratings vide e-mail communications dated June 17, 2024, August 01, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Favourite Constructions Private Limited's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of FCPL has been revised and migrated to Issuer Non Cooperating category on account of non-availability of requisite information due to non-cooperation with CARE Ratings Ltd.'s (CARE Ratings) efforts to undertake a review of the rating outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. The ratings are constrained by geographic concentration of projects in Kerala, Early stages of construction for majority of projects which are exposed to the project implementation risk, relatively moderate profitability margins which are susceptible to competitive nature and inherent cyclicity associated with of the real estate sector. The ratings however derive strength from experienced promoters and established track record of the company for nearly two decades, Consistent growth in scale of operations over the past years and comfortable capital structure.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on December 26, 2023 the following were the rating strengths and weaknesses.

Key weaknesses

Project implementation risk

As on June 30, 2023, FCPL was executing seven projects in the city of Trivandrum with total saleable area of 8.21 lakh sq ft at the total cost of Rs.345 crore funded by term debt of Rs.66 crore, customer advances of Rs.247 crore and rest by promoter funds. and rest by customer. As on June 30, 2023, the company had incurred 37.12% of total cost (30.8% in April 2023). 70% of current projects were started in FY23. The percentage of pending receivables from sold units to balance debt and construction cost stood at 41.22% as on June 30, 2023. The construction is still in the early stages which exposes SHPL to project implementation risk. Further, considering the gestation period of around 3-4 years for the completion, any volatility in the raw material prices will impact the cost of the project.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

Geographical concentration of projects largely confined in Trivandrum region

Though the company have long track record of operations, the scale of operations as are largely confined in the regions of Kerala. As on June 30, 2023, there are seven on-going projects which are all situated in Trivandrum which could limit its market presence, which exposes to risks associated with the micro market and socio-political changes. Any adverse movement in the regional real estate market can impact the overall operations of the company. The ability of the company to expand its operations to other regions within and outside Kerala is to be seen. The company has plans to enter into other locations such as Kochi and Bangalore in the near term.

Exposed to inherent risks associated with the real estate industry

The company is exposed to the cyclical nature associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market. Further the real estate market in Kerala is highly fragmented due to which the company faces intense competition from many mid and large sized developers. However, the long track record of operations, significant experience of the promoter in the real estate industry and presence in a niche segment partly mitigates the risk associated with inherent cyclical nature and competition. In order to have competitive advantage over the other players, FCPL incurs high marketing and sales promotion expenses and the PBILDT margins have been relatively moderate in the range of 5.00-6.40% over the past three years ended FY23.

Key Strengths

Experienced promoters with long track record of operations

Established in 2001, FCPL has an operational track record of two decades. Its operations are overseen by its Chairman and Managing Director, Mr. Martin Thomas Ezekiel. Mr. Martin Thomas completed his graduation in law and business administration started his career as company secretary in an IT company later entered real estate sector and incorporated FCPL in 2001. He has more than two decades of experience in the real estate sector. Mr. Martin Thomas is also an Associate Member of The Institute of Company Secretaries of India and an intermediate of The Institute of Cost Accountants of India. His extensive industry knowledge, backed by vast experience, enabled in timely completion and handover of projects in the past. FCPL has completed 40 residential projects with 30 lsf in past and as on June 30, 2023. FCPL is executing seven projects in the city of Trivandrum.

Consistent growth in scale of operations with satisfactory collection efficiency

The scale of operations of the company had consistently grown over the years from Rs.44.32 crore in FY19 to Rs.109.8 crore in FY23 on the back of increased execution of projects. The collection efficiency (advances received against invoices) remained comfortable at 88.08% over the past 6 quarters ended Q1FY24. The tenure of the projects undertaken by FCPL ranges around 3 years. As on June 30, 2023, 54% of total units were sold.

Comfortable capital structure with low reliance on external debt

The reliance on debt for the projects is low at around 20% of total project cost. The company also pays the debt obligations well in advance before the scheduled repayment with surplus customer advances. The capital structure of the company stood comfortable with overall gearing of 1.50 (PY: 1.18) as on March 31, 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks

Not Applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating methodology for Real estate sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Favourite Constructions Private Limited (FCPL) was incorporated in 2005 in Trivandrum, Kerala. The company is engaged in development of residential real estate projects of luxury villas, 2&3 BHK luxury apartments primarily in Trivandrum and currently the company are also planning to launch new projects in Kochi and Bangalore. The company is managed by Mr. Martin Thomas Ezekiel (Managing Director) and his father-in-law Mr.Shimy S Raj who holds 95% and 5% of shares respectively. Mr. Martin Thomas Ezekiel was also part of the board of Favourite Lifestyles Private Limited (FLPL) which undertakes interior designing and home decors for FCPL.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	88.03	96.33	109.80
PBILDT	5.60	4.85	5.88
PAT	2.59	2.27	1.28
Overall gearing (times)	0.47	1.18	1.50
Interest coverage (times)	3.71	4.54	1.77

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working capital Term Loan		-	-	March 2026	57.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft		-	-	-	2.38	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working capital Term Loan	LT	57.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (26-Dec-23)	-	-
2	Fund-based - ST-Bank Overdraft	ST	2.38	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (26-Dec-23)	-	-

*Issuer did not cooperate; based on best available information.

* LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working capital Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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Disclaimer:

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