

August 7, 2008

**CARE ASSIGNS 'PR1' RATING TO STD PROGRAMME
KOLTE PATIL DEVELOPERS LTD**

CARE has assigned '**PR 1' (PR One)** rating to the STD (short term debt) issue of Kolte Patil Developers Ltd. (KPD) aggregating Rs 50 crore and maturity up to one year. Instruments with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk. Within this category, instruments with relatively better credit characteristics are assigned PR1+ rating.

The rating derives strength from experienced promoters, company's track record in execution of real estate project and comfortable gearing. The ratings are constrained by relatively small size of operations, high concentration of past and ongoing projects in Pune, majority of growth in past coming from sale of land to related parties and risks associated with real estate development.

Further the rating factors in the future commitment of the company to provide financial support to its subsidiaries and associated entities for real estate projects.

Company was originally incorporated as a private limited company in the name of Kolte-Patil Developers Private Limited, on November 25, 1991, in Jalgaon by Mr Rajesh Patil and Mr. Milind Kolte. The Company has been accredited in with an ISO 9001 (2000 series) certification since May 2002. In 2006 KPD received the Government of Maharashtra's First Prize for "Best IT Infrastructure in the State of Maharashtra" for its GigaSpace IT Park project in Viman Nagar, Pune. KPD has major presence in Pune and few projects in Bangalore.

As of September 30, 2007, KPD in its standalone capacity have developed and constructed 19 projects, including 16 in Pune and three in Bangalore, covering a total of approximately 2.88 million square feet of saleable area. KPD's sales has been highly concentrated in the city of Pune, with balance sales coming from Bangalore. Following table gives city wise break-up of sales for last four years.

(in percentage)

Location / Year	2004-05	2005-06	2006-07	2007-08
Pune	92.5	61.6	88.7	92.1
Bangalore	7.5	38.4	11.3	7.9
Total	100	100	100	100

Currently company is developing some of the projects on standalone basis and some under Joint venture with JV partner being some private equity, financial institution or entities related to it. . All of these projects are expected to be funded through mix of advances from prospective buyers, term loans and equity with major portion coming from advances from customers and term loans from banks. Any delay in securing the prospective buyer or term loan may delay the project execution work and hence future cash flows from the project.

Total income of KPDL posted growth of 60% in FY08 mainly driven by the sale of land to subsidiaries/JVs worth Rs. 158 crore contributing 43% of total income. PAT margins remained unchanged at around 33% during FY07 and FY08. Equity share capital of the company increased in FY07 on account of bonus issue of 219.02 lakh shares and rights issue of 343.47 lakh shares at a premium of Rs 15.28 per share. During FY08 KPDL came out with an IPO raising Rs. 275.77 crores from an issue of 190.6 lakh equity shares at a share premium of Rs 135/- per share. During FY08, gearing levels of the company are below unity on account of the increase in networth levels led by IPO proceeds for the year. Enhanced profitability levels accompanied by decline in the financial charges resulted in improved interest coverage ratio for KPDL for FY08.

KPDL's major investments are into JVs, subsidiaries and associated entities in real estate business. Investments in JVs and subsidiaries increased to Rs. 347 crore as on March 31, 2008 from Rs. 181 crore as on March 31, 2007. Majority of these projects in construction phase and KPDL is expected to provide financial support for them in future.

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