

March 31, 2010

CARE ASSIGNS 'IPO GRADE 3' TO THE PROPOSED IPO OF PRESTIGE ESTATES PROJECTS LTD.

CARE has assigned a '**CARE IPO Grade 3**' to the proposed Initial Public Offering (IPO) of Prestige Estates Projects Ltd. (PEPL). 'CARE IPO Grade 3' indicates **average fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.

PEPL proposes an IPO of equity shares of face value of Rs.10 each aggregating Rs.1,200 crore, for which the price band is yet to be decided.

Instrument	Grading
IPO Grade	'CARE IPO Grade 3'

Grading Rationale

The grading derives strength from experienced promoters and management, long track record of operations, PEPL's diversified portfolio of real estate projects, strong brand image of the group, its huge land bank, high booking in case of residential projects and a strong client base in case of commercial projects.

The grading is however constrained by geographic concentration risk as most projects are in Bangalore, decline in revenue in FY09 and the company's high exposure to subsidiary and associate companies as well as the auditor's qualifications in FY09 annual report. The grading also factors in the moderate outlook of the real estate industry, which faced severe downturn recently and is yet to see complete revival.

PEPL's ability to diversify geographically will be critical to sustain its growth in the business. In addition to this, PEPL's ability to maintain high bookings in case of residential projects and improve the bookings in case of commercial projects, improve margins, expand land reserves and complete the various ongoing projects on time will be the key determinants of the company's long term fundamentals.

Company Profile

PEPL was founded by Mr. Late S. Razack, Mr. Irfan Razack, Mr. Rezwan Razack and Mr. Noaman Razack in 1986. It has a diversified portfolio of real estate projects with focus on projects in the residential, commercial, hospitality and retail segments of the real estate industry. Most of PEPL's projects are in Bangalore. It also has a small presence in other regions of South India like Chennai, Hyderabad, Cochin, Mysore and Mangalore.

As on September 30, 2009, PEPL has completed construction of 27.09 million sq. ft. of developable area across the residential, commercial, hospitality and retail segments in Bangalore. PEPL has the reputation of developing some of the most identifiable landmarks in Bangalore.

During FY09, total income of PEPL declined by 7% to Rs.856 cr on account of the slowdown in the real estate sector. However, PBDIT margin increased substantially to 29% in FY09 from 14% in FY08 on account of decline in prices of steel and cement. The company earned a PAT of Rs.71 cr in FY09. The overall gearing ratio was 2.12x as on March 31, 2009.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

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