

August 22, 2008

**CARE REVISES THE RATING ASSIGNED TO STD/CP OF
PARSVNATH DEVELOPERS LTD. & WITHDRAWN THE RATING OF STD ISSUE**

CARE has downgraded the ratings assigned to the short term debt (STD)/commercial paper (CP) for an outstanding of Rs 50 cr '**PR1 [PR One]**' to '**PR2+ [PR two plus]**'. Instruments with this rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to instruments rated higher.

Further, CARE has also withdrawn the PR1 [PR One] rating to the short term debt programme of Rs 150 cr. The withdrawal is based on the redemption of the issue in full.

The rating revision takes into account relative increase in the financial risk profile of the company characterized by higher debt obligations and committed land payments coupled with increase in financial leverage. The rating also factors in change in the outlook of real estate sector arising from factors like increase in interest rates & cost of construction which may impede the industry growth rates and influence the cash flows of players. The rating continues to draw support from promoter's experience in the construction and real estate sector, established brand, current land bank for development of ongoing projects and pan India presence. Going forward, company's ability to maintain consistency in revenue and profitability growth, effective execution and timely delivery of projects in the light of large inventory and general slowdown faced by the industry shall be the key rating sensitivities.

Parsvnath Developers Ltd (PDL) was promoted by Mr. Pradeep Kumar Jain, the present Chairman of the company in 1990. The board consists of the family members and independent professionals. The day to day working of the company is managed by the family members who are ably assisted by a team of experienced professionals.

The business operations of the company mainly comprise real estate development and construction. Over the years real estate business has become major revenue earner. Income from construction formed only a small portion of the total operational income.

Currently, company has land bank across the country with total developable area of close to 211 mn sqft, up from 153 mn sqft in 2007, with area under construction of about 77 mn sqft. Company's extent of work includes development across all verticals including residential, commercial, institutional and SEZs. The revenue profile is a mix of sale, lease, rental income and joint venture income from the projects. Company has also ventured into other related business areas like hotel, retail and has incorporated subsidiary companies for the same.

The prevailing scenario of high interest rates, tightening of fund flow to the sector and inflationary pressure has posed challenge before the company to ensure effective and efficient delivery of its projects. The risk is augmented in light of considerable size of deliverable inventory and nature & quantum of near term financial obligations and commitments of the company.

PDL like many of its peers applies the percentage of completion method for revenue recognition. Total consolidated operational income of the company for FY08 stood at Rs.1837 cr with PBILDT and PAT at Rs. 681 cr and Rs.425 cr respectively. With relatively higher growth in debt levels, overall gearing stood at 0.96x as on Mar.31, 2008.

Analyst Contact Swati Agrawal
Tel # (011) 2331 8701
Mobile # 0 98117 45677
Email:swati.agrawal@careratings.com

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, 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. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.