Rating Rationale

CRISIL RATINGS

January 24, 2014
Mumbai

Kolte-Patil Developers Ltd

'CRISIL A+/Stable' assigned to bank debt & NCD issue

Total Bank Loan Facilities Rated	**Rs.2000 Million**
Long Term Rating	**CRISIL A+/Stable (Assigned)**

(Refer to Annexure 1 for Facility-wise details)

Rs. 1000 Million Non Convertible Debentures	**CRISIL A+/Stable(Assigned)**

CRISIL has assigned its **'CRISIL A+/Stable'** rating to the long-term bank facilities and non-convertible debentures of Kolte-Patil Developers Ltd (KPDL).

The rating reflects KPDL's strong brand and established position in the Pune (Maharashtra) real estate market, the rating also factors in the company's healthy financial risk profile, marked by comfortable capital structure and debt protection metrics. These rating strengths are partially offset by the geographical concentration in KPDL's revenue and exposure to risks and cyclicality inherent in the real estate sector.

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of KPDL along with all its subsidiaries in which it has a majority stake. The associate companies, where KPDL has a minority stake, have been consolidated to the extent of KPDL's economic interest in these associate companies.

KPDL has a strong market position in the Pune real estate market, as reflected in its established track record in real estate projects and its strong brand. As on September 30, 2013, KPDL has executed over 7.5 million square feet (msf) of projects and has around 14.0 msf of residential projects under construction. A large number of projects across segments have helped KPDL maintain healthy bookings, as reflected in sales of around 6.4 msf of residential space in the past 10 quarters. In addition to its presence in the Pune real estate market, the company also has around 0.7 msf of projects in Bengaluru (Karnataka) and is also planning to make a foray into the Mumbai (Maharashtra) residential real estate market through society redevelopment route. CRISIL believes that KPDL will maintain its position in the real estate market over the medium term.

KPDL has a healthy financial risk profile, marked by a net worth of Rs.9.0 billion which, along with low debt level of Rs.1.4 billion, has resulted in gearing of 0.16 times as on March 31, 2013. The rating also factors in KPDL's policy of maintaining net debt-equity ratio of around 0.3 times. The debt protection metrics also remain comfortable, with interest coverage and net cash accruals to total debt ratios of 5.3 times and 70 per cent, respectively, in 2012-13 (refers to financial year, April 1 to March 31). However, the debt level is expected to increase moderately in the near term as a result of additional debt for land acquisition and foray into newer markets, which will require additional investments. CRISIL believes that given the current low debt level and expectation of steady accruals, KPDL's overall financial risk profile will remain healthy over the medium term.

KPDL's overall business risk profile is, however, constrained due to concentration of majority of its revenue in the Pune market. While KPDL plans to expand its position in the Bengaluru and Mumbai markets over the next three to five years, dependence on the Pune market will remain high over the medium term. CRISIL believes that large dependence on a single market may have an impact on KPDL's revenue in case there is any significant demand slowdown or oversupply in that market. KPDL is also exposed to risks and cyclicality inherent in the real estate sector, which could result in fluctuations in cash flows owing to volatility in both saleability and realisations.

Outlook: Stable
CRISIL believes that KPDL will maintain its business and financial risk profiles over the medium term, driven by its strong brand and established market position. The outlook may be revised to 'Positive' in case of geographical diversification of revenue and higher-than-expected bookings of its ongoing and upcoming residential projects, leading to improvement in operating cash flow. Conversely, the outlook may be revised to 'Negative' if there is a sharp decline in the company's revenue and profitability, triggered by slackened saleability of its existing and proposed projects or larger-than-expected borrowings.

About the Company
KPDL, along with its subsidiaries and associate companies, is one of the largest residential real estate developers in the Pune real estate market. The company has a healthy project portfolio across residential segments, and is expanding its presence in the Bengaluru and Mumbai markets. The company was incorporated in 1989 and is promoted by Mr. Rajesh Patil, along with his brother, Mr. Naresh Patil, and brother-in-law, Mr. Milind Kolte.

For 2012-13, KPDL reported, on a consolidated basis, a profit after tax (PAT) of Rs.1.24 billion on an operating income of Rs.7.19 billion; the company reported a PAT of Rs 0.36 billion on an operating income of Rs 2.37 billion for 2011-12.

For the six months ended September 30, 2013, KPDL reported a net profit of Rs.717 million on net sales of Rs.4 05 million, vis-Ã -vis a net profit of Rs.345 million on net sales of Rs.2.92 million for the corresponding

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period of the previous year.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Million)**	**Rating**	**Facility**	**Amount (Rs.Million)**	**Rating**
Term Loan	**976.1**	**CRISIL A+/Stable**	--	**0**	--
Proposed Long Term Bank Loan Facility	**203.9**	**CRISIL A+/Stable**	--	**0**	--
Overdraft Facility	**40**	**CRISIL A+/Stable**	--	**0**	--
Cash Credit	**680**	**CRISIL A+/Stable**	--	**0**	--
Mortgage Loan Facility	**100**	**CRISIL A+/Stable**	--	**0**	--
Total	**2000**	--	**Total**	**0**	--

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programme with issuers, investors and regulators to maintain a high level of transparency regarding our rating criteria and to disseminate our analytical insights and knowledge.

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CRISIL has revised its rating symbols and definitions with effect from July 11, 2011 to comply with the SEBI circular, 'Standardisation of Rating Symbols and Definitions'. The revised rating symbols carry the prefix, 'CRISIL'. The rating symbols for short-term instruments have been revised to 'CRISIL A1', 'CRISIL A2','CRISIL A3','CRISIL A4', and 'CRISIL D' from the earlier 'P1','P2','P3','P4', and 'P5', respectively. The revision in the rating symbols and definitions is not to be construed as a change in the ratings. For details on revised rating symbols and definitions, please refer to the document, 'Revision of Rating Symbols and Definitions', at the link, **http://www.crisil.com/ratings/credit-rating-scale.html**

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