

July 8, 2010

CARE ASSIGNS 'CARE BB+' TO THE BANK FACILITIES OF SAINATH ESTATES PVT LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	45.00	'CARE BB+' (Double B Plus)	'Assigned'
Total Facilities	45.00		

Rating Rationale

The rating is constrained by the limited track record of SEPL, small size of operations, concentration of projects in and around Hyderabad, delays in completion of on-going projects and subdued outlook for the real estate sector. The rating is underpinned by successful execution of projects in the past, healthy booking levels and moderate financial position. The ability of the company to complete and sell its existing and new projects within the estimated timeframe without any deterioration in the realization per square feet remain the key rating sensitivities.

Company Profile

Sainath Estates Private Limited (SEPL), commenced operations in 2002 and since, has been engaged in residential real estate development in Hyderabad. It is a group company of Sai Krishnodaya Industries group which has interests in real estate development, hospitality and infrastructure. SEPL is headed by Mr. K Prem Sagar Rao, who is a Member of the Legislative Council of the state of Andhra Pradesh.

SEPL has a limited track record in the sector having executed two residential projects in the past. The company is however, growing at a fast pace with three projects at different stages of execution and a further two projects in the pipeline.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications.

Total operating income of SEPL declined in FY09 on account of the slowdown in the real estate sector affecting bookings and realisations. All the projects of the company are in execution stage, resulting in an increased reliance on external sources of financing to run its business. Infusion of equity by the promoters has helped moderate the gearing levels to 0.38x as on March 31, 2009. However, given the expansion plans of the company and the decline in realisations, the reliance on bank loans is expected to persist.

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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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