

Mr T.G.Krishnan,
Managing Director
Prakash Constrowell Ltd.
6/7, Falcon Plaza,
Near Sarada Circle,
Nashik – 422 001

August 22, 2011

Dear Sir,

IPO Grading

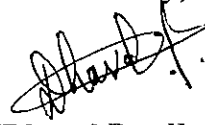
Please refer to our letter dated August 22, 2011 on the above subject.

1. The rationale for the grading is attached as an **Annexure - I**. Kindly note that the rationale would be published in the forthcoming issue of our quarterly journal, 'CAREVIEW'.
2. A write-up on the above grading is proposed to be issued to the press shortly. A draft of the press release is enclosed for your perusal as **Annexure - II**.
3. Our grading symbols and explanatory notes thereon are given in Annexure - III.
4. We request you to peruse the Rationale and Press Release and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 24, 2011 we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,


[Dhaval Patel]
Sr. Manager

Encl: As above

Annexure I

Grading Rationale

Prakash Constrowell Ltd. (PCL)

Grading

Particulars	Grading ¹	Remarks
IPO Grade	'CARE IPO Grade 2' [Two]	Assigned

CARE has assigned a 'CARE IPO Grade 2' to the proposed IPO of Prakash Constrowell Ltd. 'CARE IPO Grade 2' indicates **below 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.

Grading Rationale

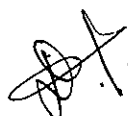
The grading reflects the promoters' significant experience in the construction business and demonstrated track record in the execution of small-to medium-sized projects.

The grading is, however, constrained by PCL's relatively moderate scale of operations, fluctuating operating profit margin, highly competitive nature of the industry, geographical concentration of projects in the state of Maharashtra and the client concentration risk. Most of the contracts awarded are from Government of Maharashtra/semi government entities.

Background

Prakash Constrowell Ltd. (PCL) was incorporated on January 4, 1996 as Prakash Constrowell Pvt. Ltd. The company was promoted by Mr Prakash Laddha and he has over three decades of experience in the construction business. In 1996, it acquired the construction and maintenance business of Prakash Builders, a proprietorship concern established in 1978 by Mr Prakash Laddha. In January 2011, the company converted in to a public limited company under the present name.

¹ Complete definition of the grading assigned is available at www.careratings.com and other publications of CARE



The company is mainly engaged in the activities of the civil construction, infrastructure construction, industrial construction and real estate development. Majority of its projects have been undertaken within the state of Maharashtra.

PCL is involved in the following segments of construction:

- Infrastructure development which includes the construction and maintenance of the roads / highways, bridges, industrial parks, workshops, hospitals, educational institutions;
- Civil construction which includes the construction of the government staff quarters, hostel buildings and auditoriums;
- Residential and commercial real estate development.

PCL is registered as class 1-A contractor with the Public Works Department, the Government of Maharashtra, wherein it can bid for a range of contracts without the restriction on the contract value. It is also registered with other government/semi-government bodies to bid for the various types of the construction projects.

Key grading factors

Experienced promoter and demonstrated track record in execution of the small-to medium-sized projects

Mr Prakash P. Laddha, promoter of PCL, has over three decades of experience in the infrastructure and construction industry. Mr Krishnan G. Trichur, managing director has over 40 years of experience in the industry. The company has a well-qualified management team, which is experienced in the construction industry. PCL has executed several contracts for the Maharashtra state government and semi government organizations such as Maharashtra State Public Works Department, Maharashtra State Police Hosing and Welfare Corporation, Maharashtra State Road Transport Corporation etc.

Moderate scale of operations

Though the promoters have been associated with the construction business for over 30 years, the company is relatively small compared to other large construction players. Further, PCL has demonstrated a major growth in business in the past few years. Small size not only restricts its ability to bid for the large size contracts but also makes it highly vulnerable to the uncertainties associated with the execution of the projects.

Geographical concentration

PCL is a regional player and its order book position of Rs.117 crore as on March 1, 2011 is primarily concentrated in the state of Maharashtra.

This exposes the company to geographical concentration risk. In case of change in the State Government policies or slowdown in tendering, the company's revenue and profitability can be impacted. Under the residential and commercial real estate developments segment, PCL's projects are primarily concentrated in Nashik. Going forward, the company intends to focus more on the civil and infrastructure construction segment.

Client concentration risk as most of the projects awarded are by the Government of Maharashtra /semi government entities

PCL is highly dependent on the State Government / semi-government entities. Its top customers (mainly includes the State Government entities) accounted for approximately 83% of its total revenue in FY10. In case PCL loses any of its large customers it can adversely impact its business. The contract awarded by the government authorities are tender based in which PCL has to compete with the various other companies.

(Rs. crore)

Client	FY08	FY09	FY10
Maharashtra State Police Housing & Welfare Corporation	9	25	23
Maharashtra State Public Works Department	9	22	41
Nashik District Maratha Vidya Prasarak Mandal , Nashik	-	5	4
Islampur Integrated Textiles Park	-	1	26
Total revenue from major customer	18	53	94
Total operating income	27	63	114
% of total revenue from major customer	68	84	83

High degree of competition; fluctuating operating margin

PCL's operating income has grown significantly from Rs.26.67 crore in FY08 to Rs.113.75 crore FY10 due to the execution of more orders. However its PBILDT margin declined from 13.04% in FY08 to 8.83% in FY10.

Despite low PBILDT margin, ROCE was 29.56% (FY10) as the company has been able to manage its overall operating cycle well thereby reducing the need for working-capital finance.

In FY11, company posted operating income of Rs.116.51 crore and PBILDT margin improved to 13.19%.

Corporate Governance

According to the requirements of the listing agreement, where the chairman of the board is a non-executive director, at least one-third of the board should comprise independent directors. At present, PCL has nine directors on its board, of which three are independent directors. The

independent directors joined the company's board in March 2011. To comply with the regulatory guidelines, the company has formed committees such as audit committee, remuneration committee and shareholders'/investors' grievances committee.

Litigations

(Rs. Crore)

Sr. No.	Details of the Matters as on March 30, 2011	Amount Involved
1	one direct tax proceeding against the company	0.23
2.	seven criminal litigation filed against promoters, directors and promoter group companies	2.77
3	six civil litigation filed against promoters, directors and promoter group companies	10.58
	Total	13.58

IPO Details

Size of the Issue

PCL proposes to raise Rs.60 crore through the Initial Public Offering. Number of equity shares and price band was not decided by the company at the time of grading.

Purpose of the issue

Purpose	Rs. Crore
Working-capital requirement	35.00
Purchase construction equipments	9.30
Investment in the subsidiary company	2.35
General corporate purpose and public issue expenses	13.35
Total	60.00

Financial performance

(Rs. Crore)

For the period ended / as at Mar.31,	2009 (12 m. A)	2010 (12 m. A)	2011 (12 m. A)
Income from Operations	63.12	113.75	116.36
PBILDT	4.65	10.05	15.37
Interest	0.43	1.31	1.68
Depreciation	2.72	2.69	2.46
PBT	1.89	7.66	13.20
PAT (After def. Tax)	1.14	5.69	9.69
Gross Cash Accruals	4.27	8.17	11.03
Financial Position			
Equity Share capital	0.41	0.41	8.22
Net Worth	18.40	24.09	30.33

Key Ratios

Profitability (%)

PBILDT / Total Income	7.36	8.83	13.19
PAT / Total Income	1.81	5.00	8.32
ROCE	9.99	29.56	40.49
RONW	6.41	26.65	39.11

Solvency

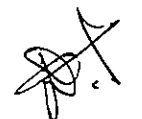
Debt Equity Ratio	0.02	0.06	-
Overall Gearing	0.29	0.42	0.34
Interest coverage (times)	10.79	7.67	9.16
Term Debt/GCA	0.56	0.61	-
Total Debt/GCA	1.27	1.22	0.94

Liquidity

Current ratio	1.20	1.62	1.66
Quick ratio	1.07	1.09	1.06
Avg. Collection Period (days)	17	12	27
Average Inventory (days)	18	34	71
Average Creditors (days)	33	17	41
Operating cycle (days)	2	29	58

DISCLAIMER:

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.



Annexure II
PRESS RELEASE

CARE assigns 'CARE IPO Grade 2' grading to the proposed Initial Public Offering of Prakash Constrowell Ltd (PCL).

Grading

Particulars	Grading ¹	Remarks
IPO Grade	'CARE IPO Grade 2' [Two]	Assigned

Grading Rationale

The grading reflects the promoters' significant experience in the construction business and demonstrated track record in the execution of small-to medium-sized projects.

The grading is, however, constrained by PCL's relatively moderate scale of operations, fluctuating operating profit margins, highly competitive nature of the industry, geographical concentration of projects in the state of Maharashtra and the client concentration risk. Most of the contracts awarded are from Government of Maharashtra/semi government entities.

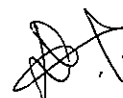
Company Profile

Prakash Constrowell Ltd. (PCL) was incorporated on January 4, 1996 as Prakash Constrowell Pvt. Ltd. The company was promoted by Mr Prakash Laddha who has over three decades of experience in the construction business. In 1996, it acquired the construction and maintenance business of Prakash Builders, a proprietorship concern established in 1978 by Mr Prakash Laddha. In January 2011, the company converted in to a public limited company under the present name.

PCL is engaged in the business of civil construction, infrastructure construction, industrial construction and real estate development. Majority of its projects have been undertaken within the state of Maharashtra.

PCL plans to raise Rs.60 crore through the IPO. The proceeds will be utilised to finance the working capital requirement, purchase construction equipment and investment in subsidiary company.

²Complete definition of the grading assigned is available at www.careratings.com and other publications of CARE



PCL reported a profit after tax of Rs.9.69 crore on the total income of Rs.116.36 crore in FY2010-11 as against profit after tax of Rs. 5.69 crore on the total income of Rs. 113.75 crore in FY2009-10.

Analyst Contact

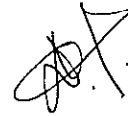
Name: Dhaval Patel

Tel # 022-67543438

Email: Dhaval.Patel@careratings.com

DISCLAIMER

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.

A handwritten signature in black ink, appearing to be "Dhaval Patel", located in the lower right quadrant of the page.

Annexure III

CARE IPO grading Scale

CARE IPO grade	Evaluation
CARE IPO Grade 5	Strong fundamentals
CARE IPO Grade 4	Above average fundamentals
CARE IPO Grade 3	Average fundamentals
CARE IPO Grade 2	Below average fundamentals
CARE IPO Grade 1	Poor fundamentals

