Press Release

January 7, 2010

CARE ASSIGNS 'BB' RATING TO THE BANK FACILITIES OF ACKRUTI CITY LTD.

CARE has assigned a **'CARE BB' (Double B)** rating to the Long-term Bank Facilities of Ackruti City Limited (ACL). This rating is applicable to facilities having tenure of over one year. Facilities with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk.

These ratings are assigned to long-term bank facilities of ACL aggregating Rs.316.00 crore.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	316.00	**'CARE BB'**
Total	**316.00**	

Rating Rationale

The rating is constrained by large number of projects undertaken by ACL amidst persisting slowdown in the real estate sector, severe liquidity constraints faced by the company during FY09 necessitating restructuring of debts, high level of outstanding debtors as on March 31, 2009 and very high inventory levels resulting in unduly stretched working capital cycle, reversal of a substantial sale amount of FY08 in FY09, dependence in immediate future on commercial projects with low level of bookings as of August 2009, huge repayment obligations in short to medium term against the backdrop of poor FY09 and Q1FY10 performance resulting in refinancing risk for ACL.

The rating however takes cognisance of the Government support to real estate sector, ACL's highly experienced management with good project execution capability, the company's moderate gearing as on March 31, 2009, access to extensive land banks acquired at low costs, recent launching of a number of residential projects at lower price points and the reviving capital markets on the back of attractive valuations providing real estate developers an access to capital.

ACL's ability to re-finance the debt repayment obligations for FY10 as envisaged, achieving the envisaged sales volume amidst an external environment characterised by persisting demand slowdown, and the timely execution of the ongoing/proposed remain the key rating sensitivities.

Company Profile

ACL was incorporated as 'Akruti Nirman Limited' (ANL) in 1989 by Mr. Hemant Shah and Mr. Vyomesh Shah as a private limited company which was converted into a public limited company in 2002. The name was changed to 'Akruti City Limited' and further in FY09, to 'Ackruti City Limited'. The promoters have about 29 years of experience in executing projects in the real estate sector. ACL has developed various commercial, retail and residential projects in the past.

ACL specialises in SRA schemes of the Government of Maharashtra (GoM). ACL has developed over seven million square feet area in the past and substantial development by ACL was under SRA having very high profitability. Till date, ACL has reportedly provided housing to around 12,000 tenements under SRA scheme. Going forward, ACL plans to develop over 40 million square feet of area till FY14 primarily through joint ventures.

Net sales of ACL in FY09 were Rs.371.14 crore, registering a decline by 9.58% over FY08 on account of slowdown in the real estate sector and reversal of part of sales booked in FY08. During the period, PAT also declined by 8.43% to Rs.270.25 crore.

As per the provisional financial results for the three months' period ended June 30, 2009, net sales achieved were only Rs.39.93 crore as compared to Rs. 234.23 crore for the same period a year ago mainly due to low bookings in the commercial real estate sector. In the immediate future, ACL is dependent on sale of commercial projects, which, as of August 2009, constitute a significant share of its projects completed or nearing completion in the immediate future. However, recently ACL has announced few residential projects at attractive price points viz Greenwood (Thane), Gardenia (Mira Road) and Akruti Country Wood (Kondhwa, Pune). As on August 2009, these have received bookings to the extent of 0.27 million square feet (msf), 0.32 msf and 0.22 msf respectively.

This rating was assigned on August 16, 2009.

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