

Press Release

Brickwork Ratings assigns “BWR BBB-” for Ackruti City Limited’s proposed secured Non Convertible Debenture (NCD) Issue of INR 75 crores

NCD Issue Rating: BWR BBB-

Outlook : Stable

Brickwork Ratings (BWR) has assigned BWR BBB- (Pronounced BWR Triple B Minus) Rating for **Ackruti City Ltd.’s** proposed ₹ 75 crores secured NCD Issue. ‘BWR BBB-’ stands for an instrument that is considered to offer **moderate** credit quality / safety in terms of timely servicing of principal and interest obligations.

The rating has factored, inter alia, Ackruti City Limited’s experience in real estate, focus on participation in Slum Rehabilitation Schemes, and the shift towards residential projects in line with current market dynamics. The rating is however constrained by unfavorable coverage ratios, high level of outstanding debtors, stretched working capital cycle, few instances of delay in interest payments and the current situation in the real estate industry.

Incorporated in 1989 by Mr. Hemant Shah and Mr. Vyomesh Shah, ACL is a construction and real estate group involved in the development, sale and lease of commercial, residential, retail, and industrial property. It operates in several real-estate verticals such as Residential, Commercial, IT Parks, SEZs, SRA, Biotech Parks, Retail and Hotels. Its operations are focused primarily in Western India - Mumbai, Pune, Thane, Ahmedabad, Vadodara and Surat. In Mumbai, the company has a major presence in Central & Western suburbs covering ~80% of their area under construction in the city. ACL executes projects both on its own and through Joint ventures with other developers.

ACL’s business model includes the development of Slum areas (under Slum Rehabilitation Schemes) and projects undertaken in PPP with State Governments. This has enabled the company to acquire land at competitive prices. Till date the Ackruti group has completed construction of 12.51 million sft. of which 7.84 million sft. is under Slum Rehabilitation Schemes. ACL currently has approximately 67.68 million sft. under its management from

various projects including joint ventures and public-private partnerships. Of this, ACL's share is 37.95 million sft.

ACL plan to raise ₹ 75 crores by way of an NCD issue, for general corporate purposes and for augmenting working capital. The debentures would have a tenure of 4 years, with bullet repayment at the end of the term. The coupon rate is 12% payable quarterly.

ACL's net worth as on FY10 is ₹ 1478.6 crores and borrowings stand at ₹ 1305.5 crores. The Company had a reported net profit of ₹ 165 crores. The current adjusted D/E (equity adjusted for goodwill and part of contingent liabilities) stands at 1.03 times.

ACL's profit margins are benefitted its low cost of land, which it acquires in lieu of SRA projects executed for the government. However, most of the residential saleable area that ACL acquires by way of SRA projects will materialize in FY12 onwards. Till then, the Company is dependent on sale/lease of commercial space for its actual revenues. ACL's performance is dependent on the real estate industry's performance in highly volatile global economic conditions, sustainability of margins and efficient handling of SRA projects undertaken by it.

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