

Press Release

Brickwork Ratings assigns a rating of ‘BWR BBB’ (Pronounced BWR Triple B) with ‘Stable’ outlook for the Working Capital Facility of INR 50 Crore sanctioned to Asset Care and Reconstruction Enterprises Ltd., New Delhi

Working Capital Facility: BWR BBB

Outlook : Stable

Brickwork Ratings (BWR) has assigned ‘**BWR BBB**’ (**Pronounced BWR Triple B**) rating with Stable outlook for the working capital facilities of Asset Care and Reconstruction Enterprises Ltd (ACRE) sanctioned by Punjab National Bank:

Facility	Limits (₹Cr)	Rating
Fund Based Working Capital – Overdraft Facility	50 Cr	<p>BWR BBB (Pronounced BWR Triple B) (Outlook: Stable)</p> <p>A credit facility with this rating is considered to have moderate degree of safety regarding timely servicing of financial obligations and carries moderate credit risk.</p>

BWR has relied upon information/clarification provided by ACRE and publicly available information on the Company.

While the rating has factored, inter alia, the institutional shareholding, composition of the Company’s Board and strong capital levels, the rating is constrained by high credit concentration and high debt to equity ratio.

Asset Care and Reconstruction Enterprises Ltd. was incorporated in June 2002 under the name of Asset Care Enterprises Ltd. ACRE is promoted by IFCI Ltd, Punjab National Bank and other banks and financial institutions. The Company started its business operations from July 2007. As on June 30, 2012 IFCI Ltd and Punjab National Bank hold 37.91% and 30% respectively.

The company was renamed Asset Care and Reconstruction Enterprises Ltd (ACRE) in November, 2010. It is engaged in business of acquiring non-performing assets from banks and financial institutions after getting the license from RBI in October, 2003 to operate as a Securitization/Reconstruction company under the provision of Section 3 of SARFAESI Act, 2002.

ACRE targets medium and lower end segment Non Performing Assets(NPAs) in terms of ticket size having per client exposure of minimum ₹50 lakhs and a maximum 100% of the net worth of ACRE or ₹ 100 Crore, whichever is lower.

Capitalization level of the company remains comfortable with capital adequacy ratio of 24.62% as on 31st March 2012 against the minimum capital adequacy ratio of 15% stipulated by RBI.

Financial Performance

For the year ending March 31, 2012, ACRE registered a jump of 37% in profit after tax to ₹ 8.24 Cr on asset base of ₹183 Cr as compared to PAT of ₹6.08 on asset base of ₹167 Cr in the previous year. During FY12, the Company has acquired assets worth ₹74.08 Cr, resolved assets worth ₹59.8 Cr and the outstanding portfolio stand at ₹150.7 Cr.

ACRE has high credit concentration risk with top ten accounts constituting a very substantial part of the total portfolio. The company has a high gearing ratio since it is acquiring assets on cash basis.

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