
May 4, 2010

CARE ASSIGNS 'BB' RATING TO THE LONG-TERM BANK FACILITIES OF AKRUTI JAY DEVELOPERS

CARE has assigned a '**CARE BB' (Double B)** rating to the Long-term Bank Facilities of **Akruti Jay Developers** (AJD) aggregating Rs.50.00 crore. This rating is applicable to facilities having tenure of more than one year. Facilities with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk. CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

The rating assigned by CARE is based on the capital deployed by the partners and the financial strength of the firm at present. The rating may undergo a change in case of withdrawal of capital or of the unsecured loans brought in by the partners in addition to changes in the financial performance and other relevant factors.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	50.00	'CARE BB'
Total	50.00	

Rating Rationale

The rating is constrained by the constitution of an entity as a partnership firm, considerable project execution risk on account of nascent stage of the project, withdrawal of capital by erstwhile partners, bunching of repayments in the medium term and relatively interior location of the project.

However, the ratings takes cognisance of long experience of AJD's main partners viz Akruti City Limited (ACL) in real estate business with good project execution capability, its status as a well-entrenched player in Mumbai, good marketing structure, satisfactory project marketability as evident from the present booking status despite nascent stage of the project and the recent downturn in the sector. The rating also draws comfort from it being a residential project at attractive price points and tie-up of the entire debt for phase I of the project.

Timely execution of the project and ability to market the balance portion of the project at the envisaged sales realisation remain the key rating sensitivities.

Company Profile

Akruti Jay Developers (AJD) is a partnership firm initially incorporated as Jairaj Associates (JA) in July 2005, by Mr. Jayant Shah and Mr. Malav Jayant Shah. The firm had acquired development rights in respect of 60 acres of land with potential of developable area of 3.3 million square feet (msf) at Kondhwa, (Pune). As on September 2009, ACL, Hazel Erectors Private Limited (HEPL) and Mr.Vyomesh Shah (Managing Director, ACL) are the partners in AJD. ACL has 67% profit sharing in AJD and balance is with HEPL and Mr. Vyomesh shah.

At present, AJD is engaged in developing a residential real estate project at Kondhwa, which is estimated to cost Rs.170.60 crore, to be financed with a debt to equity ratio of 1.48x (excluding advances from customers, which form 51% of the total project cost). AJD had received bookings for 358 out of 500 residential units launched by it with the booking advance of Rs.5.40 crore as on September 30, 2009.

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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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