

June 4, 2010

**CARE REVISES THE RATINGS OF BANK FACILITIES OF
HEM BHATTAD**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	215.00	'CARE B+' (Single B Plus)	Revised from CARE BB [Double B]
Total Facilities	215.00		

The rating assigned by CARE is based on the capital deployed by the members and the financial strength of the Association of Persons (AoP) at present. The rating may undergo a change in case of withdrawal of capital and/or the unsecured loans brought in by the members in addition to the financial performance and other relevant factors.

Rating Rationale

The rating revision takes into account further delay of more than a year in project start-up to accommodate increased FSI resulting in upward revision in the project cost, lack of corresponding funding arrangement, increased dependence on advances from customers to fund the project and commencement of repayment during the construction period itself. The rating is further constrained by the constitution of the entity as AoP, inherent project execution risk due to the nascent stage of the project, and cyclical nature of the real estate industry.

The rating takes cognizance of the background of the members of the AoP and management of HB, location of the proposed project and lower cost for some parcels of land.

The ability of the AoP to achieve the envisaged sales and mobilise sufficient advances to fund the project, rehabilitation/resettlement of tenants and completion of the project on time remain the key rating sensitivities.

Company Profile

HB was formed as an AoP, through an agreement executed between Bhattad group companies [M.B. Development Corporation (MBDC), M.B. Constructions (MBC), R.M. Bhuther & Company Ltd (RMBCL)] and HEM Infrastructure & Property Developers Pvt. Ltd (a special purpose vehicle promoted by IL&FS Realty Fund, a real estate focused fund managed by IL&FS Investment Managers Ltd. (IIML)) with an intent of the commercial development of properties belonging to the Bhattad Group.

HB had earlier planned construction of a residential complex admeasuring 0.77 million square feet (msf) at Parel-Sewri. Later on, under the cluster development scheme of the State Government of Maharashtra, it became eligible for higher FSI of 4. HB also changed the scope of the project to include commercial complex (0.40 msf) along with residential complex (0.58 msf). This led to time overrun of more than one year and increase in the project cost from Rs.643.33 crore to Rs.1,065 crore.

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

Although the promoters' contribution of Rs.110.63 crore has already been infused and debt of Rs.238 crore has also been sanctioned, the funding risk exists due to higher dependence on advances from customers (amounting to 65 per cent of the project cost).

Analyst Contact

Name: Milind Raje

Tel # 022-67543482

Mobile # 9820495390

Email: milind.raje@careratings.com

Note: Mr. S.M. Datta, who is the Chairman of IL&FS Investment Managers, is a member of the Rating Committee in CARE. HEM Bhattad is jointly promoted by the Bhattad Group and HEM Infrastructure & Property Developers Pvt. Ltd, an SPV promoted by IL&FS Realty Fund, a real estate focused fund managed by IL&FS Investment Managers Ltd. Mr. S.M Datta did not participate in the rating process or in the meeting of the Rating Committee when the rating of HEM Bhattad was discussed.

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, 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. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>