Press Release

February 18, 2010

CARE ASSIGNS 'A+' RATINGS TO THE NCD ISSUE OF HOUSING DEVELOPMENT AND INFRASTRUCTURE LTD.

CARE has assigned a **'CARE A+' (Single A Plus)** rating to the Non-Convertible Debenture (NCD) issue of Housing Development and Infrastructure Ltd.(HDIL). This rating is applicable for instruments having tenure of over one year. Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low 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. These ratings are assigned to the long-term NCDs aggregating Rs.1,150.00 crore with a Green Shoe Option (GSO) up to 45%.

Instrument	Amount (Rs. crore)	Rating
Non Convertible Debentures	1,150.00	**'CARE A+'**
Total	**1,150.00**	

The NCDs are proposed to be utilised for the repayment of HDIL's existing high-cost debt and are expected to have a tenure of five years.

Rating Rationale

The rating derives strength from HDIL's well-established brand name in Mumbai, the company's experienced management, its extensive land reserves acquired at low cost, its strong execution capabilities, significant presence in high-margin Slum Rehabilitation Projects (SRPs), the inherent revenue potential of Mumbai International Airport Limited (MIAL) SRP, the company's improved gearing position subsequent to the Qualified Institutional Placement (QIP)/warrants issue, and the relatively low repayment obligation in the near future. The rating also takes into consideration recovery in prices of Transferable Development Rights (TDRs), signals of revival shown by the residential segment in which HDIL has a major presence and positive response received by HDIL for its newly-launched non-SRP projects, especially amidst subdued demand situation in the real estate industry.

The rating is, however, constrained by the concentration of its developments in a single location, the historical volatility in TDR prices, significant dependence on the MIAL project over the medium term, stiff competition from local players, and the inherently cyclical nature of the real estate industry.

The timely execution of the MIAL project, HDIL's ability to achieve the envisaged sales and profitability levels, outcome of the pending income tax litigation against the company and future regulatory changes remain the key rating sensitivities.

Company Profile

HDIL, a part of the Wadhawan group, a real estate developer, focused on development and construction of residential, commercial and retail projects, slum rehabilitation/development and land development, has been in the market for more than a decade. HDIL's operations are concentrated in Mumbai Metropolitan Region (MMR). The company is the largest player in the Mumbai's TDR market with an annual TDR generation potential of around 7-8 million sq.ft. (msf). TDRs constitute a substantial part (around 82% in FY09) of the company's revenue.

Total income of HDIL fell by 51% to Rs.3,080 crore in FY09 mainly due to the substantial fall in prices of TDRs. PAT margin for FY09 remained flat at around 22.87% as against 21.94% in FY08 due to a higher interest cost. On a total income of Rs.1,386.89 crore, HDIL earned a PAT of Rs.256.07 crore in H1FY10.

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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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