Press Release

October 18, 2010

CARE REVISES THE RATING OF NCD ISSUE OF HOUSING DEVELOPMENT AND INFRASTRUCTURE LTD

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Non Convertible Debentures (NCD) I	539.60	CARE A+ (Single A Plus)	Revised from CARE A [Single A]
NCD II	1,375.00	CARE A+ (Single A Plus)	Reaffirmed
Proposed NCD II (A)	292.50	CARE A+ (Single A Plus)	Reaffirmed
Total Instruments	**2,207.10**		

Rating Rationale

The rating revision takes into account HDIL's improved financial position after the augmentation of equity capital through recent Qualified Institutional Placement (QIP) placement as well as conversion of warrants. Besides, the ratings continue to take into account HDIL's well-established brand name in Mumbai, experienced management, extensive land reserves acquired at low cost, strong execution capabilities, significant presence in high-margin Slum Rehabilitation Projects (SRPs) and the inherent revenue potential of Mumbai International Airport Limited (MIAL) SRP. The rating also takes into consideration the positive response received by HDIL for its non-SRP projects.

The rating is, however, constrained by high repayment obligations in the near term, concentration of its developments in MMR, the historical volatility in TDR prices and impact of the proposed regulatory changes on the same, dependence on the MIAL project over the near term, competition in the industry, 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 and future regulatory changes remain the key rating sensitivities.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

Company Profile

HDIL, a part of the Wadhawan group, is engaged into development of residential, commercial, slum rehabilitation/development and land development with major operations concentrated in Mumbai Metropolitan Region (MMR). The company has been in the market for more than a decade and 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 96% in FY10) of the company's revenue.

During FY10, on a total income of Rs.1,513 crore, HDIL earned a PAT of Rs. 602 crore. The company was able to successfully raise USD250 mn in September 2010 through the QIP issue thereby considerably improving its capital structure.

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CARE has 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.

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