

January 2, 2009

CARE REVISES THE RATING ASSIGNED TO NCD & STD ISSUE OF UNITECH LTD

CARE has downgraded the rating assigned to the secured NCD (Non-Convertible Debenture) issue of Unitech Ltd. (Unitech) for an amount of Rs.200 cr from 'CARE A-' (Single A minus) to 'CARE BB'(Double B). Instruments with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such instruments carry high credit risk.

Further, CARE has also downgraded the rating assigned to the short term debt of Unitech from 'PR 2+' (PR Two plus) to 'PR 4' (PR four). Instruments with this rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such Instruments are susceptible to default.

The ratings revision take into account the significant increase in the financial risk profile of Unitech owing to large maturities due in the near term exposing the company to liquidity and refinancing risk. The risk is accentuated in the light of prolonged delay in the proposed assets sales and limited funding options available in the market. The rating also factors in unfavourable market scenario which has severely affected the cash generating capacity of the company.

Nevertheless, the ratings continue to draw support from Unitech's long standing presence in the real estate sector, professional management team, strong execution capabilities and geographically diversified low cost land bank.

Unitech Limited is the flagship company of the Unitech Group. The Company was incorporated in 1971, as United Technical Consultants Pvt. Ltd., with its registered office at Kolkata. Company's registered office was shifted from Kolkata to New Delhi in September 1978. It is one of the leading real estate companies in India with a wide range of product offerings. The business operations of the company comprise real estate development, construction and consultancy services. The company started primarily as a construction company and is now focusing more on real estate development. Real estate business includes development of residential complexes (group housing as well as mini-townships), Commercial & IT Parks, Retail space, Entertainment Centres, Hospitality, Integrated Township and Special Economic Zones (SEZ).

The total consolidated operational income of the company for FY08 was Rs.4,115 cr with PBILDT and PAT of Rs.2,204 cr and Rs.1,670 cr respectively. With relatively higher growth in debt levels, overall gearing stood at 2.91x as on March 31, 2008.

During Q2FY09, sales witnessed a decline by 3% and PAT by 12.5% as compared to corresponding quarter previous year.

Going forward, timely and adequate realizations from sources envisaged by Unitech such as sale of assets, partial disinvestments in telecom venture and ability to reduce cash flow mismatches and meeting its commitments in timely manner shall be the key rating sensitivities.

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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.

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