

November 14, 2008

CARE REVISES THE RATINGS ASSIGNED TO OUTSTANDING ISSUES OF UNITECH LTD. AND PLACES THE RATINGS ON 'CREDIT WATCH'

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 plus) to 'CARE A-' (Single A minus). Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk.

Further, CARE has also downgraded the rating assigned to the short term debt of Unitech from 'PR 1+' (PR one plus) to 'PR 2+' (PR Two Plus). Instruments with this rating would have adequate capacity for timely payment of short-term debt obligations and carry higher credit risk as compared to instruments rated higher.

Both the ratings have been placed under Credit Watch.

The ratings revision take into account the increasing risk profile of Unitech due to slowdown in the real estate sector downward correction in prices, high reliance on short term debt leading to mismatches in cash flow, committed payments for land in the near term and tighter credit markets. These factors have exposed the company to higher refinancing risk.

Nevertheless, the ratings continue to draw support from Unitech's established 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 top 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, 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, in the light of declining income trends coupled with current debt structure, timely and adequate realizations from sources envisaged by Unitech such as large sale of assets, partial disinvestments in telecom subsidiaries and ability to reduce mismatches through refinancing shall be the key rating sensitivities.

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