

June 4, 2010

**CARE REAFFIRMS RATING TO THE EXISTING DDCDS OF
LAVASA CORPORATION LTD**

On review recent developments and operations for FY09, CARE has reaffirmed the rating of **CARE BBB+ (SO) [Triple B Plus (structured obligation)]** to the existing various Deep Discount Convertible Debenture (DDCD) aggregating Rs.550 crore. Instruments with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate 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.

Instrument	Amount (Rs. crore)	Rating
DDCDs	550.00	'CARE BBB+ (SO)'
Total	550.00	

Rating Rationale

The ratings are based on the Credit Enhancement Measures like the investors of DDCDs have right of put option on HCC at specified intervals in-case the same are not converted into equity.

The rating also takes into account the renowned promoters of the company, and the current status of the project with respect to land acquisition, development of basic infrastructure, regulatory approvals, and sales. The rating also factors in the expertise of the various consultants appointed for the project and past experience of HCC, one of the leading promoters of the project, in the construction industry.

The rating is, however, constrained by substantial concentration of land bank within one region, project execution risks and is sensitive to future ability of the company to generate sufficient social infrastructure and commercial activity which are necessary for the viability of the project.

Sustained growth in tourism industry, recovery of real estate sector and future growth of economy remain the key rating sensitivities.

Company Profile

LCL is jointly promoted by Hindustan Construction Company Ltd (HCC)- through its subsidiary company Hindustan Real Estate Limited (HREL), Venkateshwara Hatcheries Pvt. Ltd. (VHPL), Janpath Investments Ltd (JIL – an Avantha Group company), and Mr. Vinay Vithal Maniar (a trader and developer based in Pune). HCC, through its subsidiary and group companies, holds 65.01% stake in LCL. HCC is one of the largest private sector construction companies in India and specializes in construction of technologically complex and long gestation projects such as surface transport, hydel and nuclear power, marine works, and water supply.

LCL is currently undertaking a project to create an integrated hill-station township – Lavasa- admeasuring around 13500 acres, providing residential and business/leisure tourism and educational infrastructure close to Pune. The company with its revised execution plans and now intends to increase the development speed of Phase I (Dasve) and advance the development of Phase II (Mugaon). Phase II was originally planned to start the development in late FY'11. Thus due to preponing of Phase II and speedy completion of Phase I the total developmental cost to be incurred till FY'14 will be about Rs.6547 crores (till FY'14) which is proposed to be funded through equity of Rs. 825 crore, internal accruals/developmental revenue of Rs.3820 crore, debt of Rs.1077 crore and DDCD of Rs.825 crore

LCL has already acquired approximately 11410 acres of the planned 13500 acres. Out of the 2090 acres remaining to be acquired, only 94 acre pertains to the land to be developed under Phase I (Dasve village).

The company has already started bookings and as on June 30, 2009 sold around 829 villas / apartments. Total bookings already received by the company as on June 30, 2009 was recorded at Rs.941 crores with sales of Rs.212 crore. As on June 30, 2009 the company spent Rs.1801.78 crores on the project which was met through equity of Rs.431.47 crores, DDCD and bank loan of Rs.461.14 crore and Rs. 613.93 crore each, while the remaining amount was through creditors.

The company in FY09 recognised land sales of Rs.143.06 crore of Rs.212 crore (164.98 acre at an average price of Rs.0.87 crore per acre).

About HCC:

CARE has revised the rating assigned to the long term instruments / facilities of HCC to **CARE AA- (Double A Minus) from CARE AA (Double A)**. Further CARE has reaffirmed the rating of **PR1+ (PR One Plus)** to the short term facilities and instruments.

The rating revision takes into account the support provided by HCC to its subsidiaries in the form of substantial off-balance sheet exposure by way of Corporate Guarantee, Letter of Comfort and other tangible and intangible support and moderate interest coverage.

The ratings continue to derive strength from HCC's strong positioning in the construction sector, strong order book position representing a growth of 61.5% y-o-y, its dominant presence in high-value contracts (51% of outstanding order book being in power), Qualified Institutional Placement (QIP) issue of Rs.480 crore and positive outlook for the construction industry. Further, the ratings also consider liquidity support from un-availed contractee advances and almost 50% unutilised Cash Credit (CC) limits.

Timely conversion and/or redemption of Foreign Currency Convertible Bonds (FCCBs), the extent of support that HCC provides to its subsidiaries and performance of these subsidiaries remain the key rating sensitivities.

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Note Shri Y. H. Malegam, who is an Independent Director on the Board of HCC, is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

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.

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