

January 27, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loans	493.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the above-mentioned bank facilities of Unitech Hi Tech Structures Limited (UHTSL). The outlook is '**Stable**'. The rating is constrained by the company's exposure to project execution risk and market risk amidst intense competition prevalent in the IT SEZ construction business. However, the rating is supported by the company's healthy lease rentals, reputed clientele and favourable lease terms.

UHTSL, a joint venture between Unitech Corporate Parks Plc and Unitech Limited, is involved in developing a 45-acre IT park in New Town, Rajarhat, Kolkata Special Economic Zone (SEZ). The project is slated to be completed by December 2021. The total estimated lease area is 44 lakh sq. ft., comprising 18 towers. Currently, 12 towers (with a total area of 22.47 lakh sq. ft.) are complete, of which, nine towers (with a total area of 19.06 lakh sq. ft.) are leased out and the other three towers are in the advanced stage of completion. SMERA believes the inherent project risks may constrain UHTSL's credit risk profile over the medium term. Although about 43 per cent of the project is leased out, several current and upcoming SEZ developments in Kolkata make the company susceptible to the risk of excess supply in its area of operations. Further, timely execution and saleability of projects remains a key rating sensitivity.

UHTSL is successful in leasing out almost 43 per cent of the project area. The company's lease rentals have increased annually. UHTSL registered lease rentals of Rs.77.43 crore in FY2012-13 (refers to financial year, April 01 to March 31), as compared with lease rentals of Rs.48.27 crore in FY2011-12. Further, the company's lease rentals for H1FY2013-14 (April 2013 to September 2013) stood at Rs.38.99 crore (provisional). UHTSL's cash outflows towards term loan principal repayment and interest are escrowed against receipts from lease rentals, which are adequate to meet the aforementioned obligations. The company's earnings are also supported by income from maintenance activities, car rentals, food court and health club. UHTSL's lessees include reputed companies such as Accenture, Cognizant, Genpact, HCL and TCS. UHTSL also benefits from favourable lease terms, which provide for a minimum lock-in period of three to nine years, thus safeguarding the company against a sudden decline in lease rentals. UHTSL's lease agreements are extendable up to fifteen years.

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**Outlook: Stable**

SMERA believes UHTSL's outlook will remain stable in the near term on the back of healthy increase in lease rentals from existing agreements. The outlook may be revised to 'Negative' in case of delays in project execution, or in case of higher-than-envisaged debt requirements. Conversely, the outlook may be revised to 'Positive' in case the company generates larger-than-expected cash flows through healthy growth in lease rentals.

About UHTSL

UHTSL, incorporated in 2005, is a joint venture between Unitech Corporate Parks PLC and Unitech Limited. UHTSL is engaged in developing of an IT park in New Town, Rajarhat, Kolkata Special Economic Zone (SEZ). Unitech Corporate Parks Plc holds 60 per cent stake (through its subsidiary) in UHTSL and Unitech Limited holds 36 per cent stake (through its subsidiary) in UHTSL.

For FY2012-13, UHTSL reported revenues of Rs.132.87 crore and PAT of Rs.64.75 crore, as compared with revenues of Rs.80.72 crore and PAT of Rs.21.24 crore for FY2011-12. UHTSL's net worth stood at Rs.451.84 crore as on March 31, 2013. The company's leverage stands at 0.47 times as on March 31, 2013.

About Unitech Corporate Parks Plc

Unitech Corporate Parks Plc is primarily focused on development of IT SEZs and IT parks suitable for foreign direct investment (FDI). Currently, the company has six investments across India.

About Unitech Limited

Unitech Limited, incorporated in 1972, is engaged in real estate development. The company's project mix comprises residential, commercial, retail, hotel, township, SEZs, IT parks and entertainment centres.

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