

Morgan Stanley India Company  
Private Limited+

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Stock Rating  
Equal-weight

Industry View  
In-Line

## Unitech Limited

### Stock Is at the Crossroads of Demand; Moving to EW

#### What's Changed

Rating	<b>Underweight to Equal-weight</b>
Price Target	<b>Rs138 to Rs60</b>
F09E, F10E & F11E EPS	<b>Down 34%, 71% &amp; 72%</b>

**Investment conclusion:** We are upgrading our rating on Unitech to Equal-weight in view of initial repair of the balance sheet (182% net gearing in F09 could drop to 84% in F10) and improving macro (India F10 GDP growth upgraded to 5.8%, better foreign capital flows, and prospects of pro-market policy actions). Worst may be behind us, but not yet out of the woods, we believe.

**Several challenges remain:** 1) Portfolio of ongoing projects (27 msf) appears weak (since 80% is completed and recognized). 2) Therefore, reliance on new launches and sales to generate earnings/cash is high. 3) Even after significant fund raising (Rs24 bln odd), B/S will remain stretched (84% F10E net gearing and low interest coverage of 2.5x incl interest cost capitalised).

**Where we differ:** Valuations appear rich (16% discount to F10 NAV, 18x F10 EPS<sub>e</sub>, 1.9x F10 P/B) and seem to be already discounting revival in business cycle. Nearer term, we see downside risk to the stock price. Our new PT is Rs60 (at 30% discount to F10 NAV<sub>e</sub> of Rs85), and we would take profits on stock price appreciation.

**Something for the bulls:** Early monetization (regulations/Telenor permitting) of balance stake (32.75%) in telecom business could further fix the b/s. We see deep value in Mumbai projects, though given the task of slum rehab, we expect slow delivery of land parcels (1-2 msf launches in F10, 50% share).

**Something for the bears:** There may be more equity dilution (preferential warrants to promoters, another QIP), economic recovery might be elusive, and low (YTD 2.5 msf) sales contracted (versus 18 msf at Rs3000 ASP to meet our F10 EPS<sub>e</sub>).

#### Key Ratios and Statistics

Reuters: UNTE.BO Bloomberg: UT IN

#### India Property

Price target	Rs60
Upside to price target (%)	(16)
Shr price, close (May 22, 2009)	Rs71
52-Week Range	Rs280-22
Sh out, dil, curr (mn)	1,623
Mkt cap, curr (mn)	Rs115,665
EV, curr (mn)	Rs174,100
Avg daily trading value (mn)	US\$25.1

Fiscal Year ending	03/08	03/09e	03/10e	03/11e
ModelWare EPS (Rs)	10.2	7.9	4.0	4.5
Consensus EPS (Rs)§	10.2	6.2	4.0	4.3
EBITDA (Rs mn)	23,267	20,106	15,200	16,560
ModelWare net inc (Rs mn)	16,619	12,765	8,115	9,118
P/E	27.0	4.4	18.0	16.0
P/BV	12.5	1.2	1.9	1.7
ROE (%)	83.3	35.5	16.8	12.1
Leverage (EOP) (%)	198.4	182.0	83.6	70.8

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).  
§ = Consensus data is provided by FactSet Estimates.  
e = Morgan Stanley Research estimates

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## Unitech Limited: Financial Summary

Rs million; Years ending March 31st

## Income Statements

Rs Million	2008	2009E	2010E	2011E
<b>Total Income</b>	<b>42,326</b>	<b>46,438</b>	<b>38,820</b>	<b>42,716</b>
% growth	26	10	-16	10
Real Estate Projects	35,719	41,462	34,158	38,539
Others	6,607	4,624	4,309	3,824
<b>Operating Expenses</b>	<b>19,114</b>	<b>26,332</b>	<b>23,620</b>	<b>26,155</b>
Project Cost	16,051	22,981	20,039	21,969
Employee Cost	901	1,262	1,640	2,050
SG&A	2,161	2,090	1,941	2,136
<b>Operating Profits</b>	<b>23,212</b>	<b>20,106</b>	<b>15,200</b>	<b>16,560</b>
% growth	23	-13	-24	9
% Margins	55	43	39	39
Net Interest Expense	2,329	3,475	4,121	3,632
Depreciation	205	267	260	264
<b>Profit Before Tax</b>	<b>20,678</b>	<b>16,365</b>	<b>10,820</b>	<b>12,664</b>
Tax	3,986	3,600	2,705	3,546
<b>Profit After Tax</b>	<b>16,619</b>	<b>12,765</b>	<b>8,115</b>	<b>9,118</b>
% growth	27	-23	-36	12

## Balance Sheet

Rs Million	2008	2009E	2010E	2011E
Share Capital	3,247	3,247	4,089	4,089
Reserves And Surplus	32,758	44,941	55,815	65,394
Share Premium	-	-	15,369	15,369
<b>Networth</b>	<b>36,005</b>	<b>48,187</b>	<b>75,273</b>	<b>84,852</b>
Minority Interest	1,159	237	237	237
Loan Fund	85,524	90,000	67,500	61,500
Deferred Liability - Against Land	19,136	19,136	19,136	19,136
Deferred Tax Liability (net)	60	60	60	60
<b>Total Liabilities</b>	<b>141,883</b>	<b>157,620</b>	<b>162,206</b>	<b>165,784</b>
Net Debt	71,441	87,682	62,951	60,089
Total Fixed Assets	31,442	25,175	24,415	28,651
Investments	14,165	13,165	13,165	13,165
Goodwill On Consolidation	1,126	1,126	1,126	1,126
Cash And Bank Balances	14,083	2,318	4,549	1,411
Current Assets	172,831	179,601	176,468	179,350
Less: Current Liabilities & Provisions	91,912	63,765	57,517	57,919
<b>Net Current Assets</b>	<b>81,067</b>	<b>115,836</b>	<b>118,951</b>	<b>121,432</b>
<b>Total Assets</b>	<b>141,883</b>	<b>157,620</b>	<b>162,206</b>	<b>165,784</b>

## Cash Flow Statement

Rs Million	2008	2009E	2010E	2011E
<b>Cash flow from operating activities</b>				
Net Profits	16,619	12,765	8,115	9,118
add depreciation	205	267	260	264
add working capital required	(28,956)	(34,769)	(3,115)	(2,481)
Extraordinaries	(83)	-	-	-
<b>Net cash from operations</b>	<b>(12,215)</b>	<b>(21,738)</b>	<b>5,260</b>	<b>6,902</b>
<b>Cash flow from investing activities</b>				
Fixed asset investments	(23,499)	6,000	4,000	(3,000)
Other investments	(9,617)	1,001	-	-
<b>Net cash from investing</b>	<b>(33,115)</b>	<b>7,001</b>	<b>4,000</b>	<b>(3,000)</b>
<b>Cash flow from financing activities</b>				
Issuance of equity	-	-	16,211	-
Dividends (incl dividend tax)	(475)	(582)	(740)	(1,039)
Other adjustments	4,534	(922)	0	0
<b>Net cash from financing</b>	<b>4,059</b>	<b>(1,504)</b>	<b>15,471</b>	<b>(1,039)</b>
<b>(Increase)/decrease in net debt</b>	<b>(41,271)</b>	<b>(16,241)</b>	<b>24,731</b>	<b>2,863</b>

## Ratio Analysis

	2008	2009E	2010E	2011E
<b>Profitability Ratios</b>				
Operating Margin (%)	55	43	39	39
Pre-tax Margin (%)	49	35	28	30
Net Margin (Excl Extraordinary Items) (%)	39	27	21	21
<b>Valuation Ratios</b>				
P/E	27.0	9.1	18.0	16.0
P/BV	12.5	2.4	1.9	1.7
ROE (%)	59	30	13	11
ROCE (%)	21	13	9	10
EV/EBITDA	8.1	10.1	13.7	12.4
<b>Leverage Ratios</b>				
Net Debt/Equity (%)	198	182	84	71
Total Debt/Equity (%)	238	187	90	72
<b>Per Share Data</b>				
EPS	10.24	7.86	3.97	4.46

E=Morgan Stanley Research estimates.  
Source: Company data, Morgan Stanley Research

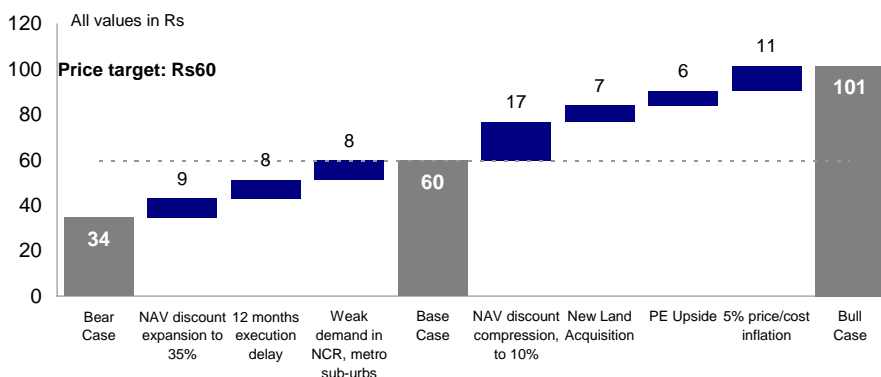
## Risk-Reward Snapshot: Unitech Limited (UNTE.BO, Rs71, EW, PT Rs60)

### Risk-Reward View: Stretched Balance Sheet Could Limit Stock Performance



Price Target Rs60		Derived from Base-Case scenario
<b>Bull Case</b> Rs101	NAV-based valuation	<b>Improvement in liquidity and strong recovery in property market:</b> NAV discount narrows to 10% (Rs17/share); new land acquisition (Rs7/share); private equity upside (Rs6/share), and 5% price/cost inflation (Rs11/share).
<b>Base Case</b> Rs60	NAV-based valuation	<b>Property demand remains uncertain:</b> 30% discount to March 2010 estimated NAV of Rs85/share. NAV valuation assumes 16% discount rate at constant prices/costs and 9-11% cap rate.
<b>Bear Case</b> Rs34	NAV-based valuation	<b>Worsening balance sheet and delays in new launches:</b> NAV discount expands to 35% (Rs9/share); 12-month delay in execution (Rs8/share); weak demand in NCR/metro suburbs (Rs8/share)

### Bear to Bull: Execution Slip Could Drive Price to Our Bear Case



Source: Company data, Morgan Stanley Research estimates

### Investment Thesis

- **We have an EW rating** because of initial b/s repair and prospects for improving macro; however, we believe that the portfolio of ongoing projects is weak to contribute to F10 earnings and valuations are rich (already discounting recovery in business cycle).
- A significant portion of UT's ongoing projects are nearing completion, thus increasing reliance on new launches for earnings.
- UT's land bank is concentrated in a few cities/locations – Chennai, Vizag, Agra, Varanasi, and Gurgaon, impeding high asset turnover.
- Longer term, we see value in UT's Mumbai projects.
- There is long-term growth visibility in Indian real estate sector linked to GDP growth and continuing urbanization/increase in nuclear families.

### Key Value Drivers

- Increase in GDP growth backed by low-cost capital availability for developer and consumer
- Execution scale-up by entering new markets and across product categories
- Timely private equity infusions at project level for improving asset turnover
- Revival of demand for investment assets including office/retail

### Potential Catalysts

- Pace of new launches and sale (or lack of it)
- Entry into new cities such as Hyderabad, Siliguri, Ambala.
- Monetization of lucrative Mumbai projects
- Execution in telecom biz by Telenor

## Investment Case

### Summary & Conclusions – Equal-weight

**We are upgrading our rating on UT to Equal-weight** in view of initial repair of the balance sheet (182% net gearing in F09 could drop to 84% in F10) and improving macro (India F10 GDP growth estimate upgraded to 5.8%, better foreign capital flows, and prospects of pro-market policy actions). Worst may be behind us, but not yet out of the woods, we believe.

**Several challenges remain for UT.** 1) Portfolio of ongoing projects (27 msf, Exhibit 4) appears weak (since 80% have been completed and recognized). 2) Therefore, reliance on new launches and sales to generate earnings/cash is high. 3) Even after significant fund raising (Rs24 bln odd), balance sheet will remain stretched (84% F10 net gearing and a low interest coverage of 2.5x including interest cost capitalised).

**Valuations appear rich** (16% discount to F10E NAV, 18x F10 EPSe, 1.9x F10 P/B) and seem to be discounting revival in business cycle. Importantly, the earnings are overstated (roughly 25%) to the extent the interest cost is capitalized by the company, which understates the valuations. Nearer term, we see downside risk to the stock price. Our new PT is Rs60 (at 30% discount to F10E NAV of Rs85), and we would take profits on stock price appreciation.

**NAV Calculations:** Our assumptions include post-tax cash flows, 16% discount rate, no cost/price inflation, 9-13% cap rates, land bank of 11,179 acres (with development horizon beyond 2020), and upside from UCP and telecom stake

**Something for the bulls:** Early monetization (regulations/Telenor permitting) of balance stake (32.75%) in telecom business could further fix the balance sheet. We see deep value in Mumbai projects, though given the task of slum rehab, we expect slow delivery of land parcels (1-2 msf launches in F10, 50% share).

**Something for the bears:** There may be more equity dilution (preferential warrants to promoters, QIP2), economic recovery might be elusive, and low (YTD 2.5 msf) sales contracted (versus 18 msf at Rs3000 ASP to meet our F10 EPSe)

**Balance Sheet Repair – Telenor Deal, QIP and Asset Sales**  
**We estimate F10 net debt to equity ratio of 84%** for UT, down sharply from 182% in F09. This will be driven by 1) recent 67.25% stake sale in Unitech Wireless (UW, telecom venture) to Telenor, 2) \$325 mln raised from equity dilution (Qualified Institutional Placement, QIP), and 3) asset sales

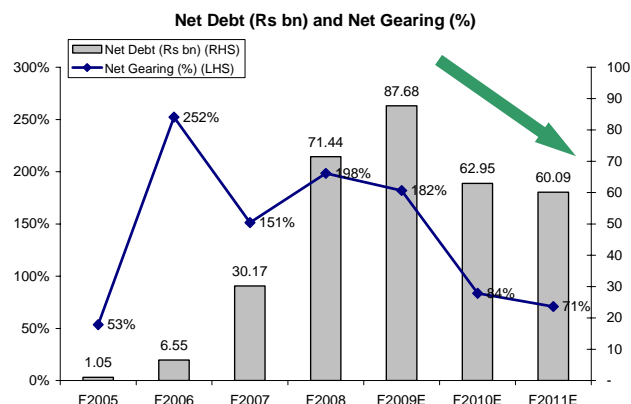
(including Saket office at Rs5 bln and Gurgaon hotel at Rs2.35 bln). We estimate Rs 63 bln net debt for UT in F10 (versus Rs 88 bln in F09e).

**UT may raise more funds**, as disclosed by the company after its recent board meeting, through preferential issue of warrants to the promoters (10% of the equity, around Rs10 bln) and/or further equity issuance (enabling resolution, may/may not get exercised).

**The company has restructured a large part of its borrowings** (to long-term maturity) such that the repayment obligation for the current year is low. On a cash flow basis, UT appears to be reasonably secured to meet its obligations (repayment and interest cost) for the current year.

Exhibit 1

### UT: Peak gearing is behind us



Source: Company data, Morgan Stanley Research estimates

### Earnings Challenge – New Launch and Absorption are the key

*We believe that UT's current portfolio of ongoing projects (roughly 27 msf, Exhibit 4), has limited earnings power since around 80% of this is likely to be delivered in 2009, implying that the bulk of the revenues has been recognized in P/L (on Percentage of Completion Method, PoCM, basis), and the company has received concomitant cash from the customers (which is generally linked to construction progress).*

**This implies that new launches and their sales** (absorption) hold the key to F10-11 earnings. Our model assumes 11 msf of sales (lower if adjusted for plot/asset sales) at ASP of Rs3000 psf, which would imply that the company has to contract

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roughly 18msf of new sales. Company targets to launch 30msf of projects in the current year and expects to sell 20msf. YTD, UT has launched roughly 9.5msf of projects (Exhibit 5) and has contracted 2.5msf of sales (12% of the targets in 2 months). Therefore, a fair bit is left to new sales to meet our EPS estimate for F10.

**Demand outlook – mixed signals from the market.** Based on our channel checks, it appears that a few of the recent launches by UT have received good customer response (such as Garden II, Ananda, Brahma), whereas others have been met with a lukewarm customer response (e.g., Kolkata projects). After the recent sharp drop in property prices, these have stabilized for now. At the margin, macro is improving: India GDP estimate for F10 was raised from 4.4% to 5.8% recently, foreign capital inflows have commenced, and there are prospects of stronger policy action by the (stronger) new government. If the macro picture continues to improve, we can see a revival in the business cycle that should feed into property demand. At this time, we believe that the physical property market continues to present only modest demand.

Exhibit 2

## UT: Proposed Launch Plan for FY10

<b>Total Area</b>	30 Mn. Sqft
<b>Area as % of Land Bank</b>	About 7%
<b>Project Mix</b>	90% Residential + 10% Commercial
<b>No of Projects</b>	Excess of 40
<b>No. of Cities</b>	15
<b>No. of Metros</b>	7

Source: Company data, Morgan Stanley Research

Exhibit 3

## UT: Projected launch plan in FY10 by quarters

Quarter	Area Launches (msf)	No. of Projects
F1Q10	16.2	24
F2Q10	10.7	11
F3Q10	6.6	7
F4Q10	2.7	5
<b>Total</b>	<b>36.2</b>	<b>47</b>

Source: Company data, Morgan Stanley Research

Exhibit 4

## UT: Ongoing Residential Projects

Name	Location	Type	Exp. Completion	Est. Saleable Area <i>Million sq.ft</i>
Uniworld SPA	Gurgaon	Group Housing	2009	1.71
Espace	Gurgaon	Villas and Plots	2009	0.92
The Close	Gurgaon	Group Housing	2009	3.27
Fresco	Gurgaon	Group Housing	2009	1.37
Escape	Gurgaon	Group Housing	2009	0.82
Harmony	Gurgaon	Group Housing	2009	0.88
Uniworld Resorts	Gurgaon	Plots	2009	1.45
Uniworld Gardens II	Gurgaon	Group Housing	2011	1.02
<b>Gurgaon Total</b>				<b>11.44</b>
Unitech Heights	Noida/G.Noida	Group Housing	2009	0.60
Unitech Horizon	Noida/G.Noida	Group Housing	2009	1.93
Unitech Cascades	Noida/G.Noida	Group Housing	2009	0.66
Unitech Habitat	Noida/G.Noida	Group Housing	2009	1.80
Unitech Verve	Noida/G.Noida	Group Housing	2009	0.65
Capella – Uniworld City	Noida/G.Noida	Mixed Dev.	2009	1.20
Unitech Grande Ph-I	Noida/G.Noida	Mixed Dev.	2010	1.09
<b>Noida / G.Noida Total</b>				<b>7.93</b>
Garden	Kolkata	Group Housing	2009	0.77
Horizon	Kolkata	Group Housing	2009	0.73
Air	Kolkata	Group Housing	2010	0.50
Down Town	Kolkata	Group Housing	2009	0.54
Cascades	Kolkata	Group Housing	2010	1.06
Height	Kolkata	Group Housing	2009	1.48
Gateway	Kolkata	Group Housing	2010-11	2.27
Harmony	Kolkata	Group Housing	2010	0.38
<b>Kolkata Total</b>				<b>7.73</b>
<b>Total</b>				<b>27.10</b>

Source: Company data, Morgan Stanley Research

Completion of 80% of projects in 2009, implying low earning potential hereon

Exhibit 5

**UT: Recent Project Launches** (about 9 msf of total saleable area)

Name	Location	Type
The Residences	Gurgaon	Residential Apartments
Woodstock Floors	Gurgaon	Residential Floors
Signature Towers -2	Gurgaon	Office Suites
The Willows at Grande	Noida	Residential Plots
Gateway	Mumbai	Residential Apartments
Woodside	Mumbai	Residential Apartments
Ascot	Mumbai	Residential Apartments
The Chambers	Mumbai	Office Suites
Vistas	Kolkata	Residential Apartments
KWIC Plots	Kolkata	Residential Plots
KWIC Floors	Kolkata	Residential Independent Floors
KWIC Bungalows	Kolkata	Residential Villas
KWIC Shops	Kolkata	Convenience Shopping
RB Connector Office	Kolkata	Office Suites
RB Connector Retail	Kolkata	Retail
Singleton Floors	Mohali / Chandigarh	Residential Floors
Executive Floors	Mohali / Chandigarh	Residential Floors
Plots at UniworldCity	Mohali / Chandigarh	Residential Plots
Ananda at North Town	Chennai	Residential Apartments
Brahma at North Town	Chennai	Residential Apartments
Gardens Galleria	Lucknow	Retail
South City Gardens	Lucknow	Residential Apartments
South City Plots	Lucknow	Residential Plots

Source: Company data, Morgan Stanley Research

Exhibit 6

**UT: Ongoing Retail Projects**

Name	Location	Type	Exp. Completion	Est. Saleable Area
Arcadia	South City II, Gurgaon	Retail	2009	0.44
Nirvana Courtyard	Nirvana, Gurgaon	Retail	2009	0.22
<b>Total</b>				<b>0.66</b>

Source: Company data, Morgan Stanley Research

Exhibit 7

**UT: Ongoing Hospitality Projects**

Name	Location	Type	Exp. Completion	Est. Saleable Area
Marriott Executive Apts.	Gurgaon	Service Apts.	2009	0.29
Greenwood City Club	Gurgaon	Club	2009	0.02
Marriot Courtyard Hotel	Kolkata	Hotel	2011	0.20
<b>Total</b>				<b>0.51</b>

Source: Company data, Morgan Stanley Research

## Valuations and Price Target

The stock is trading at a 16% discount to our F2010E NAV of Rs85, implying a premium to sector valuations. On P/B, the stock is trading at 1.9x F10E. On a P/E basis, the stock is trading at 18x our F2010 EPS estimate and 16x our F2011E. However, these earnings include a negligible contribution from (high-quality) rental income, and assume high capitalization of interest costs (which overstates earnings by 25%).

We apply a 30% discount to our March 2010 NAV estimate of Rs 85 to derive our new price target of Rs 60. The 30% discount accounts for the following factors:

- 1) stretched balance sheet (estimated 84% F10 net debt to equity and low F10 interest coverage of 2.5x including capitalized interest cost, which will restrict UT's ability to execute capital-intensive projects (such as hotel, retail etc);
- 2) a large land bank with development horizon much beyond 12 years (i.e., low re-investment upside);
- 3) early stages of execution scale-up for mega townships, versus
- 4) early signs of execution ramp (30msf new launch target for F10); and
- 5) strong branding.

In general, we segment companies in our India Property universe into three categories – at par to 20% discount to NAV, at 20-40% discount to NAV, and at 60-80% discount to NAV – depending on the quality of the balance sheet, time required to develop the current land bank, and quality of the management team.

**Changes from earlier PT (Rs 138 per share) calculations.** *It is important to note that our earlier estimates were published on September 11, 2008, i.e., before financial market crisis (Lehman episode) and UT's deep financial problems.*

We have lowered our NAV from Rs 173 per share to Rs 85 per share to account for 1) smaller land bank (11,178 acres versus 13,938 acres earlier), 2) impact of recent (25%, pre-money) equity dilution, 3) slower pace of execution, 4) 10-25% price cuts across several projects, and 5) 200bps expansion in the (non SEZ) cap rate to 13%.

Exhibit 8

## UT: Price Target Calculation

Price Target Calculation	New (Rs)	Old (Rs)
	Mar '10	Mar '09
NAV, Rs/share	85	173
Discount (%)	30	20
<b>Price Target (Rs/share)</b>	<b>60</b>	<b>138</b>

Source: Company data, Morgan Stanley Research estimates

## NAV Calculation – Post-tax Discounted Cash Flows

**Market value (discounted sales) estimation:** First, we develop an execution schedule for each land parcel based on our estimate of market demand. Then, we derive the realized sales prices based on our estimate of UT's selling price (the current market price or a slight premium). We then discount this back to the present to arrive at the market value.

**For investment properties,** we assume cap rates of 9% (IT/ITES SEZs) and 13% (non-SEZ commercial and retail, 11% earlier).

**(Discounted) construction cost:** We estimate the construction cost for each project based on the current market rates. We then discount this back to the present value to arrive at the construction cost.

**Less pending land cost after March 2009:** We net out the pending land cost due after F2010, since the land cost paid until March 2010 is captured in the net debt, which is netted out separately.

**Less overheads and tax:** These are adjusted for the overheads (7% of sales) and tax (approximately 26%) for each year for the duration of the landbank development. These numbers are discounted back to March 2010.

**UCP contribution:** We have valued UT's 40% stake in Unitech Corporate Park (UCP) projects (owned at SPV level) at Rs12.1 bn using NAV methodology (Exhibit 14) and applying 30% discount (to account for low asset turnover, consistent with our UCP valuations). We add this to our NAV computation for UT (Exhibit 9) to arrive at our overall estimate for UT's NAV.

**Telecom valuations:** UT has roughly 32.75% stake in the telecom business (Unitech Wireless), and the remaining equity is held by Telenor. We have valued UT's stake at 1x equity value (since the business is in the early stages of execution), which implies UT's share is around Rs 22.1 bln.

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**Balance sheet adjustments:** We make adjustments for balance sheet items. This primarily reflects the value of the income-generating (capitalized) properties/assets (Noida and Rohini malls, amusement parks, clubs etc) and other investments. Finally, we subtract net debt.

**Discount rate:** We assume 16% cost of equity for UT, using an 8% risk-free rate, 6% equity risk premium, and 1.3 beta.

**Using this methodology, we arrive at an F2010 NAV estimate for UT of Rs174bn (US\$3.7bn), which translates to Rs85 per share.**

Exhibit 9

## UT: NAV Computation

NAV Calculations	New		Introducing
	(Rs Mn)	(Rs Mn)	F10 NAV (Rs Mn)
	Mar '09	Mar '09	Mar '10
Market Value of Projects	525,781	807,756	591,679
Pending Construction Cost	243,883	338,704	279,581
Pending Land cost	34,515	41,444	36,538
<b>Net Market Value</b>	<b>247,382</b>	<b>427,608</b>	<b>275,561</b>
Less Overheads	36,805	48,465	41,418
Less Tax	54,750	98,577	60,877
Less Net Debt	87,682	93,529	62,951
Balance Sheet Adj	46,985	68,585	29,787
UCP contribution, Rs mln	17,352	24,654	12,146
Introduce Telecom value, Rs mln	22,132		22,132
<b>NAV, Rs mln</b>	<b>154,615</b>	<b>280,275</b>	<b>174,380</b>
<b>NAV per share, Rs</b>	<b>76</b>	<b>173</b>	<b>85</b>

Source: Company data, Morgan Stanley Research estimates

Exhibit 10

## UT: NAV Sensitivity to Price Inflation/Discount Rate

Discount Rate (%)	Price Inflation (%)				
	-10	-5	0	5	10
14	-17.0	-3.0	11.0	25.0	39.0
15	-21.2	-8.0	5.3	18.5	31.8
16	-25.1	-12.6	0.0	12.6	25.1
17	-28.7	-16.8	-4.9	7.0	18.9
18	-32.0	-20.7	-9.4	1.9	13.2

Source: Company data, Morgan Stanley Research estimates

Exhibit 11

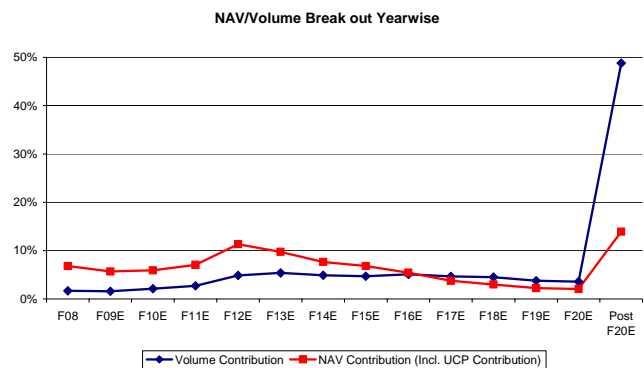
## UT: NAV Sensitivity to Cost Inflation/Discount Rate

Discount Rate (%)	Cost Inflation (%)				
	-10	-5	0	5	10
14	26.0	18.5	11.0	3.5	-4.0
15	19.5	12.4	5.3	-1.8	-8.9
16	13.4	6.7	0.0	-6.7	-13.4
17	7.8	1.5	-4.9	-11.2	-17.6
18	2.7	-3.4	-9.4	-15.4	-21.4

Source: Company data, Morgan Stanley Research estimates

Exhibit 12

## UT: Time Series of NAV/Volume



Source: Company data, Morgan Stanley Research estimates

## Risks

**Upside risks to our PT include** 1) early monetization of stake in telecom business, 2) faster delivery of land parcels (i.e., project launches) in Mumbai's slum rehab work, 3) faster recovery in the real economy, and 4) F10 contract sales higher than our estimate of 18msf at Rs3000 psf.

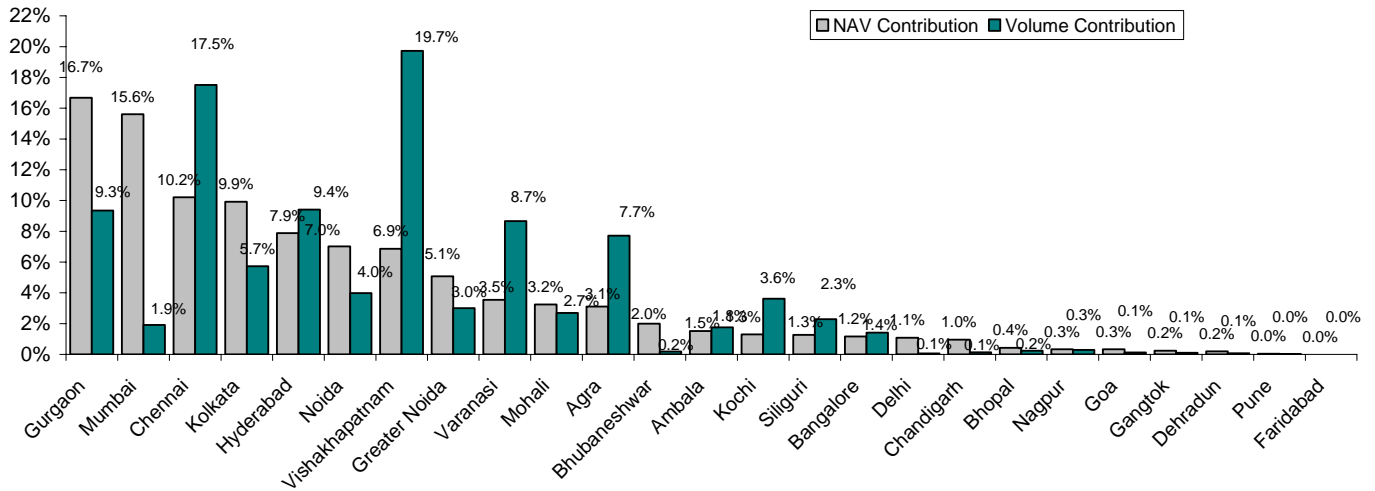
**Downside risks to our PT include** 1) further equity dilution at low stock price, 2) early recovery in the business cycle remains illusory leading to lower contract sales, 3) Mumbai prices further correct, and 4) stretched b/s continues to delay execution.



Exhibit 13

## UT: NAV/Volume Geographic Dispersion

NAV/Volume Split Across Cities



Source: Company data, Morgan Stanley Research

Exhibit 14

## UT's 40% share of UCP NAV (at SPV level)

Project		G2-IST	K1	N1	N2	G1-ITC	N3	TOTAL
Rs million								
<b>Area</b>	<b>msf</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>21</b>
Base Rent Assumption	Rs psf	50	40	30	36	40	25	37
Occupancy (%)		85	75	80	85	75	60	
Exit Date		Jun-12	Sep-13	Jun-11	Sep-12	Mar-13	Mar-14	
<b>Net Property Income (post tax)</b>		<b>1,469</b>	<b>1,974</b>	<b>484</b>	<b>1,395</b>	<b>1,485</b>	<b>1,217</b>	<b>8,023</b>
Non cash exp as % of NPI		16	18	31	16	18	25	19
Non cash expense		237	351	150	225	261	310	1,534
Depreciation		153	231	93	130	174	209	989
Amortisation		84	120	57	96	87	101	545
<b>Cash Property Income (post tax)</b>		<b>1,706</b>	<b>2,325</b>	<b>634</b>	<b>1,620</b>	<b>1,746</b>	<b>1,527</b>	<b>9,558</b>
Implied Cash Property Income psf	Rs psf pm	55	46	26	43	45	26	37
Capitalisation Rate (%)	10	10	10	10	10	10	10	10
Gross Asset Value		17,060	23,250	6,336	16,202	17,463	15,267	95,577
Less : Net Debt (on exit)		(485)	1,497	2,004	2,966	5,838	5,877	17,698
<b>Net Asset Value, on exit (2011-12)</b>		<b>17,544</b>	<b>21,753</b>	<b>4,331</b>	<b>13,236</b>	<b>11,624</b>	<b>9,391</b>	<b>77,880</b>
Net Asset Value, on exit (UT share - 40%)	40%	6,947	8,444	1,732	5,285	4,650	3,756	30,815
Discount Rate (%)		16	16	16	16	16	16	16
Years to discount		3.25	4.50	2.25	3.50	4.00	5.00	
Discount Factor		1.62	1.95	1.40	1.68	1.81	2.10	
<b>F09 NAV Rs mln</b>	<b>Mar-09</b>	<b>4,287</b>	<b>4,327</b>	<b>1,241</b>	<b>3,142</b>	<b>2,567</b>	<b>1,788</b>	<b>17,352</b>

Source: Company data, Morgan Stanley Research estimates

Rs. 12,146 Million @ 30% discount

Exhibit 15

**UT: Land reserves (in acres) by city (as on 31 March 2009)**

City	Project Area	UT's Share in Project Area	UT's city-wise % share of Project Area	Land Available	UT's share in Land Available
Chennai	1,935	1,777	16%	1,273	1,123
Vishakhapatnam	1,750	1,715	15%	1,750	1,715
Agra	1,500	1,500	13%	225	225
Varanasi	1,500	1,500	13%	246	246
Gurgaon	1,699	1,270	11%	1,613	1,184
Hyderabad	819	727	7%	759	676
Kolkata	847	446	4%	779	385
Noida	693	405	4%	693	405
Mohali	324	324	3%	324	324
Kochi	355	321	3%	156	122
Maharashtra	273	273	2%	273	273
Greater Noida	265	235	2%	265	235
Siliguri	232	181	2%	92	72
Ambala	150	150	1%	150	150
Bangalore	97	91	1%	74	68
Chandigarh	74	74	1%	74	74
Goa	103	67	1%	103	67
Bhubaneshwar	61	36	0%	61	36
Delhi	65	30	0%	65	30
Nagpur	25	25	0%	25	25
Bhopal	31	16	0%	31	16
Gangtok	14	9	0%	14	9
Dehradun	14	7	0%	14	7
Pune	2	2	0%	2	2
<b>Total</b>	<b>12,827</b>	<b>11,179</b>	<b>100%</b>	<b>9,060</b>	<b>7,467</b>

Source: Company data, Morgan Stanley Research

Exhibit 16

## Real Estate Valuation Parameters: Indian Companies

Prices as of May 22, 2009	Price	Mkt Cap	EPS			P/E			P/B		NAV/Share	% (Dis)/Prem
India Companies	(Rs)	(Rs. mn.)	F2008	F2009E	F2010E	F2008	F2009E	F2010E	F2009E	F2010E	F09	F09 NAV
DLF#	334	566,780	45.8	29.0	13.1	14.1	11.5	25.5	2.5	2.3	247**	35.2%
Ansal Properties	54	6,072	15.3	8.7	(5.2)	3.5	6.1	(10.4)	0.5	0.5		
Unitech#	71	145,666	10.2	7.9	4.0	27.0	9.1	18.0	2.4	1.9	85**	-16.5%
Mahindra Lifespace Developers	270	11,004	16.3	14.6	28.0	16.6	18.4	9.6	0.6	0.5		
Peninsula Land	56	15,761	4.7	5.3	7.6	11.9	10.7	7.5	1.5	1.2		
Parsvnath Developers Ltd.#	81	14,923	23.0	7.0	7.5	9.1	11.6	10.8	0.7	0.7	134	-39.5%
Sobha Developers Ltd.#	194	14,161	31.3	17.7	15.2	19.0	11.0	12.8	1.3	1.2	254	-23.4%
<b>Puravankara Projects Ltd.</b>	<b>90</b>	<b>19,187</b>	<b>11.2</b>	<b>6.8</b>	<b>5.1</b>	<b>8.0</b>	<b>13.3</b>	<b>17.6</b>	<b>1.4</b>	<b>1.3</b>		
<b>Housing Development &amp; Infrastructure Ltd.</b>	<b>307</b>	<b>84,562</b>	<b>65.8</b>	<b>73.7</b>	<b>75.6</b>	<b>4.7</b>	<b>4.2</b>	<b>4.1</b>	<b>1.8</b>	<b>2.1</b>		
<b>AIM Listed companies</b>	<b>(GBp)</b>	<b>(£mn)</b>										
Unitech Corporate Parks*	16	58									83	-80.8%
Hirco PLC*	94	72										
Ishaan*	44	64										
<b>Weighted Average</b>						<b>15.1</b>	<b>10.5</b>	<b>20.8</b>	<b>2.3</b>	<b>2.1</b>		

Source: Company data, Morgan Stanley Research, FactSet

\*Prices in Pence, Mkt cap in £mn, # = Morgan Stanley Research estimates; all others are FactSet consensus; E = estimates

\*\* DLF and Unitech NAV is for F10


Exhibit 17

## Real Estate Valuation Parameters: Regional Companies

5/22/2009	Share	Mkt Cap	P/E		P/B		RoE		Net D/E	Int. Cov	NAV/	Disc to	Fwd	Disc to
Company	Price	US\$M	2008E	2009E	2008E	2009E	2008E	2009E	2008	2008	share	NAV	NAV	NAV
<b>China Property Stocks</b>														
China Vanke	9.65	15,963	14.2	23.4	2.1	2.8	17.0%	13.5%	0.4	9.3	8.0	21%	5.5	75%
COLI.*	14.32	15,083	22.1	19.4	3.7	3.0	15.3%	15.6%	0.5	21.8	NA		NA	
Country Garden	3.40	7,177	10.4	14.8	1.4	2.3	13.7%	17.4%	0.5	4.5	3.9	-12%	2.5	34%
Guangzhou R&F	14.02	5,829	12.0	13.3	1.6	2.4	16.0%	20.1%	1.2	10.3	17.0	-17%	14.4	-2%
China Resources Land	14.16	8,648	22.7	22.0	1.3	1.9	8.3%	8.9%	0.5	18.1	-		NA	
Shimao Property	10.54	4,499	18.5	11.2	0.8	1.3	4.6%	15.2%	0.7	5.0	13.1	-20%	10.1	4%
Agile Property	7.90	3,818	10.0	14.0	1.0	1.8	14.7%	13.9%	0.5	11.6	10.3	-23%	7.9	0%
Shanghai Forte Land	2.42	790	7.9	12.3	0.5	1.0	6.9%	8.2%	1.3	14.6	4.6	-47%	3.0	-20%
China Aoyuan	2.10	649	19.3	38.6	0.4	0.8	2.2%	2.2%	0.1	19.3	4.1	-49%	2.3	-9%
<b>Weighted Average</b>			<b>16.6</b>	<b>18.8</b>	<b>2.0</b>	<b>2.4</b>								
<b>HK Property Stocks</b>														
SHK Properties	85.90	28,407	22.0	19.6	1.2	1.0	6.6%	5.1%	0.1	20.3	125.0	-31%	90.40	-5%
Hang Lung Properties Ltd.	22.55	12,058	20.2	36.8	1.6	1.4	9.4%	3.8%	(0.1)	58.5	22.9	-2%	18.4	23%
Sino Land	11.74	7,368	22.0	16.0	1.3	0.9	7.1%	6.1%	0.2	94.7	16.1	-27%	10.6	11%
Hysan Development	15.94	2,137	10.8	15.8	0.4	0.5	3.8%	3.3%	0.1	9.6	33.8	-53%	23.2	-31%
Great Eagle Holdings	12.86	992	5.1	8.9	0.3	0.4	4.1%	4.9%	(0.3)	8.5	31.0	-59%	22.5	-43%

Source: Company data, Morgan Stanley Research, FactSet

\* = FactSet Consensus; all others Morgan Stanley Research estimates

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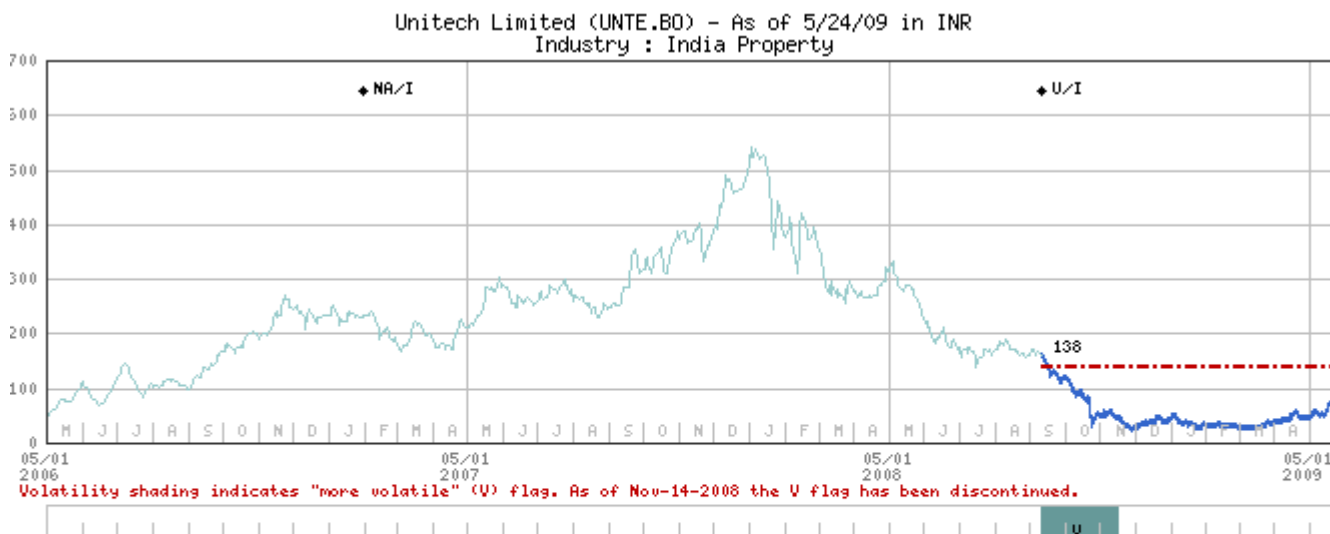
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Price Target History: 9/11/08 : 138

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**Industry Coverage:India Property**

Company (Ticker)	Rating (as of)	Price (05/22/2009)
<b>Sameer Baisiwala, CFA</b>		
DLF Limited (DLF.BO)	U (10/17/2007)	Rs333.95
Parsvnath Developers Limited (PARV.BO)	U (06/09/2008)	Rs80.8
Sobha Developers Ltd. (SOBH.BO)	U (02/24/2009)	Rs194.25
Unitech Corporate Parks Plc (UCP.L)	O (02/02/2007)	16p
Unitech Limited (UNTE.BO)	E (05/25/2009)	Rs71.25

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