

## Unitech

### Project delivery takes centrestage

Unitech has scaled up project execution significantly, delivering 1.18mn sq ft (msf) in Q4FY10 as against 0.74msf in Q3FY10. This was supported by a 7% QoQ increase in workforce to over 21,000 in March '10. Unitech is also reporting healthy sales momentum, with 3.45msf sold in Q4FY10 against 3.04msf in Q3FY10. This takes the company's cumulative pre-sold portfolio to 16.6msf or 63% of its FY10 launches. Considering the enhanced focus on project delivery and sales booking as well as value unlocking from the non-core spinoff, we maintain a Buy on the stock with a target price of Rs 101.

**Stepping on the gas:** Unitech has ramped up execution, both with respect to past projects (pre-FY10) and those launched in FY10. From a total pre-FY10 launch book of 22.4msf, the company has delivered 6.8msf till March '10 versus 5.62msf up to December '09. It thus delivered 1.18msf in Q4FY10 as against 0.74msf the previous quarter, culminating in the handover of two projects, Fresco – Gurgaon and South City Gardens – Lucknow, to customers (ref Fig-1).

In terms of recent launches, Unitech has started work on 31 projects, which is 10 more than its Q3FY10E. Handover and finishing work has been completed to the extent of 48% in March '10 as compared to 42% at end-Q3FY10 (ref Fig-2). This indicates a strong management thrust on delivery and execution, in keeping with the company's stated target of delivering all past projects by March '11.

**Large workforce to underpin execution:** Unitech has steadily expanded its workforce in Q4FY10 to 21,018, registering a 6.7% increase from 19,695 at the end of Q3FY10. In cities likely Gurgaon and Noida which house past projects totalling 4.8msf and 5.4msf respectively, the number of workers has increased by 6–8x over FY09 (ref Fig-3).

**Sales gain momentum:** With respect to the company's target of launching 30msf by end-FY10, it has rolled out 26.3msf and sold 16.6msf or 63% of the same. Sales for Q4FY10 were also strong at 3.45msf as against 3.04msf in the preceding quarter, though launches slowed to 1.87msf from 3.13msf (ref Fig-4). With pre-sales crossing 63%, we believe the management will further solidify its focus on timely project delivery.

**Maintain Buy:** We maintain our Buy rating on the stock with a target price of Rs 101 considering the ramp up in execution as well as the value-accretion expected for shareholders from the recent restructuring process.

#### Financial highlights

(Rs mn)	FY09	FY10E	FY11E	FY12E
Revenue	28,502	26,187	46,753	59,317
Growth (%)	(30.7)	(8.1)	78.5	26.9
Adj net income	11,964	6,845	15,836	20,179
Growth (%)	(28.0)	(42.8)	131.4	27.4
FDEPS (Rs)	5.6	3.2	6.1	7.7
Growth (%)	(28.0)	(42.8)	87.5	27.4

#### Profitability and return ratios

(%)	FY09	FY10E	FY11E	FY12E
EBITDA margin	54.4	38.4	48.6	47.0
EBIT margin	53.6	37.2	47.5	46.1
Adj PAT margin	42.0	26.1	33.9	34.0
ROE	27.3	8.2	12.8	14.3
ROIC	8.8	4.6	9.6	11.4
ROCE	11.0	5.1	10.2	11.8

#### What's New? Target Rating Estimates

CMP	TARGET	RATING	RISK
Rs 80	Rs 101	BUY	MEDIUM

BSE	NSE	BLOOMBERG
507878	UNITECH	UT IN

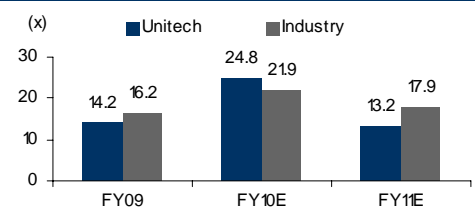
#### Company data

Market cap (Rs mn / US\$ mn)	209,292/ 4,315
Outstanding equity shares (mn)	2,616
Free float (%)	1,354.9
Dividend yield (%)	0.6
52-week high/low (Rs)	547 / 22
2-month average daily volume	9,623,298

#### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Unitech	80	12.5	0.2	(21.8)
BSE Realty	3,576	7.0	(9.0)	(24.4)
Sensex	17,551	(0.2)	0.4	1.9

#### P/E comparison



#### Valuation matrix

(x)	FY07	FY08	FY09E	FY10E
P/E @ CMP	14.2	24.8	13.2	10.4
P/E @ Target	17.9	31.3	16.7	13.1
EV/EBITDA @ CMP	20.1	31.0	13.7	11.2




**Fig 1 - Status of past projects (pre-FY10 launches)**

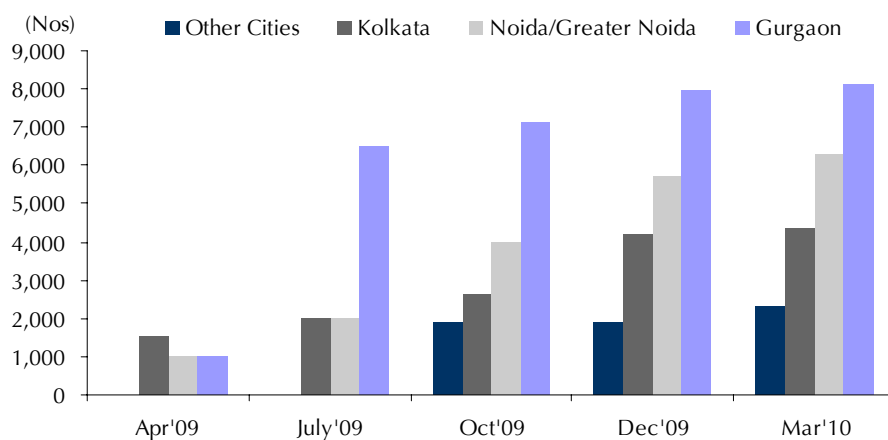
City	Area to be delivered		Area delivered		Balance to be delivered	
	Dec '09	Mar '10	9MFY10	FY10	Dec '09	Mar '10
Noida + G. Noida	6.23	6.30	0.84	0.90	5.39	5.40
Gurgaon	9.62	9.80	4.36	5.00	5.26	4.80
Kolkata	5.66	5.70	0.42	0.90	5.24	4.80
Lucknow	0.12	0.10	0.00	0.00	0.12	0.10
Mohali	0.49	0.50	0.00	0.00	0.49	0.50
<b>Total</b>	<b>22.12</b>	<b>22.40</b>	<b>5.62</b>	<b>6.80</b>	<b>17.05</b>	<b>15.60</b>

Source: RCML Research, Company

**Fig 2 - Construction stage of past projects**

Construction stage	Dec '09			Mar '10		
	No. of projects	Area (msf)	% of total	No. of projects	Area (msf)	% of total
Handover/Finishing	9	9.4	42	11	10.8	48
Structure Complete, Internal WIP	11	8.5	39	10	7.3	33
Piling/Structure WIP	8	3.4	15	7	3.4	15
Pre-construction	3	0.9	4	3	0.9	4
<b>Total</b>	<b>31</b>	<b>22.2</b>	<b>100</b>	<b>31</b>	<b>22.4</b>	<b>100</b>

Source: RCML Research, Company

**Fig 3 - Workforce**


Source: RCML Research, Company



Fig 4 - New launches (FY10)

Construction stage	Dec'09			Mar'10			Project
	No of projects	Area (msf)	% of total	No of projects	Area (msf)	% of total	
Handover/Finishing	1	0.07	1	1	0.1	1	Mumbai-Chambers
Structure in progress	2	0.8	7	8	4.4	33	Gurgaon-Nirvana Floods, Gardens II, Residence; Kolkata-Vistas Chambers; Chennai-Unihomes; Mumbai-Chembur, Dadar-Woodside
Piling in progress	10	4.8	45	9	3.2	24	Noida-Unihomes Ph I, Ph-2, UW gardens; Kolkata Gateway; Bangalore-Gardens Galleria; Chennai-Ananda; Mumbai-Parel Residence, Dadar-Ascot; Bhopal-Unihomes
Pre-construction activities in progress	8	3.1	30	13	5.5	41	Gurgaon-Sunbreeze, Vistas, Nirvana Country II, G; Noida-Unihomes Plotted, Noida-Willows; Mohali-Singleton Floors, Unihomes; Chennai-Brahama, Gulmohar Avenue; Lucknow-Gardens Galleria; Mumbai-Worli, Bhoiwada, Malad
Yet to start	9	1.8	17	6	0.2	1	Gurgaon-South City II floors; Noida-Unihomes Ph-3; Mysore; Mohali-Gardens Galleria; Chennai-Aspen, Palm Villas
<b>Total</b>	<b>30</b>	<b>10.57</b>	<b>100</b>	<b>37</b>	<b>13.4</b>	<b>100</b>	

Source: RCML Research, Company

Fig 5 - Sales booked

Cities (msf)	Dec '09			Mar '10		
	Area launched	Area sold	% sold	Area launched	Area sold	% sold
Gurgaon	8.76	6.08	69	9.6	8.1	84
Noida + G Noida	6.17	2.43	39	6.2	2.8	45
Chennai	2.36	1.75	74	2.6	2	77
Mumbai	1.92	1.61	84	2.2	1.9	86
Kolkata	2.55	0.45	18	2.6	0.6	23
Others	2.67	0.83	31	3.1	1.2	39
	<b>24.43</b>	<b>13.15</b>	<b>54</b>	<b>26.3</b>	<b>16.6</b>	<b>63</b>

Source: RCML Research, Company

Launched 3.13msf and sold 3.04msf in Q3FY10

Launched 1.87msf and sold 3.45msf in Q4FY10



## Consolidated financials

### Profit and Loss statement

Y/E March (Rs mn)	FY09	FY10E	FY11E	FY12E
<b>Revenues</b>	<b>28,502</b>	<b>26,187</b>	<b>46,753</b>	<b>59,317</b>
Growth (%)	(30.7)	(8.1)	78.5	26.9
<b>EBITDA</b>	<b>15,493</b>	<b>10,050</b>	<b>22,701</b>	<b>27,903</b>
Growth (%)	(29.7)	(35.1)	125.9	22.9
Depreciation & amortisation	209	320	481	544
EBIT	15,284	9,730	22,220	27,359
Growth (%)	(30.0)	(36.3)	128.4	23.1
Interest	5,546	2,231	3,003	2,703
Other income	4,641	850	935	1,029
EBT	14,378	8,349	20,152	25,684
Income taxes	2,424	1,837	4,736	6,036
Effective tax rate (%)	16.9	22.0	23.5	23.5
Extraordinary items	-	-	-	-
Min into / inc from associates	(34)	(333)	(420)	(530)
Reported net income	11,964	6,845	15,836	20,179
Adjustments	-	-	-	-
<b>Adjusted net income</b>	<b>11,964</b>	<b>6,845</b>	<b>15,836</b>	<b>20,179</b>
Growth (%)	(28.0)	(42.8)	131.4	27.4
Shares outstanding (mn)	1,623.4	2,616.2	2,616.2	2,616.2
<b>FDEPS (Rs) (adj)</b>	<b>5.6</b>	<b>3.2</b>	<b>6.1</b>	<b>7.7</b>
Growth (%)	(28.0)	(42.8)	87.5	27.4
DPS (Rs)	0.1	0.3	0.5	1.0

### Cash flow statement

Y/E March (Rs mn)	FY09	FY10E	FY11E	FY12E
Net income + Depreciation	28,502	26,187	46,753	59,317
Non-cash adjustments	(30.7)	(8.1)	78.5	26.9
Changes in working capital	15,493	10,050	22,701	27,903
Cash flow from operations	(29.7)	(35.1)	125.9	22.9
Capital expenditure	209	320	481	544
Change in investments	15,284	9,730	22,220	27,359
Other investing cash flow	(30.0)	(36.3)	128.4	23.1
Cash flow from investing	5,546	2,231	3,003	2,703
Issue of equity	4,641	850	935	1,029
Issue/repay debt	14,378	8,349	20,152	25,684
Dividends paid	2,424	1,837	4,736	6,036
Other financing cash flow	16.9	22.0	23.5	23.5
Change in cash & cash eq	-	-	-	-
Closing cash & cash eq	(34)	(333)	(420)	(530)

### Economic Value Added (EVA) analysis

Y/E March	FY09	FY10E	FY11E	FY12E
WACC (%)	14.8	15.5	15.5	15.5
ROIC (%)	8.8	4.6	9.6	11.4
Invested capital (Rs mn)	154,618	171,915	181,499	185,457
EVA (Rs mn)	(9,272)	(18,685)	(10,704)	(7,622)
EVA spread (%)	(6.0)	(10.9)	(5.9)	(4.1)

### Balance sheet

Y/E March (Rs mn)	FY09	FY10E	FY11E	FY12E
Cash and cash eq	6,448	5,688	6,046	18,261
Accounts receivable	9,310	9,456	12,987	16,477
Inventories	157,756	166,874	195,455	157,354
Other current assets	28,674	30,659	38,961	57,669
Investments	15,808	13,531	13,531	13,531
Gross fixed assets	22,502	24,163	26,354	30,804
Net fixed assets	21,500	22,840	24,551	28,457
CWIP	11,758	12,933	14,227	15,649
Intangible assets	11,672	11,672	11,672	11,672
Deferred tax assets, net	(14)	(14)	(14)	(14)
Other assets	-	-	-	-
<b>Total assets</b>	<b>262,913</b>	<b>273,640</b>	<b>317,416</b>	<b>319,056</b>
Accounts payable	22,549	7,174	8,966	11,376
Other current liabilities	79,278	88,843	120,904	103,963
Provisions	297	1,990	5,042	6,648
Debt funds	108,480	58,706	50,047	45,047
Other liabilities	615	1,000	1,000	1,000
Equity capital	3,247	5,232	5,232	5,232
Reserves & surplus	48,448	110,694	126,224	145,791
Shareholder's funds	51,695	115,926	131,457	151,023
<b>Total liabilities</b>	<b>262,913</b>	<b>273,640</b>	<b>317,416</b>	<b>319,056</b>
BVPS (Rs)	31.8	44.3	50.2	57.7

### Financial ratios

Y/E March	FY09	FY10E	FY11E	FY12E
<b>Profitability &amp; Return ratios (%)</b>				
EBITDA margin	54.4	38.4	48.6	47.0
EBIT margin	53.6	37.2	47.5	46.1
Net profit margin	42.0	26.1	33.9	34.0
ROE	27.3	8.2	12.8	14.3
ROCE	11.0	5.1	10.2	11.8
<b>Working Capital &amp; Liquidity ratios</b>				
Receivables (days)	107	131	88	91
Inventory (days)	5,906	4,218	3,159	2,338
Payables (days)	624	386	141	135
Current ratio (x)	2.0	2.2	2.0	2.2
Quick ratio (x)	0.2	0.1	0.1	0.1
<b>Turnover &amp; Leverage ratios (x)</b>				
Gross asset turnover	1.7	1.1	1.9	2.1
Total asset turnover	0.1	0.1	0.2	0.2
Interest coverage ratio	2.8	4.4	7.4	10.1
Adjusted debt/equity	1.0	0.5	0.4	0.3
<b>Valuation ratios (x)</b>				
EV/Sales	10.9	11.9	6.7	5.2
EV/EBITDA	20.1	31.0	13.7	11.2
P/E	14.2	24.8	13.2	10.4
P/BV	2.5	1.8	1.6	1.4



### Quarterly trend

Particulars	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10
Revenue (Rs mn)	4,894	3,461	5,149	5,095	7,745
YoY growth (%)	(57.1)	(70.2)	(50.1)	(48.2)	58.3
QoQ growth (%)	(50.2)	(29.3)	48.8	(1.1)	52.0
EBITDA (Rs mn)	2,443	874	3,151	2,978	1,857
EBITDA margin (%)	49.9	25.3	61.2	58.5	24.0
Adj net income (Rs mn)	1,361	2,794	1,578	1,779	1,760
YoY growth (%)	(74.1)	(22.5)	(62.7)	(50.4)	29.4
QoQ growth (%)	(62.1)	105.3	(43.5)	12.7	(1.0)

### DuPont analysis

(%)	FY08	FY09	FY10E	FY11E	FY12E
Tax burden (Net income/PBT)	80.4	83.2	82.0	78.6	78.6
Interest burden (PBT/EBIT)	94.7	94.1	85.8	90.7	93.9
EBIT margin (EBIT/Revenues)	53.1	53.6	37.2	47.5	46.1
Asset turnover (Revenues/Avg TA)	22.6	11.5	9.8	15.8	18.6
Leverage (Avg TA/Avg equity)	651.7	566.3	320.1	238.9	225.3
<b>Return on equity</b>	<b>59.4</b>	<b>27.3</b>	<b>8.2</b>	<b>12.8</b>	<b>14.3</b>

### Company profile

Unitech is the second-largest developer in India with three decades of experience in infrastructure and real estate development. The company owns a land bank of 700mn sq ft (economic interest), which is well diversified and scheduled for development by FY21. Unitech has high exposure to high-growth metros such as Kolkata, Chennai, Hyderabad, Noida, and the NCR (70% exposure).

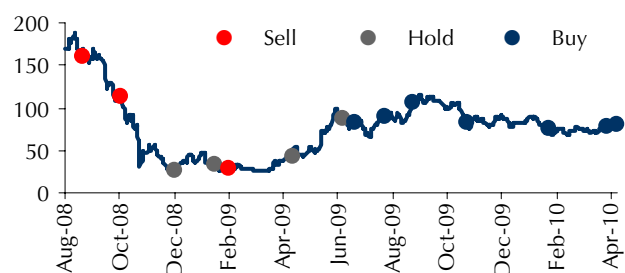
### Shareholding pattern

(%)	Sep-09	Dec-09	Jun-09
Promoters	43.8	43.8	51.2
FIs	36.4	33.5	22.8
Banks & FIs	4.1	3.5	4.8
Public	15.7	19.2	21.2

### Recommendation history

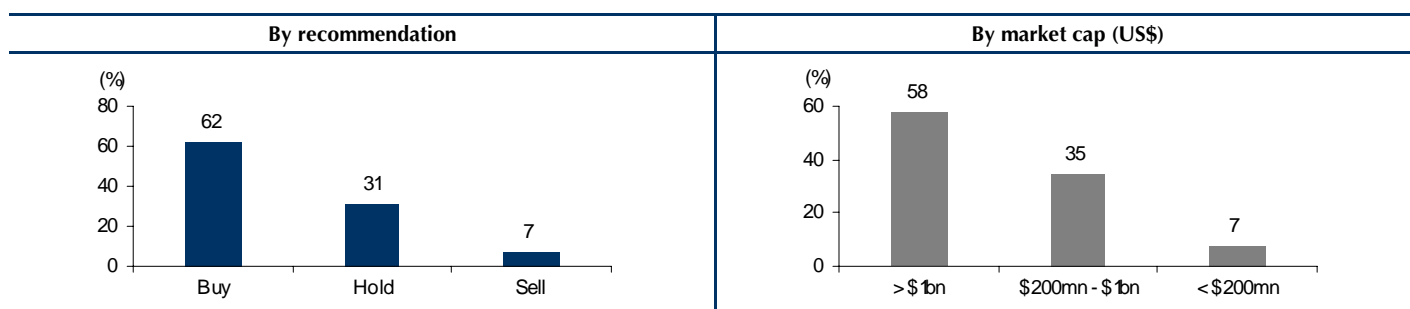
Date	Event	Reco price	Tgt price	Reco
21-Aug-08	RHH Compendium	160	171	Sell
6-Oct-08	Quarterly Preview	112	105	Sell
5-Dec-08	Sector Report	24	34	Hold
20-Jan-09	Company Update	32	34	Hold
2-Feb-09	Results Review	29	26	Sell
17-Apr-09	Company Update	43	51	Hold
15-Jun-09	Sector Report	86	90	Hold
29-Jun-09	Results Review	82	101	Buy
3-Aug-09	Results Review	90	101	Buy
2-Sep-09	Company Update	103	123	Buy
31-Oct-09	Results Review	82	123	Buy
1-Feb-10	Results Review	76	123	Buy
9-Apr-10	Company Update	76	101	Buy
20-Apr-10	Company Update	80	101	Buy

### Stock performance





### Coverage Profile



### Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

### Religare Capital Markets Ltd

4<sup>th</sup> Floor, GYS Infinity, Paranjpe 'B' Scheme, Subhash Road, Vile Parle (E), Mumbai 400 057.

### Disclaimer

**This document is NOT addressed to or intended for distribution to retail clients (as defined by the FSA).**

This document is issued by Religare Capital Markets plc ("RCM") in the UK, which is authorised and regulated by the Financial Services Authority in connection with its UK distribution. RCM is a member of the London Stock Exchange.

This material should not be construed as an offer or recommendation to buy or sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action or any other matter. The material in this report is based on information that we consider reliable and accurate at, and share prices are given as at close of business on, the date of this report but we do not warrant or represent (expressly or impliedly) that it is accurate, complete, not misleading or as to its fitness for the purpose intended and it should not be relied upon as such. Any opinion expressed (including estimates and forecasts) is given as of the date of this report and may be subject to change without notice.

RCM, and any of its connected or affiliated companies or their directors or employees, may have a position in any of the securities or may have provided corporate finance advice, other investment services in relation to any of the securities or related investments referred to in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this briefing note.

RCM accepts no liability whatsoever for any direct, indirect or consequential loss or damage of any kind arising out of the use of or reliance upon all or any of this material howsoever arising. Investors should make their own investment decisions based upon their own financial objectives and financial resources and it should be noted that investment involves risk, including the risk of capital loss.

This document is confidential and is supplied to you for information purposes only. It may not (directly or indirectly) be reproduced, further distributed to any person or published, in whole or in part, for any purpose whatsoever. Neither this document, nor any copy of it, may be taken or transmitted into the United States, Canada, Australia, Ireland, South Africa or Japan or into any jurisdiction where it would be unlawful to do so. Any failure to comply with this restriction may constitute a violation of relevant local securities laws. If you have received this document in error please telephone Nicholas Malins-Smith on +44 (0) 20 7382 4479.