

May 31, 2010

Rating	Accumulate
Price	Rs73
Target Price	Rs110
Implied Upside	50.0%
Sensex	16,863

(Prices as on May 28, 2010)

Trading Data

Market Cap. (Rs bn)	191.9
Shares o/s (m)	2,616.3
Free Float	55.00%
3M Avg. Daily Vol ('000)	44,026.2
3M Avg. Daily Value (Rs m)	3,370.0

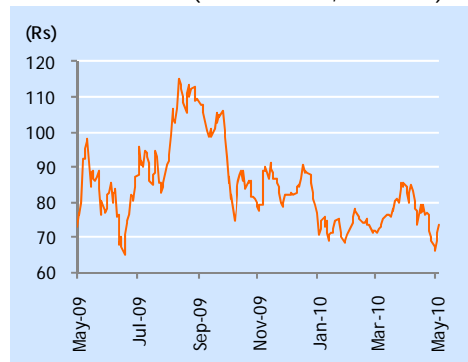
Major Shareholders

Promoters	45.00%
Foreign	32.28%
Domestic Inst.	3.55%
Public & Others	19.17%

Stock Performance

(%)	1M	6M	12M
Absolute	(7.7)	(7.4)	(3.8)
Relative	(4.8)	(8.8)	(21.8)

Price Performance (RIC: UNTE.BO, BB: UT IN)



Source: Bloomberg

■ **Strong sequential top-line growth:** Unitech reported 46.3% top-line growth on a sequential basis to Rs11,329m led by strong sales volumes during the quarter, coupled with heightened pace of execution. The company sold 3.46m sq.ft during the quarter as against 3.03 in Q3FY10. The value of sales stood at Rs14.8bn in Q4FY10.

An improvement in execution is visible as 48% of the company's undelivered sales prior to FY10 are reported to be in the handover stage as compared to 42% in the third quarter. As far as sales during FY10 are concerned, as of March 31, 2010, the company had started construction activities on 99% of the projects as against 53% in Q3FY10.

■ **Margins subdued:** Unitech's margins were subdued during the quarter at 24%, mainly on account of increase in costs in some of the company's older projects. On account of the same, the impact has been dual; firstly on that portion of these projects that were executed during the quarter and secondly "one time" booking of additional costs on the portion executed earlier since overall project costs are higher than earlier estimated.

■ **Expecting to maintain sales in value terms:** Unitech has recorded their highest ever sale figures in FY10 by selling 16.6m sq.ft. The first two quarters witnessed a run rate of 5m sq.ft each, while third and fourth quarters are averaged at 3.25m sq.ft. Since FY10 had the impact of some amount of pent-up demand, we expect volumes to be lower in FY11, with average being maintained at the fourth quarter levels. However, in value terms, we expect sales to be maintained at the FY10 levels of Rs70bn, on account of higher value sales.

■ **Valuations:** Unitech's NAV as estimated by us stands at Rs123. The restructuring exercise of demerging its non-core assets into a separate company, besides giving valuation clarity to assets which have been ignored, will result in Unitech becoming a pure-play on real estate. Our target price is based on a 10% discount to the company's NAV. We maintain 'Accumulate', with a target price of Rs110.

Key financials (Y/e March)	FY09	FY10	FY11E	FY12E
Revenues (Rs m)	28,502	29,568	41,378	53,046
Growth (%)	(30.7)	3.7	39.9	28.2
EBITDA (Rs m)	15,493	10,967	18,243	22,646
PAT (Rs m)	11,968	6,946	11,796	15,582
EPS (Rs)	7.4	2.8	4.5	6.0
Growth (%)	(28.3)	(61.4)	58.3	32.1
Net DPS (Rs)	0.1	0.1	0.1	0.1

Source: Company Data; PL Research

Profitability & valuation	FY09	FY10	FY11E	FY12E
EBITDA margin (%)	54.4	37.1	44.1	42.7
RoE (%)	27.3	8.7	10.1	11.6
RoCE (%)	11.0	4.9	7.2	8.7
EV / sales (x)	7.1	7.8	5.5	4.1
EV / EBITDA (x)	13.1	20.9	12.4	9.5
PE (x)	9.9	25.8	16.3	12.3
P / BV (x)	2.3	1.7	1.5	1.4
Net dividend yield (%)	0.2	0.1	0.1	0.2

Source: Company Data; PL Research

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Q4FY10 Result Overview

(Rs m)

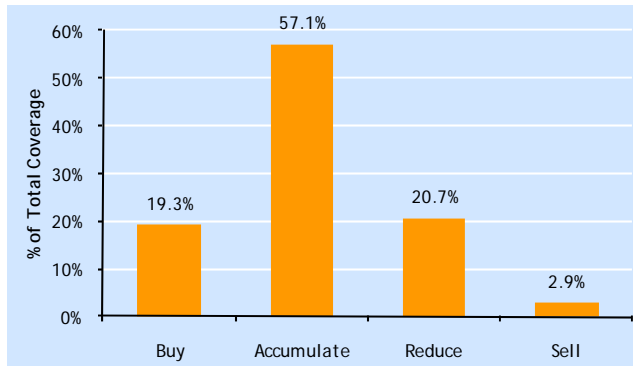
Y/e March	Q4FY10	Q4FY09	YoY gr. (%)	Q3FY10	FY10	FY09	YoY gr. (%)
Total Income	11,329	3,853	194.1	7,745	29,568	28,502	3.7
Expenditure							
Construction Cost	8,336	2,336	256.8	5,636	17,608	11,978	47.0
<i>% sales</i>	<i>73.6</i>	<i>60.6</i>		<i>0.7</i>	<i>59.5</i>	<i>42.0</i>	
Staff Cost	264	251	5.1	252	994	1,032	(3.7)
<i>% sales</i>	<i>2.3</i>	<i>6.5</i>		<i>0.0</i>	<i>3.4</i>	<i>3.6</i>	
Total Expenses	8,599	2,587		5,888	18,602	13,009	
EBITDA	2,730	1,266	115.7	1,857	10,967	15,493	(29.2)
<i>% sales</i>	<i>24.1</i>	<i>32.9</i>		<i>24.0</i>	<i>37.1</i>	<i>54.4</i>	
Depreciation	106	50	113.5	79	341	209	63.1
EBIT	2,624	1,216	115.8	1,778	10,626	15,284	(30.5)
<i>% of sales</i>	<i>23.2</i>	<i>31.6</i>		<i>23.0</i>	<i>35.9</i>	<i>53.6</i>	
Finance Expenses	323	2,158	(85.0)	148	2,000	5,546	(63.9)
Other Income	192	3,676	(94.8)	139	585	4,654	(87.4)
PBT	2,492	2,733	(8.8)	1,769	9,210	14,392	(36.0)
Tax	698	(21)	NA	373	2,264	2,424	(6.6)
<i>% of PBT</i>	<i>28.0</i>	<i>(0.8)</i>		<i>21.1</i>	<i>24.6</i>	<i>16.8</i>	
Net Profit after Tax	1,795	2,755	(34.8)	1,395	6,946	11,968	(42.0)
Share of Associates	3	(12)	(123.4)	8	(5)	(12)	(61.4)
Minority Interest	(4)	21	(118.7)	357	31	(21)	(246.2)
Prior period item	(22)	-		-	(22)	-	
Earlier year taxes	(138)	-		-	138	13	
Adj. Profit	1,634	2,764	(40.9)	1,760	6,751	11,964	(43.6)

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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