

## Unitech Ltd

### 4Q10 operating update- Steady it goes - ALERT

Unitech released its operating update for 4Q2010. Key highlights are as follows:

- New sales momentum stabilizing at 3-3.5 msf per quarter - 4Q10 new bookings were at Rs 14.5B for 3.5msf of sales. Overall for FY10, UT achieved new bookings of Rs 70B (company's share ~Rs 56B) on 16.6 msf of sales. Though in volume terms this is lower than guidance of 20 msf (given an FY10 start), in value terms it is 15% higher, thanks to higher average realisation of Rs 4,240 psf.
- Execution is improving steadily. FY11 delivery should jump to 13-14 msf - Total deliveries in FY10 were at 6.8 msf vs previous peak delivery of 8-9 msf. This should improve substantially (13-14 msf) in FY11 as ~11 msf of projects are near handing-over stage and on 7.3 msf of projects structural work has been completed and internal work is going on. Assuming sales/volumes stabilize at current (FY10) levels, UT should be able to deliver a cash EPS of Rs 7.8/Share by FY12 (assuming average construction cost of Rs 1500 psf). However, this is contingent on UT delivering 16msf p.a, something which investors are circumspect about. Consequently, improvement in construction and consistent deleveraging through FY11E would be required for the re-rating to sustain, in our view.
- Restructuring details to be announced tomorrow. Sum of parts greater than the whole? Unitech is holding an analyst meet to announce details on hiving of non-core business (telecom, SEZ, amusement park etc) into a new company Unitech Infra. Total valuation of these assets is Rs 16/Share on our calculations. However, given holding company nature and limited income generation potential from the assets the new company is likely to trade at a substantial (30%) discount to asset value and thus likely limit near term value accretion to investors holding the Unitech stub.

## Overweight

UNTE.BO, UT IN

Price: Rs79.95

19 April 2010

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### Property

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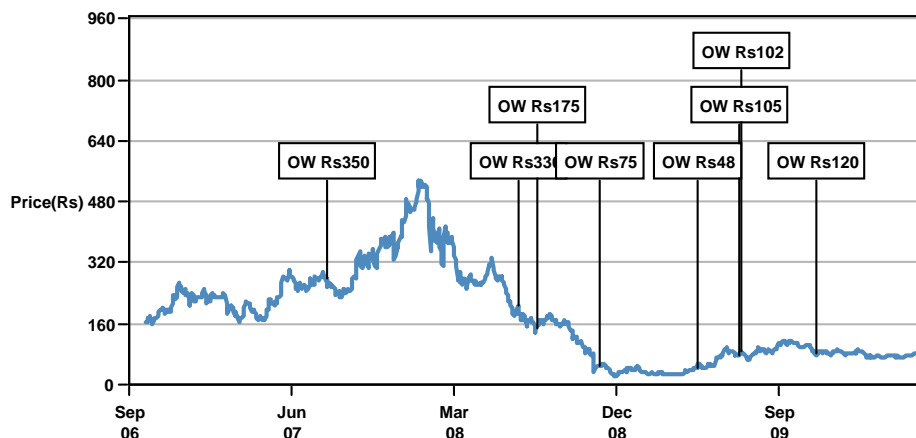
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Unitech Ltd (UNTE.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Aug-07	OW	279.42	350.00
18-Jun-08	OW	207.10	330.00
21-Jul-08	OW	149.20	175.00
02-Nov-08	OW	49.00	75.00
17-Apr-09	OW	43.35	48.00
25-Jun-09	OW	78.00	105.00
28-Jun-09	OW	85.30	102.00
01-Nov-09	OW	82.25	120.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Aug 01, 2007. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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	<b>Overweight</b> (buy)	<b>Neutral</b> (hold)	<b>Underweight</b> (sell)
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IB clients*	48%	46%	32%
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IB clients*	70%	58%	48%

\*Percentage of investment banking clients in each rating category.

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