

- We are the only broker to incorporate a 10% y-y price correction up to FY11.
- We employ global through-cycle developer valuations to value Unitech.

Net Profit 10 ... INR9,236m
..... (Unchanged)

Diff from Consensus..(8.1%)
Consensus (mean) ...INR10,040m
Consensus (momentum) ↑

Target Price INR50.00
..... (Unchanged)

Diff from Consensus(41.2%)
Consensus (median)INR86.00
Consensus (momentum) ↑

Current Price.... INR109.50
Upside/(Downside)..... (54.3%)

REDUCE
(Unchanged)

Recs in the Market
Positive **13**
Neutral **3**
Negative **8**
Consensus (momentum) ↑

Sources: Thomson One Analytics; Bloomberg; BNP Paribas estimates

- Site visits to UT's projects launched in 1H09 in Chennai, Kolkata, NCR (~80% of sales) indicate no construction activity.
- Incremental progress in old projects. Lack of const. activity raises concerns on fund use and receipts from sales.
- Investor sales increase cancellation risks. Reiterate REDUCE and TP of INR50 based on 1x book + INR10 for Telecom.

If seeing is believing, we lack belief!

8m sqft of sales and counting, but no construction! We visited Unitech's project sites in NCR, Chennai and Kolkata, which accounted for more than 80% of Unitech's 8m sqft of residential sales (~6.5m sqft on pro-rata basis) in the past 7 months. There was no sign of development activity on the new projects (see Appendix). Our channel checks with the company officials and brokers suggest more than 60% of sales are to investors who have paid a notional token amount of 5-10% of total cost as the booking amount. Unitech has raised approx INR1.5b through these sales bookings but we were surprised to see no construction progress even after 6-7 months of the launch of some of the projects. In comparison, HDIL has made visible progress in the construction of its newly launched residential projects in Mumbai, which provides more confidence on its sales. Developer cash flows are front-end loaded and lack of construction progress despite huge project launches raises concerns about diversion of funds to other projects and whether cash receipts for the stated bookings has been obtained.

Several excuses cited for delay in start of construction Unitech maintains that approvals were largely responsible for the delay in the Chennai project while providing investors time to make upfront payments led to the delay in NCR and Kolkata. Given Unitech's foray into affordable housing where EBITDA margins are lower (30%), large delays can significantly affect overall profitability of projects.

Old projects make progress; REDUCE on low visibility We noted incremental construction progress, during our site visits, in Unitech's older residential projects in NCR and Kolkata. Unitech has approx 27m sft of projects under construction outside of new launches. More than 40% of total expenses are typically incurred in the final stages of a project in fittings, floorings, etc by which time bulk of customer payments (approx 70%) are already received resulting in a cash flow mismatch. Unitech has used 50% of total QIP proceeds (approx INR22b) to repay debt and the remainder will be deployed for working capital. Gross debt amounts to approx INR68.5b (0.42x Debt/Equity). We maintain REDUCE and TP of INR50 (1x P/B and INR10 for telecom biz) as visibility on new sales is low with high risk of cancellations.

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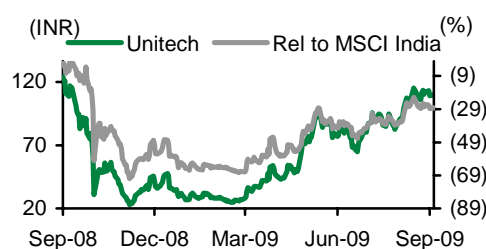
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Earnings Estimates And Valuation Ratios

YE Mar (INR m)	2008	2009E	2010E	2011E
Revenue	42,801	32,455	34,861	40,706
Reported net profit	16,613	11,192	14,179	9,131
Recurring net profit	16,632	9,974	9,236	9,131
Previous rec net profit	16,632	9,974	9,236	9,131
Chg from previous (%)	0.0	0.0	0.0	0.0
Recurring EPS (INR)	10.25	6.14	4.52	4.47
Prev rec EPS (INR)	10.25	6.14	4.52	4.47
Rec EPS growth (%)	26.9	(40.0)	(26.5)	(1.1)
Recurring P/E (x)	10.7	17.8	24.2	24.5
Dividend yield (%)	0.2	0.0	0.0	0.0
EV/EBITDA (x)	9.7	14.9	17.5	18.3
Price/book (x)	4.9	3.7	2.9	2.6
ROE (%)	59.5	23.7	14.6	11.0
Net debt/equity (%)	192.2	159.6	68.3	62.9

Sources: Unitech; BNP Paribas estimates

Share Price Daily vs MSCI India



Next results/event	October 2009
Market cap (USD m)	3,704
3m avg daily turnover (USD m)	151.3
Free float (%)	35
Major shareholder	Promoters(44%)
12m high/low (INR)	120.65/23.15
ADR (USD)	Nil
Avg daily turnover (USD m)	Nil
Discount/premium (%)	Nil
Disc/premium vs 52-wk avg (%)	Nil

Sources: Datastream; Bloomberg

Appendix 1 – list of projects visited

Exhibit 1: Projects Recently Launched

Project	Segment	Location	Status of sales	Launch date	Construction status
Uniworld Gardens II	Residential - Apartments	Gurgaon	Fully Sold	Mar-09	No construction activity
The Villas	Individual Bungalows	Gurgaon	na	Aug - Sep 09	No construction activity
The Residences	Residential - Apartments	Gurgaon	Fully Sold	May-09	No construction activity
Sunbreeze	Residential - Apartments	Gurgaon	Fully Sold	Aug - sep 09	No construction activity
Unitech Vistas	Residential - Apartments	Kolkata	20-25% sold	Jul-09	Preliminary construction activity
Gateway Phase 2	Residential - Apartments	Kolkata	5 - 10% sold	Aug-09	No construction activity
Unihomes	Residential - Apartments	Kolkata	0-5% sold	Aug-09	No construction activity
Unihomes	Residential - Apartments	Noida	80% sold	Jul-09	No construction activity
Uniworld Gardens	Residential - Apartments	Noida	more than 70% sold	Jul-09	No construction activity
Willows @ Grande	Residential - plots	Noida	40% sold	Jul-09	Preliminary construction activity
Unihomes Plots	Residential - plots	Greater Noida	Fully Sold	Jul - Aug 09	No construction activity
Unihomes	Residential - Apartments	Greater Noida	~ 5% sold	Sep-09	No construction activity
Unihomes	Residential - Apartments	Chennai	300 units sold	Aug-09	No construction activity
Ananda	Residential - Apartments	Chennai	Fully Sold	May-09	No construction activity
Brahma	Residential - Apartments	Chennai	Fully Sold	May-09	No construction activity

Sources: Company; BNP Paribas estimates

Exhibit 2: Old Projects

Project	Segment	Location	Status of sales	Launch date	Construction status
Unitech SEZ - Phase 1	Commercial	Kolkata	45% occupied	2008	Phase 1 complete, construction has stopped for further phases due to lack of demand
Gateway Pase 1	Residential - Apartments	Kolkata	Fully Sold	2008	Structure for first two floors built
Convention Centre	Mixed development	Kolkata	na	2008	Preliminary construction activity
Grande	Residential - Apartments	Noida	60% sold	2008	Preliminary construction activity

Sources: Company; BNP Paribas estimates

Appendix 2 – Pictures of new projects

Exhibit 3: UT Unihomes, Noida



Sources: Company reports; BNP Paribas

Exhibit 4: Uniworld Gardens, Noida



Sources: Company reports; BNP Paribas

Exhibit 5: Unihomes, Kolkata



Sources: Company reports; BNP Paribas

Exhibit 6: Unihomes, Greater Noida



Sources: Company reports; BNP Paribas

Exhibit 7: Residences, Gurgaon



Sources: Company reports; BNP Paribas

Exhibit 8: Sunbreeze, Gurgaon



Sources: Company reports; BNP Paribas

Exhibit 9: Unitech Vistas, Kolkata



Sources: Company reports; BNP Paribas

Appendix 3 – Pictures of old projects

Exhibit 10: UT Gateway Phase 1, Kolkata



Sources: Company reports; BNP Paribas

Exhibit 11: Grande Phase 1, Noida



Sources: Company reports; BNP Paribas

Exhibit 12: Uniworld City, Kolkata



Sources: Company reports; BNP Paribas

Exhibit 13: Air, Kolkata (39 storied)



Sources: Company reports; BNP Paribas

Exhibit 14: Unitech SEZ, Kolkata



Sources: Company reports; BNP Paribas

Appendix 4 – Comparable Valuation

Exhibit 15: Indian And Chinese Developer Comparables

	Share price (USD)	Market cap (USD m)	Revenue			– EPS growth –		P/E			P/B (x)	ROE FY10E
			FY09E (USD m)	FY10E (USD m)	FY11E (USD m)	FY10E (%)	FY11E (%)	FY09E (x)	FY10E (x)	FY11E (x)		
India												
Real Estate												
DLF*	8.85	15,278	2,197	1,289	1,555	(74)	37	15.6	59.8	43.7	2.94	4.7
HDIL*	6.78	2,372	360	278	391	(26)	(14)	13.2	18.0	20.8	1.80	10.6
Indiabulls Real Estate*	5.58	2,305	92	241	291	na	19	na	na	na	1.31	3.9
Unitech*	2.28	5,519	691	727	849	(34)	(1)	15.9	24.2	24.5	2.73	10.2
Akruti City	11.19	841	82	303	310	98	67	13.5	6.8	4.1	3.49	na
Anant Raj Industries	2.96	892	3	90	147	16	47	20.2	17.4	11.8	1.28	7.2
Omaxe	2.57	453	167	212	225	59	(4)	na	28.5	29.7	1.45	na
Parsvnath Developers	2.71	494	146	173	234	(6)	23	21.3	22.7	18.4	1.16	5.3
Phoenix Mills	3.68	544	0	29	50	14	41	na	28.6	20.2	1.71	5.8
Puravankara	2.46	539	93	75	107	na	23	na	26.5	21.5	2.11	7.1
Sobha Developers	5.35	548	203	225	287	(21)	31	17.4	21.8	16.7	1.78	7.3
Average			367	331	404	3	24	16.7	25.4	21.1	2.0	6.9
China												
Large and regional developers												
China Overseas Land	2.14	17,495	2,438	4,387	5,575	29	32	26.8	20.7	15.8	3.6	17.4
CR Land	2.19	11,160	1,178	2,238	3,289	36	39	na	25.6	18.4	2.4	8.7
China Vanke	1.25	16,743	4,704	6,428	7,563	na	29	na	21.7	16.8	2.7	14.9
Country Garden	0.37	6,134	2,027	2,299	2,770	na	29	na	18.6	14.4	2.0	12.4
Agile	1.22	4,366	1,203	1,772	2,247	(62)	34	6.5	17.1	12.8	2.3	14.3
Guangzhou R&F	1.75	5,663	1,982	2,437	2,998	55	34	23.2	15.0	11.2	2.7	17.9
Hopson	1.73	2,741	1,390	1,856	2,384	16	25	10.1	8.7	7.0	0.9	10.1
New World China	0.51	1,921	455	447	447	na	0	na	18.8	18.8	0.5	2.7
Shimao property holding	1.77	6,211	929	2,010	2,646	218	29	na	16.7	12.9	2.1	13.5
Greentown	1.42	2,313	856	1,105	1,510	58	40	23.4	14.8	10.6	1.8	15.1
Average			1,716	2,498	3,143	50	29	18.0	17.8	13.9	2.1	12.7
Small and city developers												
Guangzhou Inv	0.17	1,205	538	950	924	163	10	17.1	6.5	5.9	0.6	10.3
Beijing Capital Land	0.37	765	667	684	824	na	19	na	10.6	8.9	1.2	13.4
Shanghai Forte	0.30	751	482	593	696	52	33	20.7	13.6	10.2	1.0	7.7
Beijing North Star	0.35	2,357	532	478	535	26	8	20.8	16.5	15.3	0.7	5.8
CC Land	0.55	1,447	180	188	318	na	na	na	na	na	1.0	(1.1)
Shanghai Real Estate	0.10	367	483	447	548	na	6	(2.4)	4.9	4.6	0.3	6.9
Average			480	557	641	23	15	14.0	10.4	9.0	0.8	7.2

*BNP Paribas estimates. Pricing as at 24 September 2009

Sources: Bloomberg; BNP Paribas estimates

FINANCIAL STATEMENTS

Unitech

Profit and Loss (INR m) Year Ending Mar	2007A	2008A	2009E	2010E	2011E
Revenue	33,881	42,801	32,455	34,861	40,706
Cost of sales ex depreciation	(12,728)	(16,051)	(12,717)	(16,555)	(22,257)
Gross profit ex depreciation	21,153	26,750	19,738	18,306	18,449
Other operating income	0	0	0	0	0
Operating costs	(1,874)	(3,062)	(2,686)	(2,997)	(3,138)
Operating EBITDA	19,279	23,687	17,051	15,309	15,311
Depreciation	(73)	(205)	(219)	(296)	(381)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	19,205	23,482	16,832	15,013	14,930
Net financing costs	(1,287)	(2,804)	(4,364)	(3,468)	(3,517)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	1,522	6,179	0
Profit before tax	17,919	20,678	13,990	17,724	11,413
Tax	(4,810)	(3,986)	(2,798)	(3,545)	(2,283)
Profit after tax	13,108	16,692	11,192	14,179	9,131
Minority interests	(11)	(129)	0	0	0
Preferred dividends	0	0	0	0	0
Other items	18	50	0	0	0
Reported net profit	13,115	16,613	11,192	14,179	9,131
Non recurring items & goodwill (net)	(13)	19	(1,218)	(4,943)	0
Recurring net profit	13,102	16,632	9,974	9,236	9,131

Revenue is driven by residential segment in the near term

Interest cost lower due to capitalisation

Per share (INR)

Recurring EPS *	8.07	10.25	6.14	4.52	4.47
Reported EPS	8.08	10.23	6.89	6.94	4.47
DPS	0.25	0.25	0.00	0.00	0.00

Growth

Revenue (%)	255.0	26.3	(24.2)	7.4	16.8
Operating EBITDA (%)	880.3	22.9	(28.0)	(10.2)	0.0
Operating EBIT (%)	935.6	22.3	(28.3)	(10.8)	(0.5)
Recurring EPS (%)	649.8	26.9	(40.0)	(26.5)	(1.1)
Reported EPS (%)	639.1	26.7	(32.6)	0.6	(35.6)

Operating performance

Gross margin inc depreciation (%)	62.2	62.0	60.1	51.7	44.4
Operating EBITDA margin (%)	56.9	55.3	52.5	43.9	37.6
Operating EBIT margin (%)	56.7	54.9	51.9	43.1	36.7
Net margin (%)	38.7	38.9	30.7	26.5	22.4
Effective tax rate (%)	26.8	19.3	20.0	20.0	20.0
Dividend payout on recurring profit (%)	3.1	2.4	0.0	0.0	0.0
Interest cover (x)	14.9	8.4	3.9	4.3	4.2
Inventory days	17.8	11.0	13.6	14.5	14.6
Debtor days	13.4	38.0	136.9	152.3	106.8
Creditor days	1,120.1	1,495.3	2,566.7	2,109.6	1,605.7
Operating ROIC (%)	35.1	17.5	8.9	7.2	6.8
Operating ROIC – WACC (%)	-	-	-	-	-
ROIC (%)	32.3	15.7	8.0	6.5	6.2
ROIC – WACC (%)	-	-	-	-	-
ROE (%)	116.3	59.5	23.7	14.6	11.0
ROA (%)	16.0	10.3	5.3	4.5	4.3

Declining margins due to higher proportion of mid-income launches

* Pre exceptional, pre-goodwill and fully diluted

Sources: Unitech; BNP Paribas estimates

Cash Flow (INR m)					
Year Ending Mar	2007A	2008A	2009E	2010E	2011E
Recurring net profit	13,102	16,632	9,974	9,236	9,131
Depreciation	73	205	219	296	381
Associates & minorities	11	129	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	13,186	16,966	10,194	9,532	9,512
Change in working capital	3,983	16,680	(7,872)	(4,505)	(9,005)
Capex - maintenance	0	0	0	0	0
Capex – new investment	(5,218)	(24,810)	(11,467)	(2,000)	(2,000)
Free cash flow to equity	11,952	8,836	(9,146)	3,027	(1,494)
Net acquisitions & disposals	(2,564)	(3,409)	54	0	0
Dividends paid	(185)	(475)	(371)	0	0
Non recurring cash flows	(33,597)	(47,000)	2,259	4,101	0
Net cash flow	(24,393)	(42,047)	(7,203)	7,128	(1,494)
Equity finance	1,296	560	146	842	0
Debt finance	29,425	45,343	(4,126)	(7,418)	1,494
Movement in cash	6,328	3,855	(11,183)	553	0

Tight working capital likely to necessitate further fund raising, which is detrimental to shareholders

Per share (INR)					
Recurring cash flow per share	8.12	10.45	6.28	4.66	4.65
FCF to equity per share	7.36	5.44	(5.63)	1.48	(0.73)

Balance Sheet (INR m)					
Year Ending Mar	2007A	2008A	2009E	2010E	2011E
Working capital assets	20,403	37,326	47,081	39,031	38,627
Working capital liabilities	(48,959)	(82,562)	(96,296)	(95,068)	(100,763)
Net working capital	(28,555)	(45,236)	(49,216)	(56,038)	(62,136)
Tangible fixed assets	94,595	167,095	192,134	205,164	221,887
Operating invested capital	66,039	121,859	142,918	149,127	159,751
Goodwill	1,126	1,126	4,243	4,243	4,243
Other intangible assets	0	0	0	0	0
Investments	4,548	14,165	10,994	10,994	10,994
Other assets	0	0	0	0	0
Invested capital	71,713	137,150	158,155	164,363	174,988
Cash & equivalents	(10,227)	(14,083)	(2,899)	(3,452)	(3,452)
Short term debt	0	0	0	0	0
Long term debt *	40,397	85,524	81,398	57,769	59,263
Net debt	30,170	71,441	78,499	54,317	55,811
Deferred tax	20	60	60	60	60
Other liabilities	15,786	19,135	19,135	19,135	19,135
Total equity	19,944	36,005	48,013	78,403	87,534
Minority interests	13	1,159	1,159	1,159	1,159
Invested capital	71,713	137,150	158,155	164,363	174,988

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	12.29	22.18	29.58	38.35	42.82
Tangible book value per share	11.59	21.49	26.96	36.27	40.74
Financial strength					
Net debt/equity (%)	151.2	192.2	159.6	68.3	62.9
Net debt/total assets (%)	23.0	30.6	30.5	20.7	20.0
Current ratio (x)	0.6	0.6	0.5	0.4	0.4
CF interest cover (x)	14.3	13.0	1.5	2.4	1.1

Recent QIP offering and asset sales reduces gearing in FY10E

Valuation					
	2007A	2008A	2009E	2010E	2011E
Recurring P/E (x) *	13.6	10.7	17.8	24.2	24.5
Recurring P/E @ target price (x) *	6.2	4.9	8.1	11.1	11.2
Reported P/E (x)	13.6	10.7	15.9	15.8	24.5
Dividend yield (%)	0.2	0.2	0.0	0.0	0.0
P/CF (x)	13.5	10.5	17.4	23.5	23.5
P/FCF (x)	14.9	20.1	neg	73.9	neg
Price/book (x)	8.9	4.9	3.7	2.9	2.6
Price/tangible book (x)	9.4	5.1	4.1	3.0	2.7
EV/EBITDA (x) **	7.9	9.7	14.9	17.5	18.3
EV/EBITDA @ target price (x) **	4.1	5.6	9.2	10.4	10.3
EV/invested capital (x)	2.9	1.8	1.6	1.7	1.6

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Unitech; BNP Paribas estimates

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Recommendation structure

All share prices are as at market close on 25 September 2009 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as $(\text{target price} - \text{current price}) / \text{current price}$. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

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