



CMP: Rs. 83.10

Recommendation: Buy

Target Price: Rs. 105

Investment View

Sector: Construction – real estate

Key Data

Market Capital (Rs. cr)	21,704
Free float (%)	53.44
Face Value, (Rs.)	2.0
52 wk High	118.35
52 wk Low	65.10
Bloomberg	UT IN
Reuters	UNTE.BO
NSE	UNITECH
BSE	507878

Shareholding Pattern

Promoters	46.41%
FII	32.61%
Public & Others	20.98%

Key Highlights

- Revenue for Q1 FY11 rose by 53% as compared to Q1 FY10
- Unitech has delivered 0.9 msf of past projects which is flat as compared to 1.2 msf in Q4 FY10
- Good sales number in the cities like gurgaon and Chennai
- Unitech Infra demerger – Unlocking value
- Debt-Equity ratio to come down going ahead

Result Update Q1 FY2011

The consolidated operating income is pegged at Rs.829 cr for the June 2010 quarter. The mentioned figure indicates a rise of about 53% as against Rs. 540 cr during the year-ago period. Slight decline in net profit seen as compared to June 2009 PAT declined from Rs. 198cr to Rs. 182 cr in June 2010 this is due to significant increase in operating exp. During the quarter Q1 FY11 Unitech has delivered 0.9 msf of past projects which is flat as compared to 1.2 msf in Q4 FY10 and 0.7 msf in Q3 FY10.

Demerger

Unitech plans to demerge with Unitech Infra should unlock the value of shareholder as there will be low-cost debt available for infrastructure projects and also there will be increase in the efficiencies as there will be separate management control. This demerger will offer flexibility to the investors either to invest into real estate or infra business going forward. Due to Infra business is capital intensive in nature, it will generate surplus cash going forward.

Worst is Over for Real estate sector

We believe Real estate sector has corrected by 25% since Oct 09 peaks this is primarily due to negative outlook about the sector. A 1% rise in mortgage rates requires 7% rise in income and according to Hewitt survey India is likely to see the highest wage growth in Aisa in 2010. This indicates that worst is over for the sector and also there is strong recovery of economy in India which will give further boost to the real estate sector

Outlook

Considering Unitech-Infra demerger plans, efforts on affordable housing and huge land bank we advise our investors to buy the stock at CMP of Rs. 83.10 with the target price of Rs. 105 for the period of 6-12 months. We expect Unitech to pay major chunk of debt in next three years which will reduce interest cost substantially and will impact on earnings in long term positively. The company will be benefited by the stimulus package announced by the government for the real estate sector; this subsidy will further boost the Unitech's revenue significantly.



Construction Status

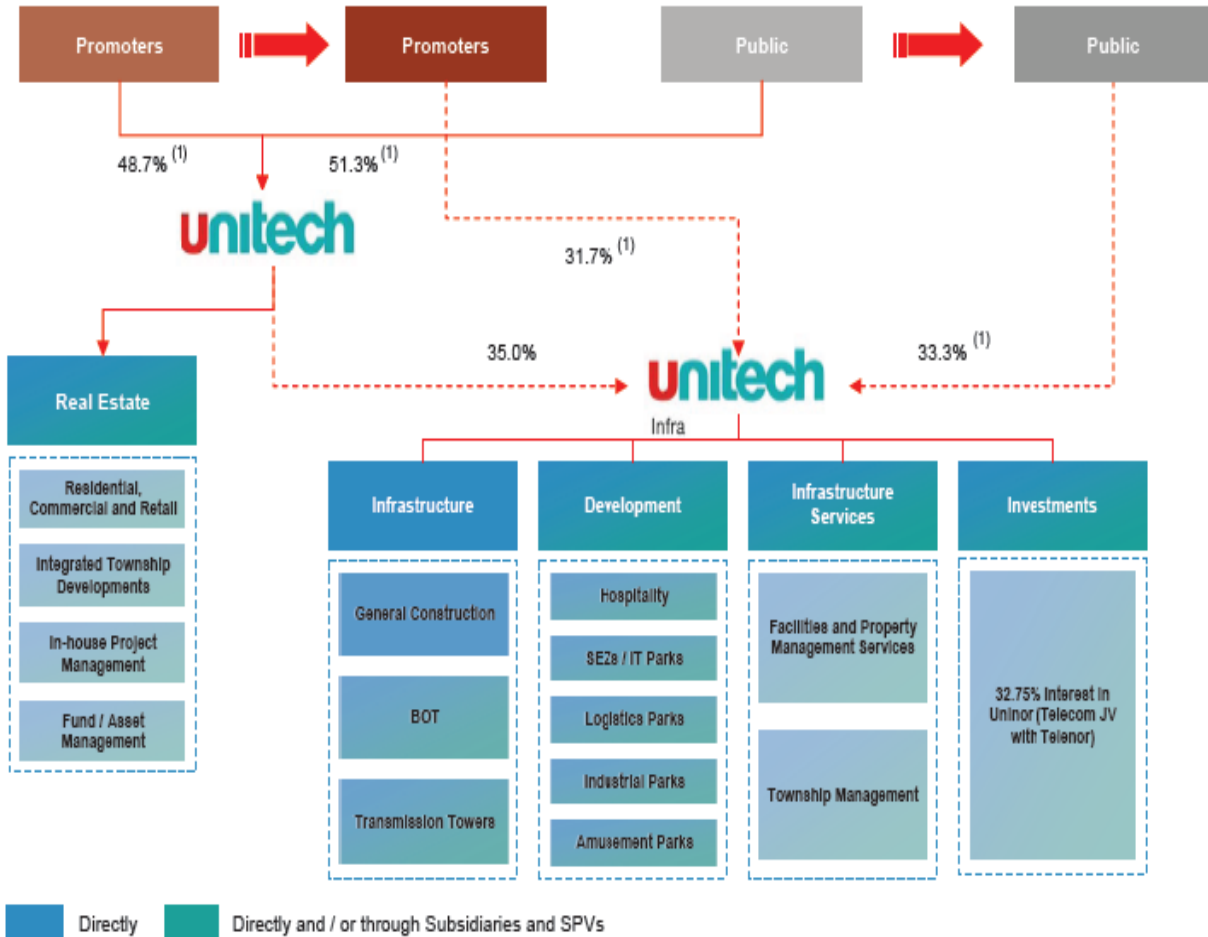
Construction Stage	No. of Projects	Mn sq ft	Percentage of total	Projects
Handover/Finishing	12	6.3	45%	Gurgaon- Nirvana Floors, Gardens II, Residences; Kolkata - Vistas, Chambers; Chennai - Unihomes; Noida- Unihomes Ph-1, Ph-2
Internal WIP	9	4.2	30%	Gurgaon - Vistas; Noida - UW Gardens; Bangalore - Gardens Galleria; Chennai - Ananda, Brahma, Palm Villas; Kolkata - Gateway Cluster 2; Bhopal - Unihomes
Piling/Structure WIP		3.6	25%	Gurgaon - Sunbreeze, Nirvana Country II, South City II Floors; Mohali - Singleton Floors, Unihomes; Chennai - Gulmohar Avenue; Lucknow - Gardens Galleria; Kochi -Gardens Galleria; Bangalore - Gardens Galleria
Pre-construction	3	0.0	0%	GalleriaMysore; Mohali - Gardens Galleria; Chennai - Unihomes Ph-2
Total	31	14.2	100%	

Delivery Status

City	Area to be delivered (mn Sq ft)	Area Delivered till June2010 (mn sq ft)	Balance to be Delivered (mn sq ft)
Noida	6.5	1.3	5.3
Gurgaon	9.9	5.2	4.7
Kolkata	5.7	1.1	4.6
Lucknow	0.1	0.0	0.1
Mohali	0.5	0.0	0.5
Total	22.8	7.7	15.2



Unitech Infra Demerger plan





Financial Summary

Consolidated P&L (Rs. cr)	2009A	Jun- 09	Sep- 09	Dec- 09	Mar- 10	2010A	Jun-10	2011E	2012E
Total Income	2,894	540	509	774	1,133	2,957	829	3,826	4,721
% Growth			-5.6%	52.0%	46.3%	2.2%	-26.9%	29.4%	23.4%
Total									
Expenditure	1,301	200	212	589	860	1,860	535	2,441	2,960
EBITDA	1,594	340	298	186	273	1,097	294	1,385	1,761
EBITDA Margin	55.1%	63.0%	58.5%	24.0%	24.1%	37.1%	35.5%	36.2%	37.3%
Depreciation	21	4	11	8	11	34	9	41	46
EBIT	1,573	336	286	178	262	1,063	285	1,344	1,715
Interest	555	93	60	15	32	200	34	321	463
Other Income	421	8	17	14	19	58	15	62	81
PBT	1,439	252	243	177	249	921	266	1,085	1,333
Tax	242	54	65	37	70	226	83	250	307
PAT	1,197	198	178	140	179	695	182	836	1,026



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