

### RESULTS REVIEW

### Unitech Limited

Hold

#### Share Data

Market Cap	Rs. 839.2 bn
Price	Rs. 516.95
BSE Sensex	20,869.78
Reuters	UNTE.BO
Bloomberg	UT IN
Avg. Volume (52 Week)	1.8 mn
52-Week High/Low	Rs. 546.8 / 160.13
Shares Outstanding	1,623.4 mn

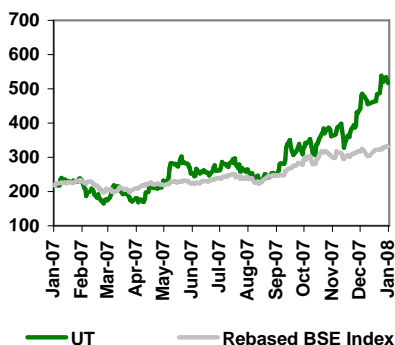
#### Valuation Ratios (Consolidated)

Year to 31 March	2008E	2009E
EPS (Rs.)	12.3	19.4
+/- (%)	53.1%	57.5%
PER (x)	42.0x	26.7x
EV/ Sales (x)	16.4x	10.2x
EV/ EBITDA (x)	29.5x	18.8x

#### Shareholding Pattern (%)

Promoters	75
FII's	7
Institutions	2
Public & Others	16

#### Relative Performance



#### New land acquisitions to improve topline growth

Unitech Limited (Unitech) with a land bank of 13,758 acres reported good set of numbers during the quarter. Consolidated sales was higher by 135.4% yoy at Rs. 10,134.8 mn backed by increased realisation from Real Estate sales and a phenomenal rise in the Consultancy revenues. On a yoy basis, consolidated EBITDA increased 259.5% to Rs. 5,070.5 mn due to significant reduction in construction expenses and higher realisation on property sales. As total expenses to net sales declined from 67.2% to 50% yoy, EBITDA margin improved 1,727 bps to 50%. Higher other income and lower tax rate led to an increase in consolidated net profit by 298.2% yoy to Rs. 4,101.2 mn. Net profit margin improved 1,655 bps from 23.9% to 40.5%.

Unitech's land acquisitions in Mumbai, Vizag and Kolkata are expected to provide significant boost to the topline growth. The Company's Consultancy business also gave an exceptional performance and is back on the growth track. However, we believe that margins will be under pressure in the long run due to rising raw material prices and little improvement in realizations. In order to diversify its portfolio and improve margins, Unitech has plans to enter into Telecom, Financial Services and Steel sector which could provide a possible upside to the stock.

Currently, the stock is trading at a forward P/E of 42x FY08E and 26.7x FY09E. Based on our NAV estimate, we feel the stock is fairly valued at the current levels. Maintain Hold.

#### Key Figures (Consolidated)

Quarterly Data	Q2'07	Q1'08	Q2'08	YoY%	QoQ%	H1'07	H1'08	YoY%
(Figures in Rs. mn, except per share data)								
Net Sales	4,306	8,656	10,135	135.4%	17.1%	7,348	18,843	156.5%
EBITDA	1,411	5,005	5,071	259.5%	1.3%	2,209	10,128	358.4%
Net Profit	1,030	3,657	4,101	298.2%	12.2%	1,800	7,758	330.9%

#### Margins(%)

EBITDA	32.8%	57.8%	50.0%		30.1%	53.8%
NPM	23.9%	42.2%	40.5%		24.5%	41.2%

#### Per Share Data (Rs.)

EPS	0.6	2.3	2.5	301.6%	12.2%	1.1	4.8	330.6%
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### Result Highlights

*Real Estate business continued to deliver strong growth, while revenues from the Consultancy business took an upswing*

On a yoy basis, consolidated sales grew 135.4% yoy to Rs. 10,134.8 mn driven by better performance of the Real Estate business and phenomenal revenue growth in the Consultancy segment. On a consolidated basis, Real estate revenues jumped 145.4% yoy to Rs. 8,302.7 mn, while revenues from the Consultancy business increased from Rs. 55.4 mn to Rs. 771.6 mn. Unitech was able to realise higher prices by 10-25% in Gurgaon in the residential segment. While commercial property prices have also gone up, the Company intends to hold some commercial property for sale in the future to realise higher prices.

*EBITDA margin is expected to range between 40% and 50% in the near term*

Unitech's consolidated EBITDA increased 259.5% yoy to Rs. 5,070.5 mn as the Company was able to make significant savings in the construction costs. Consequently, EBITDA margin improved 1,727 bps to 50%. The management stated that EBITDA margin would range between 40% and 50% depending upon the mix of properties sold by the Company. While commercial properties provide higher margins, Unitech has held back some of the commercial properties in order to realise better prices. Hence, we expect margins to improve in the coming quarters when these properties are sold.

*Higher other income and lower tax rate led to improvement in net profit margin*

Consolidated net profit was higher by 298.2% yoy to Rs. 4,101.2 mn, while net profit margin increased 1,655 bps to 40.5%. On yoy basis, the Company's other income increased 419.1% to Rs. 507.7 mn. The effective tax rate was lower at 13.9%, though interest expense increased significantly by 265.1% to Rs. 789.8 mn.

Unitech has significant projects up its sleeve in Mumbai and Southern India. The Company will be developing an 80 acre commercial property at a cost of Rs. 39 bn in a prime location in Mumbai where current land prices are estimated to be around Rs. 26,000/sq ft. Unitech also won a contract in Vizag, covering an area of 1,750 acres comprising development of hotels, shopping complexes, golf courses and townships. The management stated that the project will be completed in 8-9 years, but revenues are likely to start flowing in the next 22-25 months. Together these projects are likely to

provide tremendous boost to the topline growth. The Company, apart from focusing on margin accretive Real Estate business, intends to foray in the Telecom and Financial services sectors. It intends to set up a non-banking finance company to sell home loans and is also in talks with international insurance firms to offer general insurance in India.

### Key Events

- The promoters of Unitech are planning to acquire up to 40% stake in Orissa Sponge Iron and Steel Company.
- Unitech struck a pact with the Andhra Pradesh (AP) government to set up the Vizag Knowledge City on 1,750 acres of land near Vishakapatnam.
- The Company has submitted applications to the Department of Telecommunications, Ministry of Communications and Information Technology, to provide unified access services (UAS) in 22 telecom circles across the country.
- Unitech's proposed Rs. 5 bn long-term debt programme has been assigned an `A+(ind)` rating and its proposed Rs. 5 bn short-term debt programme a `F1+(ind)` rating.

### Key Risks

- Delay in the allocation of 1,750 acres of land in Vizag due to political factors.
- Delay in project completion and slowdown in residential demand could affect the Company's topline.
- Change in interest rates might affect the demand situation for residential units.
- Contribution from SEZ projects can be a possible upside.

*Land acquisition in premier locations to bolster topline growth*

### Outlook

Unitech's land bank increased substantially from 10,700 acres in June, 2007 to 13,758 acres in January, 2008. The major new land acquisitions include 8 mn sq ft of high value commercial property in a prime location in Mumbai, approx. 100 mn sq ft of land in Visakhapatnam and 117.6 mn sq ft of additional land in Kolkata. According to our valuation, these projects could provide an upside of Rs. 120-170/share to the stock, considering there is no delay in the allocation of land especially in Vizag.

Considering the improvement in the operating costs in the last two quarters, we have upgraded our EBITDA margin estimates by 332 bps to 55.5% in FY08 and 449 bps to 54% in FY09. However, we expect margins to remain under pressure in the long run as raw material costs are expected to increase due to rising cement and metal prices and overall realisations are not likely to grow significantly.

Though residential space remains the primarily contributor to Real Estate business, Unitech is also enhancing its reach in the commercial space. Moreover, the Company is also diversifying into other sectors such as Telecom, Sponge Iron and Financial services which could provide a possible upside to the stock.

Unitech is trading at a P/E of 42x FY08E and 26.7x FY09E. Based on our NAV estimate and considering the recent upsurge in the stock price, we believe that the potential upside from the above mentioned additional land has been factored in the stock price. At the current levels, the stock is fairly valued. Maintain Hold.

#### Key Figures (Consolidated)

Year to March	FY05	FY06	FY07	FY08E	FY09E	CAGR (%)
(Figures in Rs mn, except per share data)						(FY07-09E)
Net Sales	6,447	9,264	32,883	53,942	86,807	62.5%
EBITDA	923	1,967	20,018	29,938	46,876	53.0%
Net Profit	535	1,122	13,055	19,986	31,485	55.3%
<b>Margins(%)</b>						
EBITDA	14.3%	21.2%	60.9%	55.5%	54.0%	
NPM	8.3%	12.1%	39.7%	37.1%	36.3%	
<b>Per Share Data (Rs.)</b>						
EPS	0.3	0.7	8.0	12.3	19.4	55.3%
PER (x)	8.9x	33.6x	64.3x	42.0x	26.7x	

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