

Q2FY2012 Review
 Sector: Real Estate
 BSE Sensex : 16,883

UNITECH

 Maintain BUY
 CMP Rs26
 TP Rs45

Unitech's (UT) Q2FY12 revenue at Rs6,261mn increased by 5% QoQ and in line with our estimate. EBIDTA margins improved sequentially by 196 bps to 22.1%(Pince-23.6%) and going forward we expect margins to improve further as contribution of older projects reduces. Unitech's asset value is strong but management has to focus on certain key decisions such as 1) reducing debt level further with some large asset sale (may be stake sale in UCP) or creating a basket of non-core assets for sale that will help improve cash inflow and strengthen the business, (2) Increasing the work force further to improve the execution level which is likely to help saving both financial cost and generate cash flows faster.(3) approval of court decision for listing of Unitech Infra. We maintain 'BUY' with a reduced target price of Rs45 after assigning 40% discount to NAV. (20% earlier).

Revenues increased by 5% QoQ

UT's Q2FY12 revenue at Rs6,261mn increased 5% QoQ and in line with our estimate. Area sold during the quarter was at 1.8msf (1.56 -residential; 0.24- non residential) v/s 1.9msf in Q1FY12. Company delivered 0.5msf during the quarter and launched 2.8msf. Going ahead we expect 9.6 msf and 10.4 msf of sales in FY12e and FY13e respectively. (See table on Pg 2)

EBIDTA margins improve

EBIDTA margins improved sequentially by 196 bps to 22.1% in Q2FY12 but substantially lower(1700 bps) on YoY basis. The raw material cost as percentage of sales in Q2FY12 is 68% which was 75% in Q1FY12 and 57.3% during Q2FY11. We expect margins to further improve as revenue contribution from older projects decline. EBIT margin for Real estate segment improved 400 bps to 30% as against 26% in the previous quarter. Average realization during the quarter improved to Rs5,933psf for the area sold from Rs5,362psf in Q1FY12.

Debt levels remain in control; still high in absolute terms

Net Debt sequentially reduced by Rs1,860mn in Q2FY12. Net D/E now stands at 0.43 (v/s 0.44 on June'11).In absolute terms debt is still high and we believe that company should start focusing on large size assets(UCP stake dilution) and non core assets sale to improve free cash flow for strengthening the business and margins.

VALUATIONS AND RECOMMENDATION

We maintain 'BUY' with a reduced target price of Rs45 (from Rs55) post 40% discount to NAV. We believe Unitech Infra listing and new launches from the company are likely to be key triggers going forward.

KEY FINANCIALS						(Rs mn)
	FY09	FY10	FY11	FY12E	FY13E	
Net Sales	28,897	29,313	31,871	34,380	44,281	
YoY Gr (%)	(29.8)	1.4	8.7	7.9	28.8	
Op. Profits	15,888	10,712	9,239	11,938	14,991	
OPM (%)	55.0	36.5	29.0	34.7	33.9	
Adj. Net Profit	11,964	6,750	5,677	7,277	9,952	
YoY Gr (%)	(28.0)	(43.6)	(15.9)	28.2	36.8	
KEY RATIOS						
Dil.EPS (Rs)	5.9	3.3	2.2	2.8	3.8	
ROCE (%)	11.7	5.4	3.9	4.7	6.2	
RoE (%)	27.3	8.7	5.2	6.1	7.8	
PER (x)	4.4	7.7	11.4	9.2	6.8	
EV/ Net Sales (x)	4.2	4.1	3.8	3.5	2.7	
EV/ EBITDA (x)	7.6	11.3	13.1	10.2	8.1	

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QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Mar-11	Jun-11	Sep-11
Revenues	3,278	1,306	1,395
YoY Gr. (%)	116.5	216.9	305.6
EBITDA	957	202	321
EBITDA Marg. (%)	29.2	15.4	23.0
Adj. Net Profit	599	101	194
YoY Gr. (%)	4.2	(55.2)	(41.1)

STOCK DATA

Market Cap	Rs67.2bn
Book Value per share	Rs44
Shares O/S (F.V. Rs2)	2,614mn
Free Float	83.8%
Avg Trade Value (6 months)	Rs752.1mn
52 week High/Low	Rs82/25
Bloomberg Code	UTIN
Reuters Code	UNTE.BO

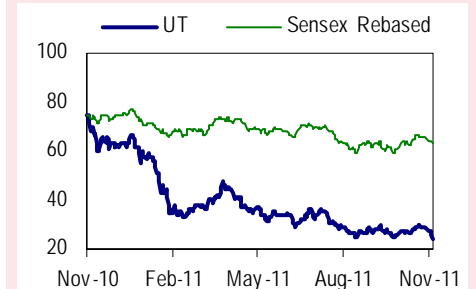
ACTUAL VS ESTIMATE (Rs mn)

	Actual	PINCE	% Variance
Net sales	6,261	6,188	1.2
EBITDA	1,381	1,458	(5.3)
Adj net income	925	1,165	(20.7)
FDEPS (Rs)	0.4	0.4	(20.7)

PERFORMANCE (%)

	1M	3M	12M
Absolute	(11.5)	(16.8)	(67.5)
Relative	(10.3)	(17.1)	(52.4)

RELATIVE PERFORMANCE



Launch and absorption

	FY12E	FY13E
Launches (msf)		
Residential Launches	9.44	12.27
Commercial Sale	1.85	1.62
Retail Sales	1.36	0.20
TOTAL	12.6	14.1
Absorption (msf)		
Residential Launches	7.7	8.8
Commercial Sale	1.3	0.7
Retail Sales	0.6	0.9
TOTAL	9.6	10.4

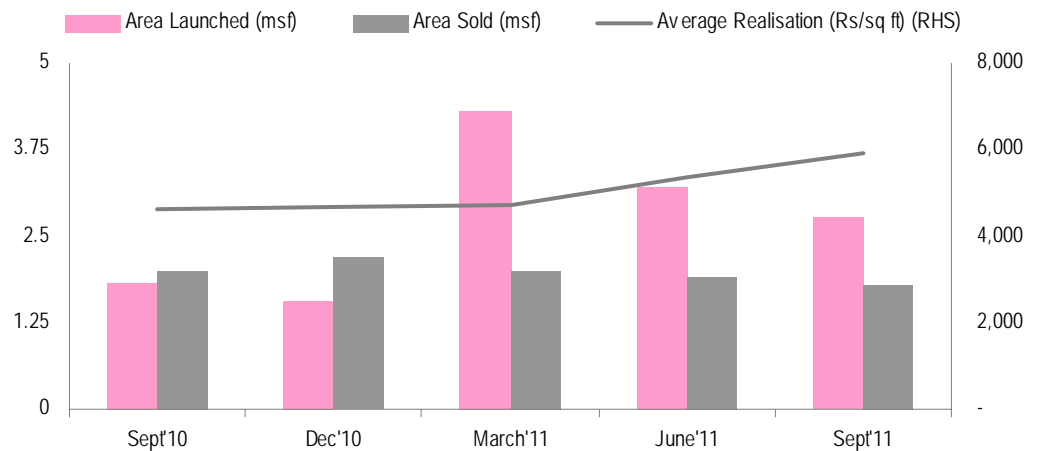
Source: Company, PINC Research

UT One year forward NAV

Segments	NPV/share (Rs)
PV of Cash flow	67
Other investments	21
Less:Net Debt	15
NAV	74
40% Discount to Core NAV	29
Target Price	45

Source: Company, PINC Research

Area Launch v/s Sold v/s Realisation



Source: Company, PINC Research

Financial Table

(Rs mn)	Q2FY12	Q1FY12	QoQ (%)	Q2FY11	YoY (%)	FY11	FY10	YoY (%)
Revenue	6,261	5,959	5.1	6,445	(2.9)	31,871	29,313	8.7
Expenditure	4,880	4,761	2.5	3,917	24.6	22,632	18,602	21.7
EBITDA	1,381	1,198	15.3	2,528	(45.4)	9,239	10,712	(13.8)
EBITDA margin (%)	22.1	20.1	196 bps	39.2	(1716)bps	29.0	36.5	(755)bps
Other income	403	714	(43.5)	304	32.6	1,050	840	25.1
Interest	338	337	0.3	439	(22.9)	1,455	2,000	(27.3)
Depreciation	85	84	0.8	89	(4.6)	319	341	(6.6)
PBT	1,362	1,490	(8.6)	2,305	(40.9)	8,516	9,210	(7.5)
Tax	424	468	(9.5)	564	(24.9)	2,684	2,401	11.8
Min int / inc from assoc	19	40	(52.4)	1	1,346.2	(159)	(36)	338.9
Extraordinary Items	-	-	-	-	-	4	(22)	(116.4)
PAT	925	984	(6.0)	1,738	(46.8)	5,677	6,750	(15.9)
FDEPS (Rs)	0.4	0.4	(6.0)	0.7	(48.8)	2.2	3.3	(32.4)

Source: Company, PINC Research

Income Statement	FY09	FY10	FY11	FY12E	FY13E
Revenues	28,897	29,313	31,871	34,380	44,281
<i>Growth (%)</i>	<i>(29.8)</i>	<i>1.4</i>	<i>8.7</i>	<i>7.9</i>	<i>28.8</i>
EBITDA	15,888	10,712	9,239	11,938	14,991
<i>Growth (%)</i>	<i>(27.9)</i>	<i>(32.6)</i>	<i>(13.8)</i>	<i>29.2</i>	<i>25.6</i>
Depreciation & amortisation	209	341	319	460	747
EBIT	15,679	10,370	8,920	11,478	14,244
Interest	5,546	2,000	1,455	1,238	1,113
Other income	4,258	840	1,050	587	1,169
PBT	14,378	9,210	8,516	10,828	14,301
Income taxes	2,424	2,401	2,684	3,411	4,290
Extra-ordinary items	-	(22)	4	(44)	(22)
Min int / inc from assoc	9	(36)	(159)	(96)	(36)
Reported net income	11,964	6,750	5,677	7,277	9,952
Adjustments	-	-	-	-	-
Adjusted net income	11,964	6,750	5,677	7,277	9,952
<i>Growth (%)</i>	<i>(28.0)</i>	<i>(43.6)</i>	<i>(15.9)</i>	<i>28.2</i>	<i>36.8</i>
Dil. EPS (Rs)	5.9	3.3	2.2	2.8	3.8
<i>Growth (%)</i>	<i>(28.0)</i>	<i>(43.6)</i>	<i>(32.4)</i>	<i>23.8</i>	<i>36.8</i>

Cash Flow Statement	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	14,392	9,210	8,516	10,828	14,301
Depreciation & Amortisation	209	341	319	460	747
Total Tax Paid	(2,582)	(1,195)	(2,289)	(1,048)	(7,701)
Chg in working capital	(10,784)	(12,486)	3,199	(2,070)	375
Other operating activities	(2,671)	(9,265)	(9,286)	1,129	1,086
Cash flow from oper (a)	(1,435)	(13,395)	459	9,298	8,808
Capital Expenditure	(20,141)	(5,121)	(3,244)	-	-
Chg in investments	(13,537)	(6,260)	(3,320)	-	-
Other investing activities	23,328	5,091	2,704	-	-
Cash flow from inv.(b)	(10,350)	(6,290)	(3,859)	-	-
Free cash flow (a+b)	(11,785)	(19,685)	(3,400)	9,298	8,808
Equity raised/(repaid)	2,147	1,631	355	-	-
Debt raised/(repaid)	1,263	(26,628)	(1,942)	(9,000)	(5,000)
Change in MI	-	49	100	480	(29)
Dividend (incl. Tax)	(475)	(607)	(587)	(304)	(1,224)
Other financing activities	1,215	42,590	6,186	(1,238)	(1,113)
Cash flow from fin (c)	4,150	17,035	4,111	(10,062)	(7,366)
Net chg in cash (a+b+c)	(7,635)	(2,650)	711	(764)	1,442

Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
<i>Equity Share Capital</i>	3,247	4,878	5,232	5,232	5,232
<i>Reserves & surplus</i>	48,448	99,173	110,606	117,270	126,610
Shareholders' funds	51,694	104,050	115,838	122,503	131,843
Min. Interest & Other	615	373	489	1,000	1,001
Total Debt	90,558	60,078	58,507	49,507	44,507
Capital Employed	142,867	164,502	174,834	173,010	177,351
Net fixed assets	44,930	48,844	51,268	50,808	50,061
Cash & Cash Eq.	6,448	3,799	4,509	3,745	5,187
Net Other current assets	75,695	97,181	102,985	102,385	106,032
Investments	15,808	14,723	16,125	16,125	16,125
Other Assets	-	-	2	2	1
Net Deferred tax Assets	(14)	(46)	(56)	(56)	(56)
Total Assets	142,867	164,501	174,834	173,010	177,351

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	55	37	29	35	34
Net Margin (%)	41	23	18	21	22
Dividend Yield (%)	0.4	1.0	0.4	0.8	0.8
Gross asset turnover (x)	1.7	1.3	1.5	1.4	1.5
Total asset turnover (x)	0.1	0.1	0.1	0.1	0.1
Adjusted debt/equity (x)	1.5	0.6	0.5	0.4	0.3
Interest coverage ratio (x)	2.8	5.2	6.1	9.3	12.8
RoCE (%)	11.7	5.4	3.9	4.7	6.2
RoE (%)	27.3	8.7	5.2	6.1	7.8
EV/Net Sales (x)	4.2	4.1	3.8	3.5	2.7
EV/EBITDA (x)	7.6	11.3	13.1	10.2	8.1
P/E (x)	4.4	7.7	11.4	9.2	6.8
P/BV (x)	0.8	0.6	0.6	0.5	0.5

Economic Value Added (EVA) Analysis					
	FY09	FY10	FY11	FY12E	FY13E
WACC (%)	12	15	15	15	15
ROIC (%)	10	5	4	5	6
Invested capital (Rs mn)	136,697	162,044	171,851	173,288	172,164
EVA (Rs mn)	(3,531)	(16,038)	(19,541)	(18,150)	(15,938)
EVA spread (%)	(3)	(10)	(11)	(10)	(9)

Du Pont Analysis					
(%)	FY09	FY10	FY11	FY12E	FY13E
Tax burden (Net inc./PBT)	83.2	73.3	66.7	67.2	69.6
Interest burden (PBT/EBIT)	91.7	88.8	95.5	94.3	100.4
EBIT margin (EBIT/Rev.)	54.3	35.4	28.0	33.4	32.2
Asset Turnover (Rev./Avg TA)	11.6	10.7	10.5	10.7	13.5
Leverage (Avg TA/Avg equity)	566.3	350.9	275.2	270.5	257.8
Return on equity	27.3	8.7	5.2	6.1	7.8

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