

Unitech Ltd.

₹ 19

*Numero Uno***Accumulate**

Nov 21, 2014

Company Background

Established in 1971 Unitech Limited (Unitech) is one of India's leading Real Estate player and has grown to have the most diversified product mix in real estate comprising of world-class commercial complexes, IT/ITes parks, SEZs, integrated residential developments, schools, hotels, malls, golf courses and amusement parks. So far Unitech has built more than 100 residential projects. It has experience in developing and leasing IT/ITes and commercial office spaces. Unitech has also developed world-class malls which have been hugely successful. The Unitech brand is well recognized in India and was conferred with the title of "Superbrand" in 2009 and as a Power Brand 2010-2011. It is also a recipient of CW Architect and Builders Award, 2008 for being one of India's top 10 builders. amongst the fastest growing companies in India in 2010.

Key Highlights

- ➔ Unitech has a well diversified revenue stream and along with focus on real estate, it operates Food Courts, Amusement Parks, provides Infrastructure Services and is into Hospitality too. Its related businesses also include that of Infrastructure Services and Transmission Towers all of the above have demonstrated good growth in the last few years.
- ➔ In Real Estate as of 31st March 2014, a total of 38.41 mnsqft of area is under development in which 47% of the projects are in the handover or finishing stages, 24% have their structure complete and internal work is in progress, 21% have piling finished and structure work is in progress, while for 8% land development activities are in progress.
- ➔ While Unitech does sell commercial space as part of its mixed land use development, its primary exposure in commercial real estate space is through the leasing model. Here, the focus is on generating regular cash flows from lease rentals, while the underlying physical asset remains under the ownership of the Company.
- ➔ Once REITs, become a reality, they will provide another mode of financing for developers apart from deepening the real estate market by allowing larger participation from retail investors especially in commercial real estate.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	17,768.6	15,264.4	21,525.6
Rev. growth (%)	(25.3)	(14.1)	41.0
EBITDA (INR mn)	7,486.5	6,028.5	4,166.8
Net profit (INR mn)	3,267.1	1,519.8	788.7
Shares outstanding (mn)	2,616.3	2,616.3	2,616.3
EPS (INR)	1.2	0.6	0.3
EPS growth (%)	(35.9)	(53.5)	(48.1)
P/E (x)	23.0	40.5	46.5
RONW (%)	2.9	1.7	0.8
ROCE (%)	1.9	1.1	0.5

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Info Codes

Reuters	: UNTE.BO
Bloomberg	: UT@IN
NSE	: UNITECH
BSE	: 507878

Market Data

52 Wk Range (₹)	: 11 / 39
Shares in Issue (mn)	: 2616.3
Mkt. Cap (₹ bn)	: 50.33
2Wk Avg. Qty	: 6733000

Shareholding

Promoters	: 47.62
FII's	: 26.18
DII's	: 2.10
Others	: 24.10

Investment Theme

Over last 10 years, Unitech has emerged from being a major player in NCR & Delhi to become India's leading pan India real estate developers. It understood the growth potential of the sector, made right investments & leveraged opportunities. Today, over 75% of the Indian real estate market is related to residential housing. While largely focused on it Unitech is also developing a diversified portfolio that includes commercial property, retail, entertainment and hospitality. The major focus has been on best utilising the land assets given the regions demand and land usage regulations. The other businesses of the company are also easing off of inflation, reduced taxation and housing sector development SoP's along with a stable political policy the company would definitely perform better. by encashing its remaining landbanks in due course.

Awaiting Developments !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	12094.0	10485.2	(13.30)	16919.0	61.36
Other Income	5660.9	4674.3	(17.43)	4605.4	(1.47)
Change in Stocks	(24.6)	(41.2)	67.48	(81.9)	98.79
Raw Material Con.	0.2	0.3	50.00	0.0	(100.00)
Employee Exp.	1295.2	1410.2	8.88	1580.9	12.10
Indirect Taxes	0.3	1.5	400.00	1.0	(33.33)
Other Exp.	8948.1	7677.8	(14.20)	15693.8	104.40
Operating Exp.	10268.4	9131.0	(11.08)	17357.6	90.10
Operating Profit	1825.6	1354.2	(25.82)	(438.6)	(132.39)
Total Interest	2810.2	3370.5	19.94	2751.3	(18.37)
Gross Profit	4676.3	2658.0	(43.16)	1415.5	(46.75)
Net Dep.	82.3	424.2	415.43	157.0	(62.99)
Total Taxation	1326.9	714.0	(46.19)	469.8	(34.20)
Net Profit/Loss	3267.1	1519.8	(53.48)	788.7	(48.11)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	1,45,197.7	1,46,533.9	1,49,078.6	1,58,138.8
Equity Share capital	5,232.6	5,232.6	5,232.6	5,232.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	87,586.1	91,157.3	92,676.8	93,465.6
Long Term Loans	38,800.4	46,412.3	47,705.3	53,302.4
Short Term Loans	13,578.6	3,731.7	3,463.9	6,138.2
USES OF FUNDS	1,45,197.7	1,46,533.9	1,49,078.6	1,58,138.8
Gross Block	1,542.7	1,139.0	1,196.5	1,360.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	497.9	502.5	529.7	592.3
Net Block	1,044.8	636.5	666.8	767.7
Capital Work in Progress	721.6	249.7	356.1	252.9
Investments	29,375.5	32,990.6	32,033.1	33,978.1
Current Assets	1,97,435.9	2,03,269.8	2,19,099.2	2,43,708.3
Less : Current Liabilities	83,380.1	90,612.7	1,03,076.6	1,20,568.2
Total Net Current Assets	1,14,055.8	1,12,657.1	1,16,022.6	1,23,140.1
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	28,236.4	31,867.3	30,684.4	32,536.6
Mkt Val. Quoted Investments	14.1	0.3	202.9	1.5
Contingent Liabilities	22,271.4	92,457.1	41,687.8	48,077.8
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 13	Mar 14	Jun 14	Sep 14
Net Sales	3989.9	7143.6	3008.3	1259.5
Cost Of Sales	4285.1	7188.3	3039.8	1633.7
Operating Profit	(295.2)	(44.7)	(31.5)	(374.2)
Recurring Income	1337.8	1081.5	997.7	1130.0
Adjusted PBDIT	1042.6	1036.8	966.2	755.8
Financial Expenses	686.6	717.4	678.9	683.8
Depreciation	11.0	36.1	28.3	21.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	345.0	283.3	259.0	50.8
Tax Charges	114.0	153.6	74.7	6.1
Adjusted PAT	231.0	129.7	184.3	44.7
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	231.0	129.7	184.3	44.7

52 Week Index Relative Percentage Appreciation



Unitech vs SENSEX

Risks Associated

The past year has witnessed slowdown in Real Estate in residential market, commercial and retail space, facing approval challenges, rising price of steel, cement and labour. The Indian real estate market was no different and showed stagnant growth during 2013 due to the high interest rates and slow economic growth and income levels. Slow project approvals, high construction cost and funding cost were the major bottleneck problems and concern for the developers in India. It is likely that the demand will remain subdued due to the prevailing uncertainty in the economy. The lack of infrastructure development in line with the overall pace of development of real estate is also the big concern. The political instability also added up to the whole scenario with chances of legal changes in the applicable laws. Most of the companies in the sector continued to be in a slow growth mode and hopes for upcoming year. Entire developer fraternity is expecting this year an industry status to Real Estate segment, single window clearance for obtaining permissions to begin a project and creation of a housing regulator. Despite being challenges, India still remains as one of the fastest growing economies of the world. The results of the 2014 election are hopeful for new policies supporting the economy boost.

In a Nutshell

Established in 1971, Unitech is amongst India's leading business groups, with an outstanding track record in large-scale, integrated, Real-Estate Development and Infrastructure Development in India. The real-estate development journey for Unitech, since it started working on its first real estate project- South City spread over 300 acres in Gurgaon, has been truly remarkable. Today, Unitech's land reserves are spread across all major hubs of economic activity in the country and the Company focuses on large, mixed-use developments. The Company's diverse portfolio includes residential, commercial, special economic zones (SEZs), IT Parks, industrial & logistic parks, hospitality, retail and entertainment projects. The Company's infrastructure related businesses include general construction, design, manufacturing, erection & commissioning of transmission towers, facilities & property management services and township management services. Unitech has a good history of strategic partnerships with firms like SOM, Callison and HOK in real estate. Its blue-chip customer portfolio in real estate includes clients like Fidelity, Google, HSBC, Sun Life, Marriott, Reebok, IBM, RBS, Ernst & Young, Bank of America and LG. The current political scenario spells out transparent and fast track approach to project clearance. We feel many realty developers would benefit from it. Unitech holds a large landbank at various places across India. We feel it will therefore be one of the key beneficiaries in the sector.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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