

# Unitech

*On the Path to Recovery*

unitech®

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# Macro-economic Environment (Oct'08 – Feb'09)

- Fall out of global financial crisis -

- Tight liquidity,
- Risk aversion, and
- Scarcity of capital

=> Having an impact on global economic growth

- Slowdown in discretionary and high value purchases triggered by

- Rising fear of job loss
- Reduction in disposable income
- General negative outlook

=> Revision of growth forecast of the Indian economy

## Growth rates – Global scenario

	2006-07	2007-08	2008-09	1Q08	2Q08	3Q08
Euro area	2.6%	1.2%	-0.5%	2.1%	1.4%	0.6%
Japan	2.1%	0.5%	-0.2%	1.4%	0.7%	-0.5%
UK	3.0%	0.8%	-1.3%	2.4%	1.5%	0.3%
US	2.0%	1.4%	-0.7%	2.5%	2.1%	0.7%
OECD Countries	2.6%	1.4%	-0.4%	2.6%	1.9%	0.8%
China	11.9%	9.7%	8.5%	10.6%	10.1%	9.0%
<b>India</b>	<b>9.0%</b>	<b>7.8%</b>	<b>6.3%</b>	<b>8.8%</b>	<b>7.9%</b>	<b>7.6%</b>

Source: Reserve Bank of India, January 2009

## Projections of real GDP growth - 2008-09

Source	Current Growth Projection	Previous Projection	Month of Projection
Economic Advisory Council to PM	7.1%	7.7%	Jan-09
CMIE	7.4%	7.5%	Jan-09
ADB	7.0%	7.4%	Dec-08
CRISIL	6.5-7.0%	7.8%	Dec-08
World Bank	6.3%	7.0%	Dec-08
IMF (Calendar year)	7.8%	7.9%	Nov-08

Legend:

CMIE: Centre for Monitoring Indian Economy

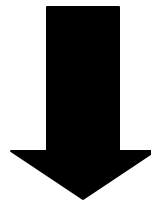
CRISIL: Credit Rating Information Services of India Limited

# Financial Crisis : Impact on Indian Real Estate

- Sharp reduction in demand for Housing
- Delay in payments by existing customers
- High cost of debt
- Huge challenge to raise funds for projects
- Mutual funds facing redemption pressure



- High growth in industry prior to downturn led many developers to expand aggressively by resorting to high debt
- Developers resorted to mutual fund borrowings because of
  - Non availability of bank's funds for land purchases
  - RBI's limits on bank's exposure to the real estate industry
- Developers endeavoured to reduce both mutual fund and bank borrowings with customer advances from pre-sales
- Developers resorted to capital intensive development projects like hotels, retail malls and amusement parks



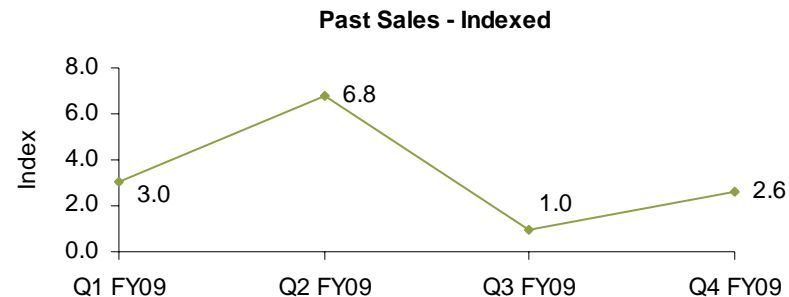
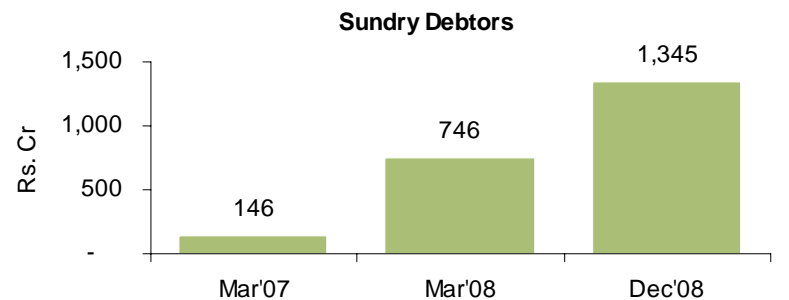
Created Short Term Asset Liability Mismatch

# Impact on Unitech<sup>1</sup>

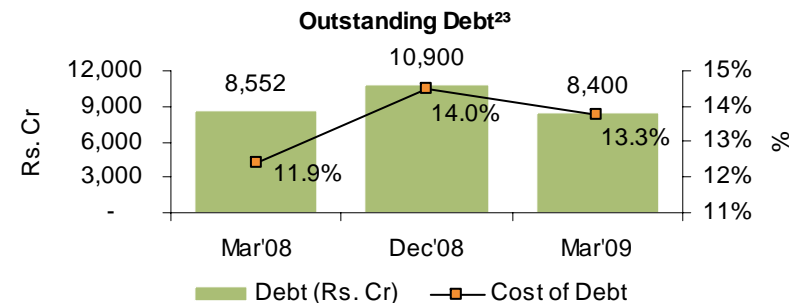
- Receivables increased substantially
- Sales dipped to an all time low
- High leverage - Approx. Rs. 10,000 crores of debt (as on Sep 30, 2008)
- Significant near term maturities – Approx Rs. 2,600 crores of loan repayments during Oct'08-Mar'09
- Capital raising became a challenge

Note:

1 Includes Unitech Limited and all its subsidiaries



Note: Based on area sold indexed to Q3 FY09 area sold



Note:

2 Includes Telenor debt of Rs. 600 cr

3 Cost of Debt is weighted average cost of all debt obligations of Unitech

## Timely Intervention by Govt / RBI : Booster for Realty in India

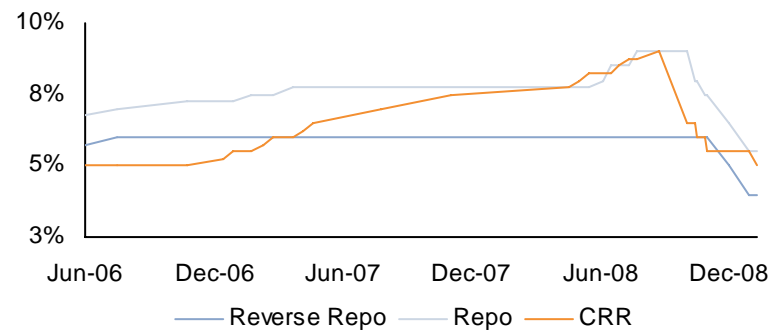
- Stimulus packages by Central Govt., coupled with RBI's monetary policy interventions, have had a positive impact on the real estate sector in India
- Lower interest rates helped to revive demand for housing in India
- RBI allowed banks to treat refinanced loans to realty developers as standard assets instead of making high provisioning and treating them as NPA. This enabled developers to reschedule loans from banks

**All these policy initiatives helped to increase working capital funding for developers**

# Timely Intervention by Govt / RBI : Booster for Realty in India (contd...)

- Revision of key policy rates in India by the Government / RBI is expected to boost demand in the Indian realty sector
- Special interest rates offered by PSU banks for home loans up to Rs. 0.5 Mn (8%) and for home loans between Rs. 0.5-2 Mn (9.25%) have encouraged real estate developers to offer housing at affordable prices to customers
- While the economic slowdown has curtailed discretionary spends, cheaper credit for home buyers and smaller unit sizes have expanded the target customer base for affordable housing
- Implementation of Sixth Pay Commission recommendations is expected to enhance demand for housing

**Movement in Key Policy Rates in India**



Source: Reserve Bank of India

**Projected Demand**

Number of households (million)	2005	2015	2025
High Income Group	1.2	3.3	9.5
Middle Income Group	13.3	60.6	128.0
Low Income Group	192.4	180.1	143.0
<b>Total</b>	<b>206.9</b>	<b>244.0</b>	<b>280.5</b>

Source: Mckinsey Global Institute

**Policy initiatives coupled with developers' adaptability to the changed scenario is expected to boost demand in the residential segment in India**

# Unitech: Four-pronged Strategy

**I- Improve operational cash flows:** By changing the mindset from maximization of realizations to maximization of volumes

**II- Reduced the capital intensity of business:** By shifting the strategy from “Land banking to banking on land”

**III- Monetization of non-core assets:** By de-leveraging through sale of assets like hotels, offices and infusion of private equity at individual project level

**IV- Debt management:** Despite challenging environment, through its proactive approach Unitech has been able to successfully manage its debt obligations



## Strategy I: Improving Operational Cash Flows

- **Focus on affordable housing:** Through a combination of reduction in costs, decrease in unit sizes and reduction in margins, Unitech has been able to offer housing at prices affordable to a wider cross section of customers
- Taking a cue from differential interest rates introduced by banks for loans below Rs 20 lakhs, Unitech has commenced launch of projects priced below Rs 20 lakhs, and is also planning to offer products priced below Rs 10 lakhs
- Unitech plans to launch more than 40 new projects across all major cities in the country over the next twelve months
- Unitech's low cost land bank and in-house design and development capabilities give it a competitive advantage

# Uniworld Gardens II – Overwhelming Response

Bookings now open for  
Tower - 8\*  
at  
**UNIWORLD**  
Gardens-II  
SECTOR-47, GURGAON

2 & 3 BR Apartments  
Rs. 28 lacs\*\*  
onwards

unitech®  
For a bigger life.

Marketing Office: Unitech Signature Towers, Level - 1, South City - 1, N.H. - 8, Gurgaon - 122001  
Tel: +91 124 4552000, 9891990855, 9818176187, 9818176188, 9818211571  
www.unitechgroup.com

\*Towers 1 to 7 sold out.  
\*\*Conditions Apply.

Bookings now open for  
Tower - 1, 2, 3, 4, 5, 6, 7,  
8, 9, 10\*

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Noida Sales Office: Unitech Limited, P-7, Sector-18, Noida - 201301  
Tel: +91 120 4016800, 9871970293, 9818291751, 9810703974  
www.unitechgroup.com

\*Towers 1 to 9 sold out.  
\*\*Conditions Apply.

11 gone, 3 to go!!  
Towers 14, 13, 12, 11, 10, 9,  
~~8, 7, 6, 5, 4, 3, 2, 1~~  
now open for booking.

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www.unitechgroup.com

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\*\*Conditions Apply.

1<sup>st</sup> Ad released on 27-Mar-09  
#Bookings till 27-Mar-09: **298**

2<sup>nd</sup> Ad released on 3-Apr-09  
#Bookings till 3-Apr-09: **406**

3<sup>rd</sup> Ad released on 10-Apr-09  
#Bookings till 10-Apr-09: **506**

# Launch of Ananda, North Town: Marks Unitech's entry into Chennai



NORTH TOWN

*"North, ruled by  
lord of wealth 'Kubera' in  
hindu mythology,  
is one of the four cardinal  
directions considered  
as most auspicious; symbolic  
of wealth, business, knowledge  
and happiness in an  
enlightened environment.."*



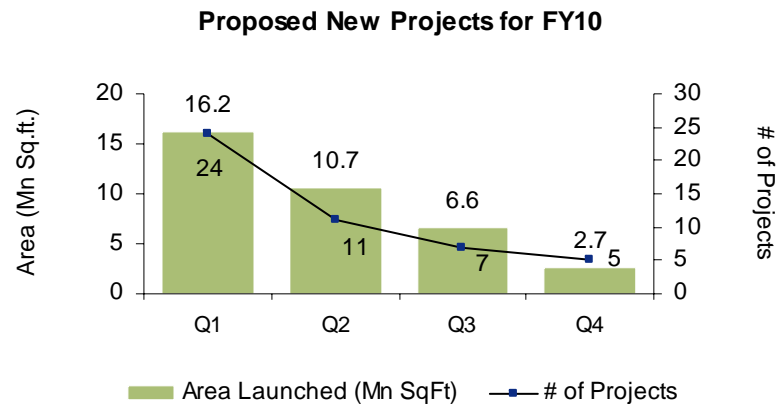
ANANDA

Ananda, located in the southwest corner of North Town, offers homes in 1, 2 & 3 bedroom apartments to suit individual needs. These towers extend upto 14 storeys high in a sanctuary that keeps out the hustle and bustle of the city.

- 70 Acre Project located in the heart of North Chennai
- Will house 4,000 families when fully developed
- Apartments starting at Rs. 19 lacs

# New Project Launches (FY 2010)

- Proposed Launch Plan for FY10
  - Total Area – 30 Mn. Sqft.
  - Area as % of Land Bank - ~7%
  - Project Mix: 90% Residential, 10% Non-Residential
  - No of Projects – More than 40
  - No. of Cities – 15
  - No. of Metros – 7



*\*More Projects to be added later*

- Land already in place for launching projects
- No capital constraints for launching given presales would meet project costs
- Design Development: Strong in house design capability
- Sales and Marketing:
  - Full-fledged S&M teams in Mohali, NCR, Kolkata & Mumbai
  - Team development for other cities in full swing

## Strategy II: Reducing Capital Intensity of Business

- Unitech has a large, low cost and well diversified land bank, which is sufficient to meet its development plans for the next seven-eight years. As a result, Unitech has no plans to acquire further land in the near future except for extremely attractive opportunities
- Unitech has not undertaken any construction/development activity on a speculative basis. Construction is currently underway only for presold / preleased projects
- For commercial assets, Unitech has shifted its strategy from lease model to sale model

# Strategy III : Monetization of Non Core Assets

## Transactions Completed

- Marriott Courtyard, Gurgaon: Hotel sold for Rs 231 crores.
- Repayment of loan by the companies comprising Unitech Wireless to Unitech Ltd: Rs. 386 crores

## Advance Stage Deals

- Saket Office is expected to be sold in the next quarter
- Kochi Projects: MOU has already been signed
- Sale of School plots in Gurgaon: MOU has already been signed

## Further Plan

### Within 6 months –

- Expected sale of 4 hotels in Noida, Kolkata and Gurgaon
- Expected induction of private equity at project level

## Strategy IV: Debt Management

- Company has been proactively working with all its lenders to
  - Reschedule loans with near term maturities
  - Keep the cost of debt under control
  - Collateralize unsecured loans wherever necessary
  - Replace short term loans with long term ones

## De-leveraging to Continue..

Our four pronged approach has started giving positive results!

This should result in comfortable liquidity position in due course of time.

Current debt of company however, is still high at Rs. 8,400 crores.

De-leveraging will remain a focus area to reduce the interest expense and to utilize the saved cash for project development.



# Unitech Wireless: Impact on Unitech Ltd

## Balance Sheet

- Debt and Guarantees totaling Rs. 2,100 Cr on Unitech's Balance Sheet transferred to Unitech Wireless

## Cash Flows

- Improved sales due to focus on volumes
- Unitech received approx. Rs. 386 Cr towards repayment of loan by the companies comprising Unitech Wireless, from the first tranche of investment monies received by the Unitech Wireless companies from Telenor
- Non-core asset sales are expected to contribute to cash flows

## Implied Valuation

- Unitech Ltd. has an economic interest of 32.75% in the companies comprising Unitech Wireless
- Based on entry valuation of Telenor, Unitech's economic interest in the companies comprising Unitech Wireless is valued at ~ Rs. 3,000 Cr i.e. Per Share Valuation of ~ Rs.18



Thank You