ANNUAL REPORT 2014

unitech


Creating spaces,
changing lives.
AMBER, UGCC, NOIDA

HIGHLIGHTS 2013-14

- Income from operations ₹**29,333 million**
- Profit After tax ₹**697 million**
- Consolidated Net-worth of ₹**115,602 million**
- EPS (excluding extraordinary items) ₹**0.66**
- EPS (including extraordinary items) ₹**0.27**
- Long term debt to equity ratio of **0.55**
- Sales Bookings of over ₹**15,020 million**
- Area Sold **2.33 million square feet**
- Area Launched **5.81 million square feet**
- Area Delivered over **2.95 million square feet**
- Over **100 ongoing projects,** totaling an area of **38.41 million square feet**


RESIDENCES, GURGAON

ABOUT UNITECH

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.

PARTNERSHIPS

Be it firms like SOM, Callison and HOK in real estate– Unitech has a history of successful partnerships with leading global organizations. 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.

CORPORATE CITIZENSHIP

Over the years, Unitech has been undertaking various activities in order to contribute to the society.

"Saankalp" is a CSR group of Unitech. Saankalp focuses mainly on core development issues like healthcare, labour welfare, child education and skill building.

The Company also undertakes several 'green' initiatives such as rainwater harvesting, energy efficient buildings and social forestry.

CORPORATE INFORMATION

Executive Chairman
Mr. Ramesh Chandra

Managing Directors
Mr. Ajay Chandra
Mr. Sanjay Chandra

Non Executive Director
Ms. Minoti Bahri

Independent Directors
Mr. G. R. Ambwani
Mr. Anil Harish
Mr. Sanjay Bahadur
Mr. Ravinder Singhania
Dr. P. K. Mohanty

Executive Vice-President
& Chief Financial Officer
Mr. Sunil Keswani

Vice-President & Company Secretary
Mr. Deepak Jain

Auditors
M/s Goel Garg & Co.

UNITECH LIMITED
CIN: L74899DL1971PLC009720

Registered Office
Basement, 6, Community Centre,
Saket, New Delhi-110017
Tel.: +91-11-26857331
Fax: +91-11-26857338

Corporate Office
Unitech House, 'L' Block, South City-I,
Gurgaon-122007
Tel.: +91-124-4125200
Fax: +91-124-2383332

Marketing Office
Signature Towers, Ground Floor,
South City-I,
Gurgaon-122001
Tel.: +91-124-4082020
Fax: +91-124-4083355

E-mail for Investors:
share.dept@unitechgroup.com

Website: www.unitechgroup.com

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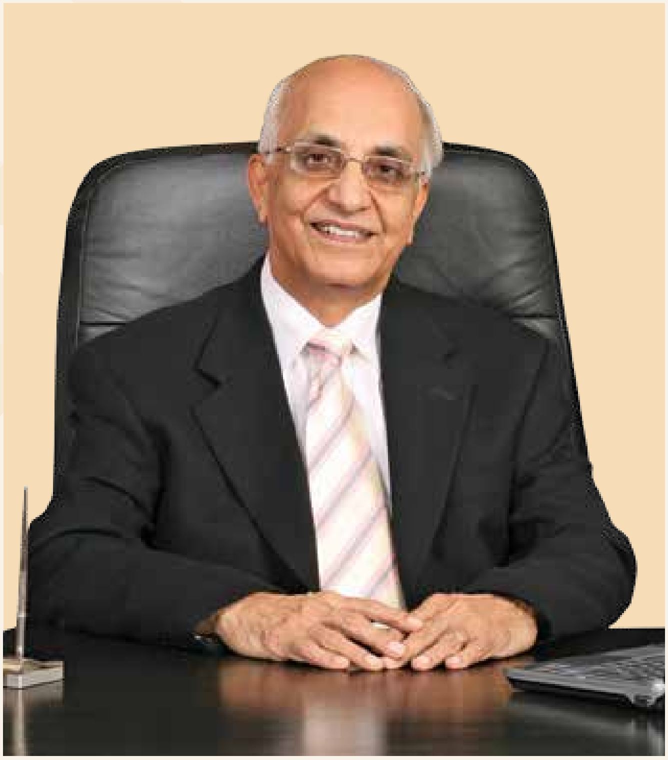
CHAIRMAN'S MESSAGE



Dear Shareholders,

I will not delve much into the macro-economic environment prevailing in the country as I believe most of you are aware of it. In fact, as ordinary citizens of the country, most of us are feeling the pinch of the slowdown. A few numbers say the whole story. At the end of Q4, FY2014 we have now had 12 continuous quarters of a little over or under 5% GDP growth. Industrial growth is down to 0.4% in FY2014 and the manufacturing sector actually contracted by 0.7%. While growth slackened, consumer price inflation remained at an average of 9.8% for FY2014. Consequently, even as the Reserve Bank of India wants to take steps to revitalise the economy and has to keep a tight monetary policy to target inflation, and interest rates remain at high levels. To add to the woes, a spell of global financial turbulence caused capital outflows and severe pressure on the exchange rate. Weaknesses remain: persistent inflation, fiscal imbalances, and bottlenecks to investment and inefficiencies that require structural reform. Finally, for most of the year there was a sense of policy paralysis as the country geared up for the General Elections of April-May 2014. Clearly, under these conditions there was no scope of a revival in demand for real estate both residential and commercial.

High inflation and fall in income growth have reduced people's disposable income and thus their ability to make down payments. High interest rates mean high equated monthly instalments (EMIs) and low loan eligibility. Economic weakness, coupled with the apprehension of downsizing, has further impacted demand for residential real estate, which accounts for around 75% of the total real estate market. The continued economic slowdown had an adverse impact on hiring in most sectors. Net hiring in the IT sector, a major demand driver for commercial property, is also expected to be muted.

The ability to make most of the crests of the cycle and effectively survive the troughs displays the true mettle of a real estate company. You will recall that in the last couple of years at Unitech, there is considerable stress on improving processes and methods to improve the speed of execution or the time taken to deliver projects that have been sold. While, on the one hand, better execution improves performance in terms of the revenue recognised as per the 'percentage of completion method of accounting', on the other hand and more importantly, it helps improve the cash flows of the Company. Today, Unitech is at a position where it has made large amount of sales in the past few years, where there is a big build-up of inventory that has not yet been fully constructed or delivered to the customers. This kind of a situation is natural for companies to face as they try to grow aggressively over a period of time in an industry witnessing the fluctuations of demand cycles.

Let me explain this in a little more detail. It is clear that the overall growth of any Company will be determined by the speed of launching and sale of new projects. However, each of the sale deals are actually closed after the premise is successfully handed over to the customer. The quality of delivery also determines customer satisfaction and the future prospects of the Company to leverage the next round of growth. In today's markets, with most of the projects being sold on construction linked plans, there is a clear series of cash flows to be received in a phased manner over a period of time based on the speed of execution of the project. Since the pace of new projects sold in the last few years was significantly faster than the speed of delivery, the equilibrium in the system was disturbed. Restoring this equilibrium by increasing the pace of delivery is a key priority for the company.

However, speeding up execution also requires steady cash flows. Adverse market conditions and consequent slowdown in sales during the year did affect cash flows of the company. Unitech has in the recent past undertaken sale of some land parcels for which it has no development plans in the foreseeable future to bridge the cash flow gap.

Company also took a conscious strategic decision to reduce debt exposure. Apart from land sales, it is also monetising some of the commercial assets. All these transactions, once concluded, could reduce company's consolidated debt by about 15 to 20 percent.

Today, we continue to have a large and well-diversified land bank that we will develop and increase the speed of new launches and sales as and when market demand conditions improve. Till then, as discussed above we do have land that is non-core to the business that will be sold to improve liquidity and reduce debt exposure related risks.

Today, there are a lot of expectations from the new Government at the centre. It has a leader who has great administrative acumen and has delivered before at the state level. Also, there is a very comfortable majority for the Government to be fast with key decision making. Already, there are some positive signs but the economic challenges are acute and the recovery will be gradual. The prerequisite is to develop a conducive business environment promoting transparency and policy consistency. The momentum remains positive, if we can get the investment story right, lower the fiscal deficit and have more progressive monetary policies being drafted by the RBI, there's nothing which can refrain us from coming back on the growth track by the second half of 2014. I am confident we will get there and very soon can start ramping up sales.

Securities and Exchange Board of India (SEBI) revived the process of introducing real estate investment trusts (REITs) in the country. It brought out Draft REITs Regulations, 2013, which

At the end of Q4, FY2014 we have now had 12 continuous quarters of a little over or under 5% GDP growth.

UPTL, the transmission towers business recorded over 44% growth in turnover.

were made public during the year for inviting stakeholders' views. REITs, once they become a reality, 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.

The underlying reason for all these moves is that the Indian real estate story continues to be tremendously attractive. Fundamental factors driving the sector such as rapid urbanisation, increase in nuclear families etc. are all intact. Thus, Indian real estate is poised for a boom, taking the rest of the economy with it. The notion that Indian real estate is expensive is based more on the cost of undeveloped land, which is becoming difficult to acquire, than finished residential or office space, which is still available at reasonable prices in most places.

Some of our other businesses have also delivered good results. Unitech Power Transmission Ltd., the transmission towers business company, recorded over 44% growth in turnover and a higher PBT of approx. Rs.11 crore. Revenues from property management services increased by 12.47% to Rs.143.77 crore in FY2014.

As a responsible corporate citizen, we continue with our efforts to work for the community at large. Lot of emphasis is given on labour welfare, safety and training at our sites, our newly constructed commercial buildings in the NCR region are all LEED certified green buildings, and our CSR group 'Saankalp' continues to undertake activities focused on social and community development. I urge you to read the details in the Report on Management Discussion and Analysis.

I take this opportunity to thank all our stakeholders – our employees, our customers, our investors and the community at large for their relentless support. Together, we have gone through a difficult period in the last few years. As we emerge out of it as a more focused organisation with a clear strategic path, I urge you to continue to repose faith in our business. You are our strength.

Regards,

Ramesh Chandra
Chairman

DIRECTORS' REPORT

Dear Members,

Your Company's Directors are pleased to present the 43rd Annual Report and the Audited Financial Statements of the Company for the year ended 31st March, 2014.

FINANCIAL RESULTS

The Financial Performance of the Company for the year ended 31st March, 2014 is summarized below:

(Figures in ₹ million)

	2013-14		2012-13	
Total Income		**21525.65**		**15264.44**
Less: Operating Expenses		**17459.26**		**9500.67**
Profit before Interest, Depreciation, Extraordinary Items and Tax		**4066.39**		**5763.77**
Less: i) Interest	**2742.22**		**3043.86**	
ii) Depreciation	**65.65**	**2807.87**	**55.98**	**3099.84**
Profit before Extraordinary Items and Tax		**1258.52**		**2663.93**
Less: Extraordinary Item		**0.00**		**345.00**
Profit before Tax		**1258.52**		**2318.93**
Less: Provision for Tax				
i) Current	**520.32**		**980.33**	
ii) Earlier year Tax	**0.00**		**85.19**	
iii) Deferred	**(50.48)**	**469.84**	**(266.35)**	**799.17**
Profit after Tax		**788.68**		**1519.76**
Balance carried over to Balance Sheet		**788.68**		**1519.76**

FINANCIAL HIGHLIGHTS AND OPERATIONS

The total income of the Company for the year under review is ₹ 21,525.65 million. The Profit before tax stood at ₹ 1,258.52 million and Profit after tax stood at ₹ 788.68 million. On consolidated basis, the total income of the Company and its subsidiaries stands at ₹ 30,999.07 million. The consolidated profit before tax (PBT) stood at ₹ 1031.76 million and after tax (PAT) stood at ₹ 697.41 million. The earnings per share (EPS), on an equity share having face value of ₹ 2/-, stands at ₹ 0.30 considering the total equity capital of ₹ 5,232.60 million.

On consolidated basis, the real estate and related division contributed ₹ 22,698.19 million in the revenues of the Company, whereas the contribution from the Property Management business was ₹ 1,265.50 million and from the Transmission Towers business was ₹ 3,862.02 million. Hospitality and other segments contributed the balance revenues of ₹ 1,507.47 million.

KEY HIGHLIGHTS OF THE BUSINESS AND OPERATIONS

Some of the key highlights pertaining to the business of the Company, including its subsidiaries and joint venture companies, for the year 2013-14 and period subsequent thereto are given hereunder:

New Project Launches and Sales

During the year 2013-14, your Company launched new projects totalling an area of 5.81 million sqft across different cities in India. Of the total area launched in 2013-14, 1.63 million sqft was launched in Gurgaon, 2.37 million sqft in Noida and Greater Noida, 0.61 million sqft in Chennai and 1.19 million sqft in other cities.

The Company recieved sales bookings for a total area of 2.33 million sqft during 2013-14 valued at INR 1502 Crores. In terms of area sold, with a share of 42.0% Gurgaon had the largest share of sales followed by Noida and Greater Noida with 36.3%, Kolkata with 8% and Chennai with 4.9% share. Other cities contributed the balance. In terms of segment wise sales, 73% of the area sold was from the residential segment while 27% was from non-residential. However, the non-residential segment has a higher average realization of INR 8,700 per sqft compared to the residential segment's average realization of INR 5,628 per sqft.

Project Execution and Delivery

Your Company delivered over 2.95 million sqft of completed property during the year and handing over is in progress in 36 projects across regions. The Company currently has nearly 100 ongoing projects covering a total of 38.41 million sqft of area to be constructed and delivered in the coming years. In order to efficiently execute the much higher scale of projects across markets, the Company is substantially upgrading its operations. In 2013-14, the Company also focused on its construction division and expended a lot of effort into further enhancing the Company's internal execution capabilities.

More details about the business and operations of the Company are provided in the Report on Management Discussion and Analysis forming part of this Report.

DIVIDEND

No dividend has been proposed for the year ended 31st March, 2014.

SUBSIDIARIES

A statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary Companies is attached to the accounts. In view of the general exemption granted by the Ministry of Corporate Affairs vide its circular No. 02/2011 dated 8th February, 2011, the audited annual accounts and reports of Board of Directors and Auditors of subsidiaries have not been annexed to this Annual Report. The Company has complied with the requirements as prescribed under the said circular.

DIRECTORS' REPORT

The audited annual accounts and related information of the subsidiaries will be made available, upon request by any member of the Company & shall also be made available for inspection at the registered office of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements of the Company are prepared in accordance with the Accounting Standard (AS) 21 on 'Consolidated Financial Statements' read with Accounting Standard (AS) 23 on 'Accounting for Investments in Associates' and (AS) 27 on 'Financial Reporting of Interest in Joint Ventures', notified under Section 211(3C) of the Companies Act, 1956 read with Accounting Standards Rules as applicable.

DIRECTORS

As per provisions of the Companies Act, 2013 and rules made thereunder, Mr. G.R. Ambwani, Mr. Sanjay Bahadur, Mr. Ravinder Singhania and Mr. Anil Harish are proposed to be appointed as Independent Directors w.e.f. 1st April 2014, for consecutive period of five years, at the ensuing Annual General Meeting.

As per Companies Act, 2013 now onwards Independent Directors are not liable to retire by rotation whereas Mr. Ajay Chandra, Mr. Sanjay Chandra and Ms. Minoti Bahri, Directors of the Company are liable to retire by rotation. Ms. Minoti Bahri, Non-Executive & Non-Independent Director, being longest in the office, retires at the ensuing Annual General Meeting and being eligible offers herself for re-appointment.

The brief resume of the Directors being appointed/ re-appointed, the nature of their expertise in specific functional areas, names of companies in which they hold directorships, committee memberships/ chairmanships, their shareholding etc. are furnished in the explanatory statement to the notice of the ensuing Annual General Meeting.

The Directors recommend their appointment/re-appointment at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2014, the applicable accounting standards had been followed alongwith proper explanation relating to material departures,

ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) the Directors had prepared the Annual Accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report as stipulated under Listing Agreement is given separately forming part of this Report.

REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance and the certificate from M/s Sanjay Grover and Associates, Company Secretaries confirming compliance with the conditions of Corporate Governance forms part of this report.

AUDITORS AND AUDITORS' REPORT

Statutory Auditors

M/s. Goel Garg & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

A) The Auditors' in their Report to the members, have given one qualified opinion and the response of your Directors with respect to it is as follows:-

The advances of ₹ 7,718,890,401 (previous year ₹ 9,248,788,996) were given in the normal course of business for the purchase of land, projects pending commencement, joint ventures and collaborators. The management has already recovered/ adjusted ₹ 8,355,415,561 during last two years which itself reflects a significant reduction of around 52% in two years. Your management is confident of recovering/ adjusting the balance advances within reasonable time.

B) The Auditors' in their report to the members, have stated two "Emphasis of matter" and the response of your Directors on them are as follows:-

Response to Point (i)

- The management does not consider any adjustment in respect of the balance of short term loans aggregating to ₹ 4,296,647,377 and investments aggregating to ₹ 275,323,078 because the matters are sub-judice and the management is hopeful of recovery of the same.

Response to Point (ii)

- The Committee of Directors accorded its consent for closure of Branch Office at Singapore in its