

# Mossberg's Investor Digest

## Best Idea Profile:

## Unitech Corporate Parks (LSE:UCP.L)

### DESCRIPTION:

Unitech Corporate Parks an AIM-listed, closed-end investment company whose strategy is to make investments in Indian commercial real estate developments specifically for the high-growth information technology and IT-enabled services sectors. The Company is focused on investment in Special Economic Zones dedicated to these industries or IT Parks that are suitable for foreign direct investment. All six of the ongoing development projects in which UCP has invested are joint ventures with Unitech Ltd, one of India's largest listed property developer. UCP owns a 60% share of IT parks in Gurgaon and Noida, India. Unitech Ltd, owns the other 40% of the IT parks. UCP initially raised approximately £360 million by issuing and placing its ordinary shares on the Alternative Investment Market (AIM) of the London Stock Exchange in December 2006.

### KEY INVESTMENT CONSIDERATIONS:

**Value of Assets** – Recently it was announced that Blackstone would buy UCP's main Gurgaon asset for at least the equivalent of \$517 million. The landowner gets 28% of the proceeds and UCP would receive 60% of the remainder. This property accounts for probably half of UCP's rental income and at that price should return about 90% of their enterprise value.

**Growth of IT Jobs Will Overcome Short-term Decline** – Office markets in much of India have become saturated short term. However, demand will likely decline only 20% this year and then will need to ramp back up to accommodate the 150,000 new IT jobs added annually. Although the Indian and global markets remain difficult, the Indian economy grew at over 5% annually in the first three quarters of 2012 and the Indian government has started to embrace policies more likely to promote investor confidence.

**Potential Payout to Shareholders** – When assets are sold, it could mean at least a partial distribution to shareholders. Unitech Ltd.'s need for cash to pay down its own debt will align it in the best interests of UCP shareholders in selling and distributing proceeds.

**Strong Leasing Results** – At September 2012, leasing increased to 6.4 million square feet, compared with 6.0 million square feet at the end of March 2012. The Company's share of rental income during the six-month period was £13.3 million compared with September 2011 of £9.9 million. The Company's share of rental income will rise to £22.1 million per annum when the entire 6.4 million square feet becomes fully income producing.

### VALUATION:

UCP's 60% share of the market valuation of the Gurgaon asset represents £ 146 million, which is basically equivalent to the current market cap. It's likely that a large portion of these proceeds will be distributed to shareholders given that UCP's development partner needs cash to de-lever. So basically at current prices, investors are getting assets that produce remaining half of UCP's rental income for little or no cost. Overtime, if the market does not realize the disparity in value, shareholders should be able to realize the value, as the trust is schedule to dissolve within three years.

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Investment Data (as of 2/28/13)

<b>Recent Price</b>	<b>£ 0.3525</b>
52-Week Range	0.2825 - 0.3825
Fiscal Year End	March
Dividend	NA
Yield	NA
Shares Outstanding	360 M
Average Trading Volume (3 mos)	400 k
Market Capitalization	£ 127 M
Cash	£ 31 M
Long-term Debt	£ 53 M
Enterprise Value (EV)	£ 149 M
Book Value	£0.70
TTM Revenue	£ 71 M
P/ Revenue	x
TTM EPS	£ 0.02
P/ EPS	21.2
TTM EBITDA	NA
EV/ EBITDA	NA