

## HOUSING DEVELOPMENT & INFRASTRUCTURE LTD

BUY  
CMP Rs117  
TP Rs225

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Suman Memani +91-22-6618 6479  
suman.memani@pinc.co.in

Abhishek Kumar +91-22-6618 6398  
abhishek.kumar@pinc.co.in

### QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Dec-10	Mar-11	Jun-11
Net Revenue	4,554	5,237	5,022
YoY Gr. (%)	11.4	20.7	11.4
EBITDA	2,665	2,556	2,658
EBITDA Marg.(%)	58.5	48.8	52.9
Adj. Net Profit	2,519	1,974	2,091
YoY Gr. (%)	54.8	11.0	(10.8)

### STOCK DATA

Market Cap	Rs48.6bn
Book Value per share	Rs204
Shares O/S (F.V. Rs10)	415mn
Free Float	59.6%
Avg Trade Value (6 months)	Rs980.2mn
52 week High/Low	Rs300/108
Bloomberg Code	HDILIN
Reuters Code	HDIL.BO

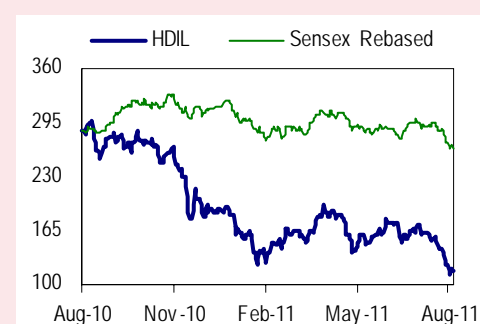
### ACTUAL VS ESTIMATE (Rs mn)

	Actual	PINCE	% Variance
Net sales	5,022	3,760	33.6
EBITDA	2,658	1,789	48.6
Adj net income	2,091	1,665	25.6
FDEPS (Rs)	4.9	3.9	25.6

### PERFORMANCE (%)

	1M	3M	12M
Absolute	(27.8)	(23.8)	(58.9)
Relative	(18.3)	(15.7)	(51.6)

### RELATIVE PERFORMANCE



HDIL posted revenue growth of 11.4% YoY to Rs5.0bn for Q1FY12. The topline was 33.6% ahead of our estimate due to FSI sales recognition of Popular car bazaar (Andheri, Mumbai) and due to TDR sales of 0.7msf. The operating margin increased by 413 bps sequentially to 52.9% in Q1FY12 as against our expectation of 48%. We maintain a BUY on the stock primarily due to: 1) Immediate focus of the management to further improve CFO by a) sale of FSI & TDR, b) generating cash through new launches and c) timely execution of earlier projects. (2) Freeze on further land acquisition and outright sale of few commercial projects like Metropolis-Andheri may help company reduce leverage and improve cash inflows. (3) Focus to reduce debt by 15-20% by end of FY12 (reduced debt by 3.5% QoQ).

**Revenue up 11.4%YoY:** Revenue increased by 11.4% YoY to Rs 5.0bn as against Rs4.5bn in the same period last year. The growth was fuelled by FSI sales of Rs3.3bn (66% revenue) from Popular car bazaar (Andheri, Mumbai). TDR sale of 0.7msf at Rs2,500 psf accounted for rest of the revenues. We believe going ahead in FY12-13 revenue recognition will be primarily driven from FSI sales (Vasai Virar- FSI sale of 12 msf in next 15 -18 months), residential revenue (from projects like Premier, Galaxy and Metropolis) and TDR sale.

**EBITDA margin improved due to FSI sale:** The EBITDA margin was at 52.9% in Q1FY12 versus 48.8% in Q1FY11 on account of higher margin in FSI sale. Going ahead the EBITDA margin is likely to improve further as we expect higher margin on FSI Sale including Vasai and Virar where FSI rate is at Rs800-1000psf and land cost of Rs150-200psf. Also TDR rates are expected to settle at ~Rs2,500psf despite increase in FSI in Mumbai suburbs from 1x to 1.33x.

**Debt reduction likely in FY12:** HDIL has reduced gross consolidated debt by 3.5% & may reduce debt further by 15-20% in FY12 with cash inflows from FSI sale (Goregaon, Andheri, Vasai, Virar & other commercial projects), TDR sale, launch of residential projects (Panvel) and collection from earlier projects. Moreover, freeze on new land acquisition may free them from further cash commitment.

### VALUATIONS AND RECOMMENDATION

We maintain a 'BUY' on the stock with a NAV based target price of Rs225 post 20% discount to NAV.

Note: All numbers mentioned above pertain to standalone results. Difference between standalone and consolidated numbers in this quarter are due to goodwill writeoff.

KEY FINANCIALS (CONSOLIDATED)	Rs mn				
	FY09	FY10	FY11	FY12E	FY13E
Net Sales	17,284	15,021	18,500	29,707	42,632
YoY Gr (%)	(27.4)	(13.1)	23.2	60.6	43.5
Op. Profits	7,797	7,901	11,035	15,427	25,400
OPM (%)	45.1	52.6	59.6	51.9	59.6
Adj. Net Profit	7,807	5,666	8,227	12,575	18,510
YoY Gr (%)	(44.6)	(27.4)	45.2	52.9	47.2
KEY RATIOS					
Dil.EPS (Rs)	18.8	13.7	19.8	29.4	42.0
ROCE (%)	10.9	6.1	7.2	10.0	13.1
RoE (%)	19.4	10.0	10.2	12.4	15.6
PER (x)	8.6	11.8	8.2	5.5	3.9
EV/ Net Sales (x)	6.3	7.2	5.8	3.6	2.5
EV/ EBITDA (x)	13.9	13.7	9.8	7.0	4.3

**Project Details**

Launch Date	Project	Total Estimated Saleable Area (msf)	Average Sale Rate (Rs/sq ft)	Total Estimated Sales (mn.Rs.)	Sales Achieved till 30/06/2011 (mn.Rs.)
Q4 FY09`	Premier Residency - Kurla (W)	1.00	5,901	5,901	5,606
Q4 FY09	Metropolis - Andheri (W)	0.65	10,028	6,518	6,192
Q1 FY10	Galaxy - Kurla (E)	0.48	4,898	2,327	2,140
Q2FY10	Industrial Park - Virar (E)	1.50	2,066	3,099	2,944
Q3 FY10	Majestic - Bhandup (W)	1.30	5,976	7,769	4,661
Q4 FY10	Residency Park - Virar (W)	1.25	2,861	3,576	2,932
Q1 FY11	Harmony - Goregaon (W)	0.04	8,601	377	358
Q1 FY11	Meadows (Phase I) - Goregaon (W)	1.00	8,010	8,010	6,408
Q2 FY11	Exotica - Kurla (W)	0.70	7,001	4,901	3,234
Q3 FY11	Whispering Towers (Phase I) - Mulund (W)	0.80	6,936	5,549	3,052
Q3 FY11	Paradise City (Phase I) - Palghar (W)	3.00	1,950	5,850	5,675
Q3 FY11	Paradise City (Phase II) - Palghar (W)	2.00	2,100	4,200	2,520
Q1 FY12	Whispering Towers (Phase II) - Mulund (W)	0.80	7,551	6,041	604
		<b>14.52</b>	<b>73,879</b>	<b>64,117</b>	<b>46,326</b>

Source: Company, PINC Research

**Financial Table (Standalone)**

(Rs mn)	Q1FY12	Q4FY11	QoQ (%)	Q1FY11	YoY (%)	FY11	FY10	YoY (%)
Revenue	5,022	5,237	(4.1)	4,509	11.4	18,500	29,707	(37.7)
Expenditure	2,364	2,681	(11.8)	1,835	28.8	7,465	14,281	(47.7)
EBITDA	2,658	2,556	4.0	2,674	(0.6)	11,035	15,427	(28.5)
EBITDA margin (%)	52.9	48.8	413 bps	59.3	(636)bps	44.5	42.3	214 bps
Other income	373	239	55.8	342	8.9	454	2,948	(84.6)
Interest	181	181	(0.1)	215	(15.8)	(1,749)	5,243	(133.4)
Depreciation	21	22	(6.3)	19	8.9	598	1,460	(59.0)
PBT	2,829	2,592	9.2	2,782	1.7	9,815	15,719	(37.6)
Tax	739	619	19.4	439	68.2	1,582	3,144	(49.7)
PAT	2,091	1,974	5.9	2,343	(10.8)	8,227	12,575	(34.6)
FDEPS (Rs)	4.9	4.7	6.0	--	-	19.8	29.4	(32.5)

Source: Company, PINC Research

**HDIL One year forward NAV**

Segments	NPV/share (Rs)
Residential	113
Commercial	18
Retail	7
SRS	24
Aiport	132
Total NPV/share	294
Debt outstanding	65
Land paid(not considered in NAV)	16
Investment in Property	35
<b>Net NPV/share</b>	<b>281</b>
Less: 20% Discount to NAV	56
<b>Target Price</b>	<b>225</b>

Source: Company, PINC Research

**Financial Table (Consolidated)**

(Rs mn)	Q1FY12	Q1FY11	YoY (%)
Revenue	5,118	4,554	12.4
Expenditure	2,182	1,654	31.9
EBITDA	2,936	2,900	1.3
EBITDA margin (%)	57.4	63.7	(631)bps
Other income	103	128	(19.8)
Interest	192	219	(11.9)
Depreciation	213	206	3.4
PBT	2,633	2,603	1.2
Tax	739	439	68.2
PAT	1,894	2,164	(12.5)
FDEPS (Rs)	4.5	5.9	(24.4)

Source: Company, PINC Research

Year Ended March (Figures in Rs mn)

Income Statement	FY09	FY10	FY11	FY12E	FY13E
<b>Revenues</b>	<b>17,284</b>	<b>15,021</b>	<b>18,500</b>	<b>29,707</b>	<b>42,632</b>
<i>Growth (%)</i>	<i>(27.4)</i>	<i>(13.1)</i>	<i>23.2</i>	<i>60.6</i>	<i>43.5</i>
<b>EBITDA</b>	<b>7,797</b>	<b>7,901</b>	<b>11,035</b>	<b>15,427</b>	<b>25,400</b>
<i>Growth (%)</i>	<i>(53.9)</i>	<i>1.3</i>	<i>39.7</i>	<i>39.8</i>	<i>64.6</i>
Depreciation & amortisation	25	723	838	900	900
<b>EBIT</b>	<b>7,772</b>	<b>7,177</b>	<b>10,197</b>	<b>14,527</b>	<b>24,500</b>
Interest	582	471	836	1,755	1,870
Other income	524	345	454	2,948	2,050
<b>PBT</b>	<b>7,714</b>	<b>7,052</b>	<b>9,815</b>	<b>15,719</b>	<b>24,680</b>
Income taxes	(151)	1,386	1,582	3,144	6,170
Extra-ordinary items	(63)	-	-	-	-
Min int / inc from assoc	(5)	-	5	-	-
<b>Reported net income</b>	<b>7,807</b>	<b>5,666</b>	<b>8,227</b>	<b>12,575</b>	<b>18,510</b>
Adjustments	-	-	-	-	-
<b>Adjusted net income</b>	<b>7,807</b>	<b>5,666</b>	<b>8,227</b>	<b>12,575</b>	<b>18,510</b>
<i>Growth (%)</i>	<i>(44.6)</i>	<i>(27.4)</i>	<i>45.2</i>	<i>52.9</i>	<i>47.2</i>
<b>Dil. EPS (Rs)</b>	<b>18.8</b>	<b>13.7</b>	<b>19.8</b>	<b>29.4</b>	<b>42.0</b>
<i>Growth (%)</i>	<i>(44.6)</i>	<i>(27.4)</i>	<i>45.2</i>	<i>48.2</i>	<i>42.9</i>

Cash Flow Statement	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	7,714	7,052	9,815	15,719	24,680
Depreciation & Amortisation	25	723	838	900	900
Total Tax Paid	(629)	(1,202)	(515)	(1,381)	(3,176)
Chg in working capital	(18,234)	(16,152)	(34,370)	(11,411)	(21,296)
Other operating activities	126	410	598	1,460	1,870
<b>Cash flow from oper (a)</b>	<b>(10,997)</b>	<b>(9,169)</b>	<b>(23,634)</b>	<b>5,287</b>	<b>2,978</b>
Capital Expenditure	(625)	(3,423)	(1,749)	5,243	(118)
Chg in investments	(571)	5	1,925	-	-
Other investing activities	481	101	256	295	-
<b>Cash flow from inv.(b)</b>	<b>(715)</b>	<b>(3,317)</b>	<b>432</b>	<b>5,538</b>	<b>(118)</b>
<b>Free cash flow (a+b)</b>	<b>(11,712)</b>	<b>(12,486)</b>	<b>(23,202)</b>	<b>10,825</b>	<b>2,860</b>
Equity raised/(repaid)	-	20,784	11,575	2,836	-
Debt raised/(repaid)	10,306	(416)	2,181	(11,265)	3,000
Change in MI	-	-	-	-	-
Dividend (incl. Tax)	(751)	-	-	-	(516)
Other financing activities	(582)	(719)	3,807	(1,801)	(1,870)
<b>Cash flow from fin (c)</b>	<b>8,973</b>	<b>19,649</b>	<b>17,563</b>	<b>(10,231)</b>	<b>614</b>
<b>Net chg in cash (a+b+c)</b>	<b>(2,739)</b>	<b>7,163</b>	<b>(5,639)</b>	<b>594</b>	<b>3,474</b>

Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
<i>Equity Share Capital</i>	2,755	3,588	4,150	4,410	4,410
<i>Reserves &amp; surplus</i>	41,463	66,840	90,721	105,349	123,342
<b>Shareholders' funds</b>	<b>44,218</b>	<b>70,429</b>	<b>94,871</b>	<b>109,759</b>	<b>127,752</b>
Min. Interest & Other	-	-	46	-	-
Total Debt	41,433	41,017	43,198	31,933	34,933
<b>Capital Employed</b>	<b>85,651</b>	<b>111,446</b>	<b>138,115</b>	<b>141,692</b>	<b>162,686</b>
Net fixed assets	1,228	4,637	5,395	(748)	(1,530)
Cash & Cash Eq.	755	7,918	2,296	2,890	6,364
Net Other current assets	81,202	96,513	129,971	139,104	157,374
Investments	2,491	2,429	520	520	520
Other Assets	-	-	1	(6)	(6)
Net Deferred tax Assets	(24)	(51)	(69)	(69)	(36)
<b>Total Assets</b>	<b>85,651</b>	<b>111,445</b>	<b>138,115</b>	<b>141,692</b>	<b>162,685</b>

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	45	53	60	52	60
Net Margin (%)	45	38	44	42	43
Dividend Yield (%)	-	-	-	-	-
Gross asset turnover (x)	28.6	11.6	8.5	22.9	142.1
Total asset turnover (x)	0.2	0.1	0.1	0.2	0.2
Adjusted debt/equity (x)	0.9	0.6	0.4	0.3	0.3
Interest coverage ratio (x)	13.4	15.3	12.2	8.3	13.1
RoCE (%)	10.9	6.1	7.2	10.0	13.1
RoE (%)	19.4	10.0	10.2	12.4	15.6
EV/Net Sales (x)	6.3	7.2	5.8	3.6	2.5
EV/EBITDA (x)	13.9	13.7	9.8	7.0	4.3
P/E (x)	8.6	11.8	8.2	5.5	3.9
P/BV (x)	0.9	0.8	0.7	0.6	0.5

Economic Value Added (EVA) Analysis					
	FY09	FY10	FY11	FY12E	FY13E
WACC (%)	345	14	14	15	15
ROIC (%)	11	6	7	8	12
Invested capital (Rs mn)	85,069	103,853	137,200	142,461	163,007
EVA (Rs mn)	(284,138)	(8,142)	(9,731)	(9,547)	(4,975)
EVA spread (%)	(334)	(8)	(7)	(7)	(3)

Du Pont Analysis					
(%)	FY09	FY10	FY11	FY12E	FY13E
Tax burden (Net inc./PBT)	101.2	80.3	83.8	80.0	75.0
Interest burden (PBT/EBIT)	99.3	98.3	96.3	108.2	100.7
EBIT margin (EBIT/Rev.)	45.0	47.8	55.1	48.9	57.5
Asset Turnover (Rev./Avg TA)	20.8	14.1	13.1	18.1	24.2
Leverage (Avg TA/Avg equity)	206.6	185.4	170.4	160.1	148.6
Return on equity	19.4	9.9	10.0	12.3	15.6

**T E A M**

**EQUITY DESK**

Sadanand Raje	Head - Institutional Sales Technical Analyst	sadanand.raje@pinc.co.in	91-22-6618 6366
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**RESEARCH**

Vineet Hetamasaria, CFA	<b>Head of Research, Auto, Cement</b>	vineet.hetamasaria@pinc.co.in	91-22-6618 6388
Nikhil Deshpande	Auto, Auto Ancillary, Cement	nikhil.deshpande@pinc.co.in	91-22-6618 6339
Tasmai Merchant	Auto, Auto Ancillary, Cement	tasmai.merchant@pinc.co.in	91-22-6618 6377
Vinod Nair	Construction, Power, Capital Goods	vinod.nair@pinc.co.in	91-22-6618 6379
Ankit Babel	Capital Goods, Engineering	ankit.b@pinc.co.in	91-22-6618 6551
Hitul Gutka	Power	hitul.gutka@pinc.co.in	91-22-6618 6410
Subramaniam Yadav	Construction	subramaniam.yadav@pinc.co.in	91-22-6618 6371
Madhura Joshi	Power	madhura.joshi@pinc.co.in	91-22-6618 6395
Satish Mishra	Fertiliser, Natural Gas	satish.mishra@pinc.co.in	91-22-6618 6488
Urvashi Biyani	Fertiliser, Natural Gas	urvashi.biyani@pinc.co.in	91-22-6618 6334
Naveen Trivedi	FMCG	naveent@pinc.co.in	91-22-6618 6384
Rohit Kumar Anand	IT Services	rohit.anand@pinc.co.in	91-22-6618 6372
Namrata Sharma	Media	namrata.sharma@pinc.co.in	91-22-6618 6412
Sakshee Chhabra	Media	sakshee.chhabra@pinc.co.in	91-22-6618 6516
Bikash Bhalotia	Metals, Mining	bikash.bhalotia@pinc.co.in	91-22-6618 6387
Harleen Babber	Metals, Mining	harleen.babber@pinc.co.in	91-22-6618 6389
Dipti Vijaywargi	Metals, Mining	dipti.vijaywargi@pinc.co.in	91-22-6618 6393
Sushant Dalmia, CFA	Pharma	sushant.dalmia@pinc.co.in	91-22-6618 6462
Poonam Sanghavi	Pharma	poonam.sanghavi@pinc.co.in	91-22-6618 6709
Suman Memani	Real Estate, Mid caps	suman.memani@pinc.co.in	91-22-6618 6479
Abhishek Kumar	Real Estate, Mid caps	abhishek.kumar@pinc.co.in	91-22-6618 6398
C Krishnamurthy	Technical Analyst	krishnamurthy.c@pinc.co.in	91-22-6618 6747

**SALES**

Rajeev Gupta	Equities	rajeev.gupta@pinc.co.in	91-22-6618 6486
Ankur Varman	Equities	ankur.varman@pinc.co.in	91-22-6618 6380
Himanshu Varia	Equities	himanshu.varia@pinc.co.in	91-22-6618 6342
Shailesh Kadam	Derivatives	shaileshk@pinc.co.in	91-22-6618 6349
Ganesh Gokhale	Derivatives	ganeshg@pinc.co.in	91-22-6618 6347

**DEALING**

Mehul Desai	Head - Sales Trading	mehul.desai@pinc.co.in	91-22-6618 6303
Naresh Panjnani	Co-Head - Sales Trading	naresh.panjnani@pinc.co.in	91-22-6618 6333
Amar Margaje		amar.margaje@pinc.co.in	91-22-6618 6327
Ashok Savla		ashok.savla@pinc.co.in	91-22-6618 6321
Sajjid Lala		sajjid.lala@pinc.co.in	91-22-6618 6337
Raju Bhavsar		rajub@pinc.co.in	91-22-6618 6322
Kinjal Mehta		kinjal.mehta@pinc.co.in	91-22-6618 6333
Chandani Bhatia		chandani.bhatia@pinc.co.in	91-22-6618 6324
Hasmukh D. Prajapati		hasmukhp@pinc.co.in	91-22-6618 6325
Kamlesh Purohit		kamlesh.purohit@pinc.co.in	91-22-6618 6357

**SINGAPORE DESK**

Amul Shah		amul.shah@sg.pinc.co.in	65-6327 0626
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**DIRECTORS**

Gaurang Gandhi		gaurangg@pinc.co.in	91-22-6618 6400
Hemang Gandhi		hemangg@pinc.co.in	91-22-6618 6400
Ketan Gandhi		ketang@pinc.co.in	91-22-6618 6400

**COMPLIANCE**

Rakesh Bhatia	Head Compliance	rakeshb@pinc.co.in	91-22-6618 6400
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