



Company	BBG code	Rating	Share price		Chg in TP (%)	Mkt cap (USDm)	P/E		Yld FY1 (%)
			(INR)	(INR)			FY1 (x)	FY2 (x)	
DLF Ltd	DLFU IN	REDUCE	262.75	249.00	-	9,494	25.8	15.7	0.3
Housing Dev & Infra	HDIL IN	HOLD	219.90	289.00	-	1,619	13.3	8.1	0.0
IBREL	IBREL IN	BUY	149.50	210.00	-	1,278	350.2	24.4	0.0
Unitech	UT IN	HOLD	70.70	79.00	-	3,671	25.4	16.5	0.1

Prices as at 10 Jun 2010; Source: Bloomberg, BNP Paribas estimates



Sandeep Mathew  
+65 6210 1952  
sandeep.mathew@asia.bnpparibas.com

Avneesh Sukhija  
+91 22 6628 2432  
avneesh.sukhija@asia.bnpparibas.com

INDUSTRY OUTLOOK ↔

- Mumbai HC rejects govt proposal to increase FSI from 1x to 1.33x.
- TDR demand unaffected; anticipate TDR prices to remain firm.
- Minimal near-term cash flow impact for HDIL, a key beneficiary.
- Mumbai prices remain unaffordable; IBREL remains our top pick.

## TDR price concerns removed

Mumbai HC rejects govt proposal to increase base FSI  
Mumbai High Court has rejected the Maharashtra government's proposal to increase the base Floor Space Index (FSI) to 1.33x from 1.00x in suburban Mumbai. If the proposal had been accepted, demand for Trasferrable Development Rights (TDRs) would have reduced by approximately 33%. In Mumbai, a developer can utilise an FSI of upto 2.0x by buying an incremental 1.0x of TDR. Hence, an increase in base FSI would have reduced the TDR demand by approximately 33%.

TDR demand unaffected; anticipate TDR prices to remain firm  
The High Court ruling basically leaves the demand equation for TDR untouched. TDR prices had corrected by some 10% in the last quarter in anticipation of the proposal coming through, and few developers had postponed their purchase of TDRs. However, we now anticipate TDR prices to remain firm or increase given the new development.

HDIL a key beneficiary; however, minimal near-term CF impact  
Among the listed developers, HDIL is likely to benefit the most. Our TDR demand estimates remain unchanged and we continue to believe HDIL will be able to sell approx 5m-6m sqft of TDR annually based on our proprietary TDR demand-supply model. However, HDIL only has c1m sqft of TDR inventory left from Phase 1 of Mumbai Airport (MIAL) project. It will generate an additional c40m sqft of TDR over the course of Phase 2 of the project that can take anywhere between three to five years where HDIL will have to construct c80,000 houses for slum dwellers. Apart from HDIL, other major TDR generators in the listed space include DB Realty (will generate c19m sqft TDR in the next c6 years) and Ackruti City.

Mumbai prices unaffordable; IBREL remains our top pick  
Mumbai property prices continue to tread on unaffordable terrain with average suburban prices of cINR9,000 per sqft. Developers are likely to use the increase in TDR prices (higher input cost) as an excuse to continue to raise prices. Further, lack of new launches and lack of new construction due to water shortage all point to property prices strengthening in the near term. We reiterate IBREL as our top pick in the sector. Risk-reward for HDIL also has begun to look attractive as NAV of stock (excluding Phase 2 of MIAL) is INR278. Including MIAL Phase 2, NAV can re-rate as high as INR406. However, lack of visibility on the relocation process remains a key concern.

## FINANCIAL STATEMENTS

## DLF Ltd

Profit and Loss (INR m) Year Ending Mar	2008A	2009A	2010E	2011E	2012E
Revenue	146,839	104,314	78,550	99,120	105,068
Cost of sales ex depreciation	(39,998)	(32,295)	(25,840)	(34,953)	(35,099)
<b>Gross profit ex depreciation</b>	<b>106,842</b>	<b>72,019</b>	<b>52,710</b>	<b>64,167</b>	<b>69,969</b>
Other operating income	0	0	0	0	0
Operating costs	(7,227)	(12,159)	(13,360)	(13,335)	(14,690)
<b>Operating EBITDA</b>	<b>99,615</b>	<b>59,860</b>	<b>39,350</b>	<b>50,832</b>	<b>55,279</b>
Depreciation	(901)	(2,390)	(3,250)	(5,932)	(6,004)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>98,714</b>	<b>57,470</b>	<b>36,100</b>	<b>44,900</b>	<b>49,274</b>
Net financing costs	(3,100)	(5,548)	(11,080)	(7,845)	(6,502)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>95,614</b>	<b>51,922</b>	<b>25,020</b>	<b>37,055</b>	<b>42,772</b>
Tax	(17,391)	(6,754)	(6,960)	(7,411)	(8,554)
<b>Profit after tax</b>	<b>78,223</b>	<b>45,168</b>	<b>18,060</b>	<b>29,644</b>	<b>34,218</b>
Minority interests	(355)	(275)	10	(1,190)	(1,005)
Preferred dividends	0	0	0	0	0
Other items	252	(197)	(770)	0	0
<b>Reported net profit</b>	<b>78,120</b>	<b>44,696</b>	<b>17,300</b>	<b>28,454</b>	<b>33,213</b>
Non recurring items & goodwill (net)	0	0	0	0	0
<b>Recurring net profit</b>	<b>78,120</b>	<b>44,696</b>	<b>17,300</b>	<b>28,454</b>	<b>33,213</b>

Rental Income to contribute c14% of total revenue in FY11

**Per share (INR)**

Recurring EPS *	46.90	26.24	10.19	16.77	19.57
Reported EPS	46.98	26.24	10.19	16.77	19.57
DPS	2.00	2.01	0.71	1.17	1.37

**Growth**

Revenue (%)	262.3	(29.0)	(24.7)	26.2	6.0
Operating EBITDA (%)	242.8	(39.9)	(34.3)	29.2	8.7
Operating EBIT (%)	246.6	(41.8)	(37.2)	24.4	9.7
Recurring EPS (%)	271.0	(44.1)	(61.2)	64.5	16.7
Reported EPS (%)	271.6	(44.2)	(61.2)	64.5	16.7

**Operating performance**

Gross margin inc depreciation (%)	72.1	66.7	63.0	58.8	60.9
Operating EBITDA margin (%)	67.8	57.4	50.1	51.3	52.6
Operating EBIT margin (%)	67.2	55.1	46.0	45.3	46.9
Net margin (%)	53.2	42.8	22.0	28.7	31.6
Effective tax rate (%)	18.2	13.0	27.8	20.0	20.0
Dividend payout on recurring profit (%)	4.3	7.6	7.0	7.0	7.0
Interest cover (x)	31.8	10.4	3.3	5.7	7.6
Inventory days	690.5	1,151.8	1,648.4	1,293.6	1,217.7
Debtor days	113.3	171.0	89.0	67.2	70.9
Creditor days	345.7	474.9	678.5	579.9	574.6
Operating ROIC (%)	30.4	11.0	5.4	6.1	6.5
Operating ROIC – WACC (%)	11.5	(7.9)	(13.5)	(12.9)	(12.4)
ROIC (%)	27.8	10.0	4.8	5.3	5.8
ROIC – WACC (%)	8.9	(8.9)	(14.1)	(13.6)	(13.1)
ROE (%)	67.2	20.4	6.3	8.9	9.5
ROA (%)	27.9	11.0	4.4	5.6	6.1

EBITDA margins improve on higher rental contribution from leased assets

\* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (INR m)	2008A	2009A	2010E	2011E	2012E
Total Revenue	146,839	104,314	78,550	99,120	105,068

Sources: DLF Ltd; BNP Paribas estimates

## DLF Ltd

Cash Flow (INR m)					
Year Ending Mar	2008A	2009A	2010E	2011E	2012E
Recurring net profit	78,120	44,696	17,300	28,454	33,213
Depreciation	901	2,390	3,250	5,932	6,004
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
<b>Recurring cash flow</b>	<b>79,021</b>	<b>47,086</b>	<b>20,550</b>	<b>34,386</b>	<b>39,217</b>
Change in working capital	(110,875)	(51,933)	45,914	14,074	9,568
Capex - maintenance	0	0	0	0	0
Capex - new investment	(25,622)	(33,783)	(144,010)	(25,746)	(25,874)
<b>Free cash flow to equity</b>	<b>(57,476)</b>	<b>(38,631)</b>	<b>(77,546)</b>	<b>22,714</b>	<b>22,911</b>
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	(6,820)	0	(3,850)	(1,992)	(2,325)
Non recurring cash flows	(36,315)	11,581	(260)	0	0
<b>Net cash flow</b>	<b>(100,611)</b>	<b>(27,050)</b>	<b>(81,657)</b>	<b>20,723</b>	<b>20,586</b>
Equity finance	94,701	(286)	0	0	0
Debt finance	23,177	17,871	60,490	(26,000)	(10,000)
<b>Movement in cash</b>	<b>17,267</b>	<b>(9,465)</b>	<b>(21,167)</b>	<b>(5,277)</b>	<b>10,586</b>

Free cash flow insufficient to meet total anticipated Interest + debt repayment obligation of INR51.2b in FY11

Debt repayment obligation of INR26b in FY11

## Per share (INR)

Recurring cash flow per share	47.53	27.64	12.11	20.26	23.11
FCF to equity per share	(34.57)	(22.68)	(45.69)	13.38	13.50

## Balance Sheet (INR m)

Year Ending Mar	2008A	2009A	2010E	2011E	2012E
Working capital assets	244,579	304,268	271,610	259,286	247,398
Working capital liabilities	(42,639)	(41,404)	(54,660)	(56,410)	(54,090)
<b>Net working capital</b>	<b>201,940</b>	<b>262,864</b>	<b>216,950</b>	<b>202,876</b>	<b>193,308</b>
Tangible fixed assets	100,031	136,006	277,300	297,114	316,983
<b>Operating invested capital</b>	<b>301,971</b>	<b>398,870</b>	<b>494,250</b>	<b>499,990</b>	<b>510,291</b>
Goodwill	20,931	22,651	12,670	12,670	12,670
Other intangible assets	0	0	0	0	0
Investments	9,102	14,025	55,200	55,200	55,200
Other assets	0	414	0	0	0
<b>Invested capital</b>	<b>332,004</b>	<b>435,959</b>	<b>562,120</b>	<b>567,860</b>	<b>578,161</b>
Cash & equivalents	(21,421)	(11,956)	(9,130)	(3,853)	(14,439)
Short term debt	0	0	0	0	0
Long term debt *	122,771	163,201	216,770	190,770	180,770
<b>Net debt</b>	<b>101,349</b>	<b>151,245</b>	<b>207,640</b>	<b>186,917</b>	<b>166,331</b>
Deferred tax	359	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	196,883	241,538	307,720	334,182	365,070
Minority interests	3,895	6,336	6,290	6,290	6,290
<b>Invested capital</b>	<b>332,004</b>	<b>435,959</b>	<b>559,500</b>	<b>565,240</b>	<b>575,541</b>

\* includes convertibles and preferred stock which is being treated as debt

Increase in debt mainly due to merger with DAL (INR25b) and financing Caraf's buy back of SC Asia stake in DAL for INR30.85b

Includes CCPS of INR16b issued to promoters post DAL merger and carry dividend rate of 9%

## Per share (INR)

Book value per share	115	142	181	197	215
Tangible book value per share	103	128	174	189	208

## Financial strength

Net debt/equity (%)	50.5	61.0	66.1	54.9	44.8
Net debt/total assets (%)	25.6	30.9	33.2	29.8	25.7
Current ratio (x)	6.2	7.6	5.1	4.7	4.8
CF interest cover (x)	(9.3)	0.1	7.0	7.2	8.5

Pro forma debt to equity at 0.74x as of April 2010

Valuation	2008A	2009A	2010E	2011E	2012E
Recurring P/E (x) *	5.6	10.0	25.8	15.7	13.4
Recurring P/E @ target price (x) *	5.3	9.5	24.4	14.9	12.7
Reported P/E (x)	5.6	10.0	25.8	15.7	13.4
Dividend yield (%)	0.8	0.8	0.3	0.4	0.5
P/CF (x)	5.5	9.5	21.7	13.0	11.4
P/FCF (x)	(7.6)	(11.6)	(5.8)	19.6	19.5
Price/book (x)	2.3	1.9	1.4	1.3	1.2
Price/tangible book (x)	2.5	2.0	1.5	1.4	1.3
EV/EBITDA (x) **	5.3	9.7	16.1	12.8	11.4
EV/EBITDA @ target price (x) **	5.0	9.3	15.5	12.3	11.0
EV/invested capital (x)	1.7	1.4	1.2	1.1	1.1

\* Pre exceptional, pre-goodwill and fully diluted

\*\* EBITDA includes associate income and recurring non-operating income

Sources: DLF Ltd; BNP Paribas estimates

## Housing Dev & Infra

Profit and Loss (INR m) Year Ending Mar	2008A	2009A	2010E	2011E	2012E
Revenue	23,799	17,284	14,805	24,770	29,029
Cost of sales ex depreciation	(6,352)	(8,358)	(7,150)	(10,490)	(10,883)
<b>Gross profit ex depreciation</b>	<b>17,447</b>	<b>8,926</b>	<b>7,654</b>	<b>14,281</b>	<b>18,146</b>
Other operating income	525	540	927	446	534
Operating costs	(546)	(1,129)	(824)	(1,519)	(1,806)
<b>Operating EBITDA</b>	<b>17,425</b>	<b>8,337</b>	<b>7,757</b>	<b>13,208</b>	<b>16,874</b>
Depreciation	(14)	(41)	(34)	(59)	(69)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>17,411</b>	<b>8,296</b>	<b>7,724</b>	<b>13,148</b>	<b>16,805</b>
Net financing costs	(1,385)	(582)	(745)	(1,400)	(1,400)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	(5)	1,099	0	0	0
<b>Profit before tax</b>	<b>16,021</b>	<b>8,813</b>	<b>6,978</b>	<b>11,748</b>	<b>15,404</b>
Tax	(1,916)	(943)	(1,256)	(2,350)	(3,081)
<b>Profit after tax</b>	<b>14,105</b>	<b>7,871</b>	<b>5,722</b>	<b>9,398</b>	<b>12,324</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>14,105</b>	<b>7,871</b>	<b>5,722</b>	<b>9,398</b>	<b>12,324</b>
Non recurring items & goodwill (net)	5	(1,099)	0	0	0
<b>Recurring net profit</b>	<b>14,110</b>	<b>6,772</b>	<b>5,722</b>	<b>9,398</b>	<b>12,324</b>

MIAL to contribute  
~80%/60% to FY10/11  
revenue

### Per share (INR)

Recurring EPS *	51.22	24.58	16.55	27.18	35.63
Reported EPS	51.20	28.57	16.55	27.18	35.63
DPS	3.86	0.00	0.00	2.72	3.56

### Growth

Revenue (%)	97.8	(27.4)	(14.3)	67.3	17.2
Operating EBITDA (%)	162.6	(52.2)	(7.0)	70.3	27.8
Operating EBIT (%)	162.6	(52.4)	(6.9)	70.2	27.8
Recurring EPS (%)	70.3	(52.0)	(32.7)	64.2	31.1
Reported EPS (%)	70.4	(44.2)	(42.1)	64.2	31.1

### Operating performance

Gross margin inc depreciation (%)	73.3	51.4	51.5	57.4	62.3
Operating EBITDA margin (%)	73.2	48.2	52.4	53.3	58.1
Operating EBIT margin (%)	73.2	48.0	52.2	53.1	57.9
Net margin (%)	59.3	39.2	38.7	37.9	42.5
Effective tax rate (%)	12.0	10.7	18.0	20.0	20.0
Dividend payout on recurring profit (%)	7.5	0.0	0.0	10.0	10.0
Interest cover (x)	12.6	14.3	10.4	9.4	12.0
Inventory days	1,967.3	2,715.4	3,709.4	2,519.5	2,198.4
Debtor days	28.2	23.6	47.1	33.7	33.0
Creditor days	393.1	268.0	405.2	238.0	147.3
Operating ROIC (%)	33.0	8.0	6.1	9.3	11.2
Operating ROIC – WACC (%)	17.4	(7.6)	(9.5)	(6.3)	(4.4)
ROIC (%)	31.5	7.7	5.8	8.8	10.6
ROIC – WACC (%)	15.9	(7.9)	(9.8)	(6.8)	(4.9)
ROE (%)	64.5	16.8	10.3	13.2	15.2
ROA (%)	31.9	8.6	6.1	9.2	11.3

Higher contribution from  
BKC SRA projects to  
improve margins

\* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (INR m)	2008A	2009A	2010E	2011E	2012E
Core business	23,799	17,284	14,805	24,770	29,029

Sources: Housing Dev & Infra; BNP Paribas estimates

## Housing Dev & Infra

<b>Cash Flow (INR m)</b>					
<b>Year Ending Mar</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Recurring net profit	14,110	6,772	5,722	9,398	12,324
Depreciation	14	41	34	59	69
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
<b>Recurring cash flow</b>	<b>14,124</b>	<b>6,813</b>	<b>5,756</b>	<b>9,458</b>	<b>12,393</b>
Change in working capital	(53,294)	(19,775)	(12,587)	(6,922)	(4,823)
Capex - maintenance	0	0	0	0	0
Capex – new investment	0	0	(500)	(250)	(250)
<b>Free cash flow to equity</b>	<b>(39,171)</b>	<b>(12,962)</b>	<b>(7,331)</b>	<b>2,286</b>	<b>7,320</b>
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	0	(751)	0	0	0
Non recurring cash flows	(2,031)	(672)	(2,547)	(95)	(43)
<b>Net cash flow</b>	<b>(41,202)</b>	<b>(14,386)</b>	<b>(9,878)</b>	<b>2,191</b>	<b>7,276</b>
Equity finance	17,136	0	16,884	0	0
Debt finance	27,514	11,636	(6,421)	0	(5,000)
<b>Movement in cash</b>	<b>3,448</b>	<b>(2,750)</b>	<b>585</b>	<b>2,191</b>	<b>2,276</b>

### Per share (INR)

Recurring cash flow per share	51.27	24.73	16.64	27.35	35.83
FCF to equity per share	(142)	(47.05)	(21.20)	6.61	21.16

### Balance Sheet (INR m)

<b>Year Ending Mar</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Working capital assets	68,903	87,894	103,446	105,312	110,296
Working capital liabilities	(5,763)	(6,509)	(9,367)	(4,311)	(4,472)
<b>Net working capital</b>	<b>63,140</b>	<b>81,385</b>	<b>94,079</b>	<b>101,001</b>	<b>105,824</b>
Tangible fixed assets	596	749	1,221	1,506	1,731
<b>Operating invested capital</b>	<b>63,736</b>	<b>82,135</b>	<b>95,301</b>	<b>102,508</b>	<b>107,555</b>
Goodwill	91	478	478	478	478
Other intangible assets	0	0	0	0	0
Investments	1,915	2,491	5,032	5,032	5,032
Other assets	0	0	0	0	0
<b>Invested capital</b>	<b>65,742</b>	<b>85,104</b>	<b>100,811</b>	<b>108,018</b>	<b>113,066</b>
Cash & equivalents	(3,505)	(755)	(1,340)	(2,592)	(3,635)
Short term debt	0	0	0	0	0
Long term debt *	31,127	41,433	35,012	35,012	30,012
<b>Net debt</b>	<b>27,622</b>	<b>40,678</b>	<b>33,672</b>	<b>32,421</b>	<b>26,377</b>
Deferred tax	0	0	0	0	0
Other liabilities	15	24	33	33	33
Total equity	36,415	44,218	66,824	75,283	86,374
Minority interests	0	0	0	0	0
<b>Invested capital</b>	<b>65,742</b>	<b>85,104</b>	<b>100,811</b>	<b>108,018</b>	<b>113,066</b>

\* includes convertibles and preferred stock which is being treated as debt

### Per share (INR)

Book value per share	132	161	193	218	250
Tangible book value per share	132	159	192	216	248

### Financial strength

Net debt/equity (%)	75.9	92.0	50.4	43.1	30.5
Net debt/total assets (%)	36.8	44.0	30.2	28.2	21.8
Current ratio (x)	12.6	13.6	11.2	25.0	25.5
CF interest cover (x)	(27.3)	(21.3)	(8.2)	2.8	6.4

<b>Valuation</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Recurring P/E (x) *	4.3	8.9	13.3	8.1	6.2
Recurring P/E @ target price (x) *	5.6	11.8	17.5	10.6	8.1
Reported P/E (x)	4.3	7.7	13.3	8.1	6.2
Dividend yield (%)	1.8	0.0	0.0	1.2	1.6
P/CF (x)	4.3	8.9	13.2	8.0	6.1
P/FCF (x)	(1.5)	(4.7)	(10.4)	33.3	10.4
Price/book (x)	1.7	1.4	1.1	1.0	0.9
Price/tangible book (x)	1.7	1.4	1.1	1.0	0.9
EV/EBITDA (x) **	3.8	11.4	13.6	8.3	6.2
EV/EBITDA @ target price (x) **	4.7	13.6	16.4	10.1	7.7
EV/invested capital (x)	1.3	1.2	1.1	1.0	0.9

\* Pre exceptional, pre-goodwill and fully diluted

\*\* EBITDA includes associate income and recurring non-operating income

Sources: Housing Dev & Infra; BNP Paribas estimates

## IBREL

Profit and Loss (INR m) Year Ending Mar	2008A	2009A	2010E	2011E	2012E
Revenue	3,902	4,399	2,983	11,821	16,970
Cost of sales ex depreciation	0	(214)	(1,170)	(6,118)	(9,407)
<b>Gross profit ex depreciation</b>	<b>3,902</b>	<b>4,186</b>	<b>1,812</b>	<b>5,703</b>	<b>7,563</b>
Other operating income	0	0	0	0	0
Operating costs	(1,426)	(2,443)	(861)	(1,235)	(1,723)
<b>Operating EBITDA</b>	<b>2,475</b>	<b>1,743</b>	<b>952</b>	<b>4,468</b>	<b>5,840</b>
Depreciation	(33)	(108)	(122)	(146)	(189)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,442</b>	<b>1,635</b>	<b>829</b>	<b>4,322</b>	<b>5,651</b>
Net financing costs	(522)	(244)	(143)	(179)	(179)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	3,745	0	0	0	0
<b>Profit before tax</b>	<b>5,665</b>	<b>1,390</b>	<b>686</b>	<b>4,143</b>	<b>5,472</b>
Tax	(1,586)	(698)	(171)	(1,036)	(1,368)
<b>Profit after tax</b>	<b>4,079</b>	<b>692</b>	<b>514</b>	<b>3,107</b>	<b>4,104</b>
Minority interests	(65)	(398)	(127)	(432)	3,081
Preferred dividends	(208)	0	(216)	(216)	(216)
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>3,806</b>	<b>295</b>	<b>171</b>	<b>2,459</b>	<b>6,969</b>
Non recurring items & goodwill (net)	(2,696)	0	0	0	0
<b>Recurring net profit</b>	<b>1,109</b>	<b>295</b>	<b>171</b>	<b>2,459</b>	<b>6,969</b>
<b>Per share (INR)</b>					
Recurring EPS *	4.55	1.14	0.43	6.13	17.36
Reported EPS	17.29	1.14	0.43	6.13	17.36
DPS	13.50	0.13	0.02	0.25	0.72
<b>Growth</b>					
Revenue (%)	757.7	12.8	(32.2)	296.3	43.6
Operating EBITDA (%)	694.9	(29.6)	(45.4)	369.5	30.7
Operating EBIT (%)	704.9	(33.1)	(49.3)	421.2	30.7
Recurring EPS (%)	14,387.2	(74.9)	(62.7)	1,335.0	183.4
Reported EPS (%)	50,050.7	(93.4)	(62.7)	1,335.0	183.4
<b>Operating performance</b>					
Gross margin inc depreciation (%)	-	92.7	56.7	47.0	43.5
Operating EBITDA margin (%)	63.4	39.6	31.9	37.8	34.4
Operating EBIT margin (%)	62.6	37.2	27.8	36.6	33.3
Net margin (%)	28.4	6.7	5.7	20.8	41.1
Effective tax rate (%)	28.0	50.2	25.0	25.0	25.0
Dividend payout on recurring profit (%)	296.6	11.5	4.1	4.2	4.2
Interest cover (x)	4.7	6.7	5.8	24.1	31.5
Inventory days	-	25,100.3	6,764.1	1,741.5	1,297.6
Debtor days	57.3	84.8	86.3	41.6	60.5
Creditor days	-	16,020.7	335.2	69.1	82.5
Operating ROIC (%)	7.0	2.3	1.0	4.4	5.0
Operating ROIC – WACC (%)	(10.3)	(15.0)	(16.3)	(12.9)	(12.3)
ROIC (%)	6.2	2.0	0.7	3.0	3.6
ROIC – WACC (%)	(11.1)	(15.3)	(16.6)	(14.3)	(13.7)
ROE (%)	3.9	0.6	0.2	3.0	7.9
ROA (%)	3.3	1.0	0.6	2.9	3.6
* Pre exceptional, pre-goodwill and fully diluted					
<b>Revenue By Division (INR m)</b>					
Real Estate	3,902	4,399	2,983	11,821	16,970

Includes dividend income from its Singapore listed Property Trust

Margins to decline due to shift in product mix to mid-income residential

Sources: IBREL; BNP Paribas estimates



**IBREL**

<b>Cash Flow (INR m)</b>					
<b>Year Ending Mar</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Recurring net profit	1,109	295	171	2,459	6,969
Depreciation	33	108	122	146	189
Associates & minorities	65	0	0	0	0
Other non-cash items	0	0	0	0	0
<b>Recurring cash flow</b>	<b>1,207</b>	<b>403</b>	<b>294</b>	<b>2,605</b>	<b>7,157</b>
Change in working capital	(43,901)	(4,167)	(8,102)	(8,098)	(1,394)
Capex - maintenance	(751)	0	(1,291)	(3,016)	(4,016)
Capex – new investment	(1,364)	(1,997)	(1,000)	(1,000)	(1,000)
<b>Free cash flow to equity</b>	<b>(44,808)</b>	<b>(5,761)</b>	<b>(10,100)</b>	<b>(9,509)</b>	<b>747</b>
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	(163)	(3,629)	(10)	(144)	(408)
Non recurring cash flows	8,317	(1,076)	(20,000)	0	0
<b>Net cash flow</b>	<b>(36,654)</b>	<b>(10,466)</b>	<b>(30,110)</b>	<b>(9,653)</b>	<b>340</b>
Equity finance	38,775	0	26,709	0	0
Debt finance	1,969	608	0	0	0
<b>Movement in cash</b>	<b>4,090</b>	<b>(9,858)</b>	<b>(3,401)</b>	<b>(9,653)</b>	<b>340</b>

**Per share (INR)**

Recurring cash flow per share	5.48	1.57	0.73	6.49	17.83
FCF to equity per share	(204)	(22.37)	(25.16)	(23.68)	1.86

**Balance Sheet (INR m)**

<b>Year Ending Mar</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Working capital assets	62,322	50,979	58,133	67,265	69,560
Working capital liabilities	(17,245)	(1,508)	(641)	(1,676)	(2,577)
<b>Net working capital</b>	<b>45,077</b>	<b>49,471</b>	<b>57,491</b>	<b>65,589</b>	<b>66,983</b>
Tangible fixed assets	2,246	3,695	5,864	9,734	14,562
<b>Operating invested capital</b>	<b>47,322</b>	<b>53,166</b>	<b>63,355</b>	<b>75,323</b>	<b>81,545</b>
Goodwill	213	489	489	489	489
Other intangible assets	0	0	0	0	0
Investments	675	12,347	32,347	32,347	32,347
Other assets	0	0	0	0	0
<b>Invested capital</b>	<b>48,210</b>	<b>66,002</b>	<b>96,191</b>	<b>108,159</b>	<b>114,381</b>
Cash & equivalents	(16,219)	(15,897)	(12,496)	(2,843)	(3,183)
Short term debt	0	0	0	0	0
Long term debt *	3,389	11,956	11,956	11,956	11,956
<b>Net debt</b>	<b>(12,830)</b>	<b>(3,941)</b>	<b>(540)</b>	<b>9,113</b>	<b>8,773</b>
Deferred tax	7	9	9	9	9
Other liabilities	0	0	0	0	0
Total equity	45,149	58,407	85,277	87,593	94,154
Minority interests	11,671	11,333	11,333	11,333	11,333
<b>Invested capital</b>	<b>48,210</b>	<b>66,002</b>	<b>96,191</b>	<b>108,159</b>	<b>114,381</b>

\* includes convertibles and preferred stock which is being treated as debt

**Per share (INR)**

Book value per share	165	215	205	210	227
Tangible book value per share	164	213	203	209	226

**Financial strength**

Net debt/equity (%)	(22.6)	(5.7)	(0.6)	9.2	8.3
Net debt/total assets (%)	(15.7)	(4.7)	(0.5)	8.1	7.3
Current ratio (x)	4.6	44.3	110.1	41.8	28.2
CF interest cover (x)	(82.2)	(14.4)	(62.4)	(46.4)	10.7

<b>Valuation</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Recurring P/E (x) *	32.8	130.6	350.2	24.4	8.6
Recurring P/E @ target price (x) *	46.1	183.5	492.0	34.3	12.1
Reported P/E (x)	8.6	130.6	350.2	24.4	8.6
Dividend yield (%)	9.0	0.1	0.0	0.2	0.5
P/CF (x)	27.3	95.5	204.3	23.0	8.4
P/FCF (x)	(0.7)	(6.7)	(5.9)	(6.3)	80.3
Price/book (x)	0.9	0.7	0.7	0.7	0.7
Price/tangible book (x)	0.9	0.7	0.7	0.7	0.7
EV/EBITDA (x) **	11.6	25.5	64.6	17.6	14.3
EV/EBITDA @ target price (x) **	16.8	34.4	85.5	23.1	18.4
EV/invested capital (x)	0.8	0.7	0.8	0.8	0.7

\* Pre exceptional, pre-goodwill and fully diluted

\*\* EBITDA includes associate income and recurring non-operating income

Sources: IBREL; BNP Paribas estimates

Free cash flows should turn positive in FY12E on higher recurring rental income and management fees from IPIT

Total assets only include real estate business. Power and retail businesses have not been included

Potential to grow at faster pace without equity dilution

## Unitech

Profit and Loss (INR m) Year Ending Mar	2008A	2009A	2010E	2011E	2012E
Revenue	42,801	33,156	30,153	36,255	40,303
Cost of sales ex depreciation	(16,051)	(9,080)	(14,967)	(17,343)	(19,394)
<b>Gross profit ex depreciation</b>	<b>26,750</b>	<b>24,077</b>	<b>15,186</b>	<b>18,912</b>	<b>20,909</b>
Other operating income	0	0	0	0	0
Operating costs	(3,062)	(3,930)	(3,635)	(2,564)	(2,891)
<b>Operating EBITDA</b>	<b>23,687</b>	<b>20,147</b>	<b>11,551</b>	<b>16,347</b>	<b>18,018</b>
Depreciation	(205)	(209)	(341)	(377)	(402)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>23,482</b>	<b>19,938</b>	<b>11,210</b>	<b>15,970</b>	<b>17,616</b>
Net financing costs	(2,804)	(5,546)	(2,000)	(2,868)	(2,932)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>20,678</b>	<b>14,392</b>	<b>9,210</b>	<b>13,102</b>	<b>14,684</b>
Tax	(3,986)	(2,424)	(2,239)	(2,620)	(2,937)
<b>Profit after tax</b>	<b>16,692</b>	<b>11,968</b>	<b>6,971</b>	<b>10,481</b>	<b>11,747</b>
Minority interests	(129)	22	(31)	0	0
Preferred dividends	0	0	0	0	0
Other items	50	(25)	(165)	0	0
<b>Reported net profit</b>	<b>16,613</b>	<b>11,964</b>	<b>6,775</b>	<b>10,481</b>	<b>11,747</b>
Non recurring items & goodwill (net)	19	0	0	0	0
<b>Recurring net profit</b>	<b>16,632</b>	<b>11,964</b>	<b>6,775</b>	<b>10,481</b>	<b>11,747</b>

Residential projects account for more than 60% of revenue

**Per share (INR)**

Recurring EPS *	10.25	7.37	2.78	4.30	4.82
Reported EPS	10.23	7.37	2.78	4.30	4.82
DPS	0.25	0.13	0.08	0.13	0.14

**Growth**

Revenue (%)	26.3	(22.5)	(9.1)	20.2	11.2
Operating EBITDA (%)	22.9	(14.9)	(42.7)	41.5	10.2
Operating EBIT (%)	22.3	(15.1)	(43.8)	42.5	10.3
Recurring EPS (%)	26.9	(28.1)	(62.3)	54.7	12.1
Reported EPS (%)	26.7	(28.0)	(62.3)	54.7	12.1

**Operating performance**

Gross margin inc depreciation (%)	62.0	72.0	49.2	51.1	50.9
Operating EBITDA margin (%)	55.3	60.8	38.3	45.1	44.7
Operating EBIT margin (%)	54.9	60.1	37.2	44.0	43.7
Net margin (%)	38.9	36.1	22.5	28.9	29.1
Effective tax rate (%)	19.3	16.8	24.3	20.0	20.0
Dividend payout on recurring profit (%)	2.4	1.7	3.0	3.0	3.0
Interest cover (x)	8.4	3.6	5.6	5.6	6.0
Inventory days	11.0	15.9	12.6	15.1	15.4
Debtor days	38.0	92.3	131.0	102.6	76.7
Creditor days	1,495.3	3,706.2	2,412.9	2,003.6	1,858.8
Operating ROIC (%)	17.5	11.2	5.7	7.3	7.7
Operating ROIC – WACC (%)	0.8	(5.5)	(11.0)	(9.4)	(9.0)
ROIC (%)	15.7	9.6	4.7	6.2	6.6
ROIC – WACC (%)	(0.9)	(7.1)	(11.9)	(10.5)	(10.1)
ROE (%)	59.5	27.3	8.7	9.5	9.7
ROA (%)	10.3	6.4	3.0	4.4	4.7

Margins forecast to decline due to higher contribution of mid-income residential projects

\* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (INR m)	2008A	2009A	2010E	2011E	2012E
Residential	0	0	0	0	0
Commercial -Sale	0	0	0	0	0
Commercial -Lease	0	0	0	0	0
Retail -Sale	0	0	0	0	0
Retail -Lease	0	0	0	0	0
Others	42,801	33,156	30,153	36,255	40,303

Sources: Unitech; BNP Paribas estimates



## Unitech

<b>Cash Flow (INR m)</b>					
<b>Year Ending Mar</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Recurring net profit	16,632	11,964	6,775	10,481	11,747
Depreciation	205	209	341	377	402
Associates & minorities	129	(22)	31	0	0
Other non-cash items	0	0	0	0	0
<b>Recurring cash flow</b>	<b>16,966</b>	<b>12,152</b>	<b>7,148</b>	<b>10,859</b>	<b>12,149</b>
Change in working capital	16,680	(4,539)	(21,280)	(6,171)	(7,419)
Capex - maintenance	0	0	0	0	0
Capex – new investment	(24,810)	(20,141)	(2,000)	(2,000)	(2,000)
<b>Free cash flow to equity</b>	<b>8,836</b>	<b>(12,528)</b>	<b>(16,132)</b>	<b>2,688</b>	<b>2,730</b>
Net acquisitions & disposals	(3,409)	(13,537)	0	0	0
Dividends paid	(475)	(475)	(203)	(314)	(352)
Non recurring cash flows	(47,000)	18,104	(56)	0	0
<b>Net cash flow</b>	<b>(42,047)</b>	<b>(8,435)</b>	<b>(16,391)</b>	<b>2,374</b>	<b>2,378</b>
Equity finance	560	(463)	46,542	0	0
Debt finance	45,343	1,263	(30,000)	(5,000)	0
<b>Movement in cash</b>	<b>3,855</b>	<b>(7,634)</b>	<b>151</b>	<b>(2,626)</b>	<b>2,378</b>

We anticipate UT to report positive operational cash flows in FY11E

**Per share (INR)**

Recurring cash flow per share	10.45	7.49	2.93	4.45	4.98
FCF to equity per share	5.44	(7.72)	(6.61)	1.10	1.12

**Balance Sheet (INR m)**

<b>Year Ending Mar</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Working capital assets	37,326	38,352	41,482	37,321	38,219
Working capital liabilities	(82,562)	(101,827)	(96,057)	(94,350)	(103,183)
<b>Net working capital</b>	<b>(45,236)</b>	<b>(63,475)</b>	<b>(54,575)</b>	<b>(57,029)</b>	<b>(64,964)</b>
Tangible fixed assets	167,095	190,645	204,673	214,920	227,873
<b>Operating invested capital</b>	<b>121,859</b>	<b>127,171</b>	<b>150,098</b>	<b>157,891</b>	<b>162,908</b>
Goodwill	1,126	11,673	11,673	11,673	11,673
Other intangible assets	0	0	0	0	0
Investments	14,165	15,808	15,808	15,808	15,808
Other assets	0	0	0	0	0
<b>Invested capital</b>	<b>137,150</b>	<b>154,652</b>	<b>177,579</b>	<b>185,372</b>	<b>190,389</b>
Cash & equivalents	(14,083)	(6,448)	(6,599)	(3,973)	(6,350)
Short term debt	0	0	0	0	0
Long term debt *	85,524	90,558	60,558	55,558	55,558
<b>Net debt</b>	<b>71,441</b>	<b>84,110</b>	<b>53,959</b>	<b>51,586</b>	<b>49,208</b>
Deferred tax	60	14	14	14	14
Other liabilities	19,135	17,921	17,910	17,910	13,910
Total equity	36,005	51,695	104,784	114,951	126,346
Minority interests	1,159	615	615	615	615
<b>Invested capital</b>	<b>137,150</b>	<b>154,652</b>	<b>177,579</b>	<b>185,372</b>	<b>190,389</b>

\* includes convertibles and preferred stock which is being treated as debt

**Per share (INR)**

Book value per share	22.18	31.84	42.97	47.13	51.81
Tangible book value per share	21.49	24.65	38.18	42.35	47.02

**Financial strength**

Net debt/equity (%)	192.2	160.8	51.2	44.6	38.8
Net debt/total assets (%)	30.6	32.0	19.3	18.2	16.4
Current ratio (x)	0.6	0.4	0.5	0.4	0.4
CF interest cover (x)	13.0	2.4	(6.1)	2.6	2.6

<b>Valuation</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>
Recurring P/E (x) *	6.9	9.6	25.4	16.5	14.7
Recurring P/E @ target price (x) *	7.7	10.7	28.4	18.4	16.4
Reported P/E (x)	6.9	9.6	25.4	16.5	14.7
Dividend yield (%)	0.4	0.2	0.1	0.2	0.2
P/CF (x)	6.8	9.4	24.1	15.9	14.2
P/FCF (x)	13.0	(9.2)	(10.7)	64.1	63.2
Price/book (x)	3.2	2.2	1.6	1.5	1.4
Price/tangible book (x)	3.3	2.9	1.9	1.7	1.5
EV/EBITDA (x) **	7.0	9.6	18.5	13.8	12.4
EV/EBITDA @ target price (x) **	7.6	10.3	19.9	15.1	13.5
EV/invested capital (x)	1.4	1.3	1.3	1.2	1.2

\* Pre exceptional, pre-goodwill and fully diluted

\*\* EBITDA includes associate income and recurring non-operating income

Sources: Unitech; BNP Paribas estimates

## DISCLAIMERS &amp; DISCLOSURES

## ANALYST(S)

Sandeep Mathew, BNP Paribas Securities (Singapore) Pte Ltd, Co. Reg. No. 199801966C, +65 6210 1952, sandeep.mathew@asia.bnpparibas.com.

Avneesh Sukhija, BNP Paribas Securities India Pvt Ltd, +91 22 6628 2432, avneesh.sukhija@asia.bnpparibas.com.

This report was produced by a member company of the BNP Paribas Group ("Group"). This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set out herein.

The information contained in this report has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgement by the recipient. All opinions contained herein constitute the views of the analyst(s) named in this report, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Any reference to past performance should not be taken as an indication of future performance. No member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities, and providing automated trading services. This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K. This report is being distributed in the United States by BNP Paribas Securities (Asia) Limited and is intended for distribution in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the National Association of Securities Dealers and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

Information on Taiwan listed stocks is distributed in Taiwan by BNP Paribas Securities (Taiwan) Co., Ltd.

Distribution or publication of this report in any other places to persons which are not permitted under the applicable laws or regulations of such places is strictly prohibited.

BNP Paribas and/or its affiliate(s) owned 1% or more of the market capitalisation of Unitech.

### Recommendation structure

All share prices are as at market close on 10 June 2010 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ . If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

**Should you require additional information please contact the relevant BNP Paribas research team or the author(s) of this report.**

© 2010 BNP Paribas Group