



Silokhera, Gurgaon SEZ land to be withdrawn

Event: According to media reports, the Punjab and Haryana High Court, on February 03, 2011, has set aside the allotment of 30 acres of land in Silokhera, Gurgaon, by the state of Haryana to East India Hotels (EIH) and subsequent transfers. As per reports, EIH had sold off the land at Sector 30 of Gurgaon after receiving "no objection" from the government, to DLF and Chandrajyoti Estate Developers (CEDPL, a 100% subsidiary of DLF) for a consideration of ~INR 1.15 bn.

The high court has directed the land to be returned to the government in original, including, if required, after demolishing structures that may have been constructed on it. The court has held that the allotment, in favour of EIH and subsequent sale to DLF and CEDPL for a commercial and business venture, is invalid in view of the fact that the land was to be used for a public purpose of setting up a hospital.

In our view, DLF intended to construct an IT/ITES SEZ of ~4.9 msf on the said land.

Impact: We believe that DLF is likely to appeal against the order in a higher court. We do not expect the development to have any impact on financials as the management had earlier indicated there is no rent yielding structure on the land parcel and that there are no immediate plans to develop the same.

We currently have a '**BUY**' rating recommendation on the stock with SOTP NAV of INR 326/share.

February 4, 2011

Reuters: DLF.BO

Bloomberg: DLFU IN

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA

CMP	:	INR 244
52-week range (INR)	:	397 / 214
Share in issue (mn)	:	1,697.5
M cap (INR bn/USD mn)	:	414 / 9,076
Avg. Daily Vol. BSE/NSE ('000):	:	7,676.8

SHARE HOLDING PATTERN (%)

Promoters*	:	78.6
MFs, FIs & Banks	:	0.5
FIIIs	:	15.7
Others	:	5.3
* Promoters pledged shares (% of share in issue)	:	NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Real Estate Index
1 month	(22.2)	(11.5)	(24.0)
3 months	(34.9)	(11.2)	(38.3)
12 months	(30.0)	12.4	(33.0)

Financials

Year to March	FY09	FY10	FY11E	FY12E
Revenue (INR mn)	100,354	74,229	94,707	97,582
Rev. growth (%)	(30.5)	(26.0)	27.6	3.0
EBITDA (INR mn)	55,900	35,116	45,869	45,738
Net profit (INR mn)	44,682	18,140	20,066	20,284
Shares outstanding (mn)	1,703	1,697	1,697	1,697
Diluted EPS (INR)	26.2	10.1	11.8	12.0
EPS growth (%)	(44.1)	(61.5)	16.9	1.1
Diluted P/E (x)	9.3	24.1	20.6	20.4
EV/ EBITDA (x)	10.3	18.0	13.8	13.4
ROAE (%)	20.6	6.6	6.9	7.0

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