



INDIA

India property coverage snapshot

Company Ticker	Market Cap (US\$m)	Rating	Price (Rs)	TP (Rs)	Upside (%)
NCR based companies					
DLF DLFU IN	7,343	OP	232	280	20.5%
Unitech UT IN	1,416	N	29	27	-7.7%
JIL JPIN IN	1,205	N	47	41	-12.0%
Anant Raj ARCP IN	369	OP	67	84	24.6%
Ansal API APIL IN	109	N	37	32	-14.2%
Omaxe OAXE IN	487	UP	151	91	-39.7%
Mumbai based companies					
HDIL HDIL IN	674	OP	86	198	129.4%
IBREL IBREL IN	581	UP	70	46	-34.4%
Phoenix PHNX IN	499	OP	185	264	42.9%
Oberoi OBER IN	1,577	OP	258	302	17.0%
Godrej GPL IN	831	OP	639	778	21.8%
Bangalore based companies					
Prestige PEPL IN	585	OP	96	183	90.6%
Sobha SOBHA IN	492	OP	270	394	46.3%

Prices as of 6 February 2012

Source: Macquarie Research, February 2012

India real estate reports

[U-turn ahead?- 3 Feb 2012](#)

[HDIL- asset sales continues- 11 Jan 2012](#)

[Phoenix- Bird of a different feather- 15 Dec 2011](#)

[New regulator: Pain or panacea ?!- 14 Nov 2011](#)

[Innocuous clause- serious implication- 5 Oct 2011](#)

[Feel better with retail therapy- 3 Oct 2011](#)

[Debt stress rises- 30 Sep 2011](#)

[Mixed signals in commercial property- 30 Sep 2011](#)

[US\\$1 million and nothing to buy!- 16 Jun 2011](#)

[Selection via elimination- 13 May 2011](#)

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Macquarie Capital Securities India (Pvt)

Ltd

Mumbai Real Estate

The juggernaut starts to move

Event

- In the last 18 months, the Mumbai real estate policy machinery has been similar to my motorbike on a winter morning. Recent developments however lead us to believe that the scenario is finally improving. We continue to expect a pick-up in launches and resumption of activity in many projects stalled due to approvals. We reiterate our Outperform ratings on HDIL and Oberoi.

Impact

- Key pending decisions finalised:** In the last couple of months, the local and state governments have taken some pending decisions on Development Control Rules (DCR). These include clarity on cost and calculation of floor space index (FSI) and eligibility norms in slum rehab. The new 'ready reckoner' rates for FSI premium and tax issues were also released. This was discussed in our report [U turn ahead](#) dated 3 February 2012.
- Clarity on rules backed by action.** The controversial 'public parking' scheme (which rewards developers with additional FSI for building public parking lots) was on hold for over a year due to corruption allegations. This was re-jigged with the new DCR. The state government has now approved its first project under the new scheme – a ~1,700 parking lot project in the suburb of Mulund. Our conversations with multiple unlisted and listed developers also suggest that 'routine' approvals have started to come through.
- Expect launches and progress on stalled projects:** Developers believe that the action should pick up further from 2QCY12 post local Municipal elections. This will be held in mid- February. There is buzz that initial preparation has started on two landmark projects. The most notable is the stalled Mumbai airport slum rehab project (85,000 families over ~300 acres). The Dharavi slum rehab project could also see the light of day in a new format. Bids are likely to be invited for one of the five sectors into which the 550 acre slum has been divided. Neither of these are built into street expectations.
- Deal closure should improve:** We also expect a pick-up in deal flow. Many asset and land sale deals from CY2011 have been stuck due to a lack of approvals. In many cases, deals were impacted as bidders were unable to get clarity on saleable area for the land parcels.

Outlook

- The thaw in the policy freeze in Mumbai should improve sentiment – notably on HDIL and Oberoi. In the case of HDIL, the immediate benefit would be from the collection of dues (Rs8-9bn) related to land sales in CY2011. We expect the gross debt to fall by 10-15% in the next 3 months itself and over 20% by the end of CY2012. The blue-sky scenario is a resumption of progress at the Mumbai airport slum rehab project. We currently value this project at zero. If it comes back fully on track, it would imply an upside of over Rs100/share. They also stand a good chance to bag contracts at the Dharavi rehab project.
- In the case of the Oberoi's Worli and Mulund project, we currently expect a launch only by mid-CY2013. Timely approvals would provide clarity (and upside) on these projects which contribute ~10% to our NAV. IBREL would be the next beneficiary.

Important disclosures:

Recommendation definitions**Macquarie - Australia/New Zealand**

Outperform – return >3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie First South - South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high-highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low-medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / epowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2011

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	56.59%	65.60%	54.55%	44.53%	75.28%	49.46%	(for US coverage by MCUSA, 10.53% of stocks covered are investment banking clients)
Neutral	33.45%	20.55%	38.96%	50.20%	22.47%	32.36%	(for US coverage by MCUSA, 10.96% of stocks covered are investment banking clients)
Underperform	9.96%	13.85%	6.49%	5.27%	2.25%	18.18%	(for US coverage by MCUSA, 0.44% of stocks covered are investment banking clients)

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