

SOBHA DEVELOPERS

Set to benefit from recovery

■ Formidable track record in real estate and construction business

Sobha Developers (Sobha) is one of the prominent real estate development and construction companies, primarily focused on residential and contractual projects. It has constructed 12.46 mn sq ft of projects in Bangalore and Coimbatore. It has ongoing projects of 9.4 mn sq ft across Bangalore, Coimbatore, Thrissur, and Pune. Further, Sobha plans to launch 8 mn sq ft in the next 12-18 months.

■ Sufficient land reserves to service growth

The company has a total land reserve of ~3,030 acres across 10 cities, with potential saleable area of 157 mn sq ft. Almost 64% of the company's land bank is situated in Bangalore, Chennai, and Kochi; another 22% is in Hosur, Coimbatore, Mysore, Thrissur, and Hyderabad, and the balance 14% around Delhi and Pune. Total cost of this land bank is INR 24,147 mn, of which, the company has already paid 93% and is likely to pay the balance in the next two-three years.

■ Contract business boasts marquee clients

While Sobha is primarily focused on residential projects, it also undertakes construction projects on contract for its clients as per their specifications. The company has constructed 20.47 mn sq ft of contractual projects across 18 cities in India and is currently executing projects of 4.4 mn sq ft.

■ Focused on deleveraging balance sheet

Currently, the company is focusing on deleveraging its balance sheet through fund raising and monetisation of assets. In this process, it has successfully raised INR 2.3 bn through SPVs and INR 5.3 bn through a QIP. Its debt-equity ratio is expected to decline to 0.8 in FY10E from 1.8 at the end of FY09. Sobha plans to reduce it further to 0.4 by FY11 end.

■ Outlook and valuations: Positive; initiating with "BUY"

We value Sobha based on DCF value of cash flow from ongoing projects (9.4 mn sq ft) and forthcoming projects – to be launched over FY10-14 (13.6 mn sq ft) and value of its balance land reserves (134 mn sq ft) land. We expect Sobha to generate INR 43.6 bn net cash from its ongoing and forthcoming projects, and value the same at INR 10.7 bn. We value the balance land reserves on land bank valuation at INR 27.5 bn, taking the total EV at INR 41.0 bn and a fair equity value of INR 30.9 bn. Consequently, we initiate coverage on the stock with a 'BUY' and rate it 'Sector Performer' on a relative return basis.

Financials

Year to March	FY09	FY10E	FY11E	FY12E
Revenue (INR)	9,740	12,366	17,983	20,758
Rev. growth (%)	(31.9)	27.0	45.4	15.4
EBITDA (INR mn)	2,787	3,287	5,707	6,626
Net profit (INR mn)	1,078	1,620	3,447	4,126
Shares outstanding (mn)	73	98	98	98
Diluted EPS (INR)	14.8	16.5	34.9	41.9
EPS growth (%)	(52.7)	11.7	111.4	19.8
Diluted P/E (x)	16.7	15.0	7.1	5.9
EV/ EBITDA (x)	13.4	11.2	5.7	4.5
ROAE (%)	10.4	11.3	17.6	17.7
ROACE (%)	8.3	10.1	18.1	21.0

December 30, 2009

Reuters : SOBH.BO Bloomberg : SOBHA IN

EDELWEISS 4D RATINGS

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

Note:
Please refer last page of the report for rating explanation

MARKET DATA

CMP	:	INR 248
52-week range (INR)	:	302 / 67
Share in issue (mn)	:	98.1
M cap (INR bn/USD mn)	:	24.3 / 520.0
Avg. Daily Vol. BSE ('000)	:	424.3

SHARE HOLDING PATTERN (%)

Promoters*	:	64.7
MFs, FIs & Banks	:	8.7
FIIIs	:	18.7
Others	:	8.0
* Promoters pledged shares (% of share in issue)	:	10.9

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Real Estate Index
1 month	(1.1)	2.7	4.3
3 months	(13.3)	1.7	(15.0)
12 months	105.1	73.5	39.0

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Investment Rationale

Sobha has delivered ~12.5 mn sq ft of real estate space

■ Formidable track record in real estate business

Sobha is one of the prominent real estate development and construction companies in India, primarily focused on residential and commercial projects. The company has constructed 12.46 mn sq ft of residential and commercial projects in Bangalore and Coimbatore.

Table 1: Geographical break up of 38 completed residential projects

Geographical location	Saleable area (sq ft)	Developable area (sq ft)	No. of apartments
Central, Bangalore	268,933	342,048	99
North East, Bangalore	1,997,883	2,283,947	805
South East, Bangalore	5,323,330	7,041,030	2,847
South Wes, Bangalore	258,779	302,656	118
South, Bangalore	885,757	1,086,242	413
Coimbatore, Tamil Nadu	1,991,672	1,991,672	372
Total	10,726,354	13,047,594	4,654

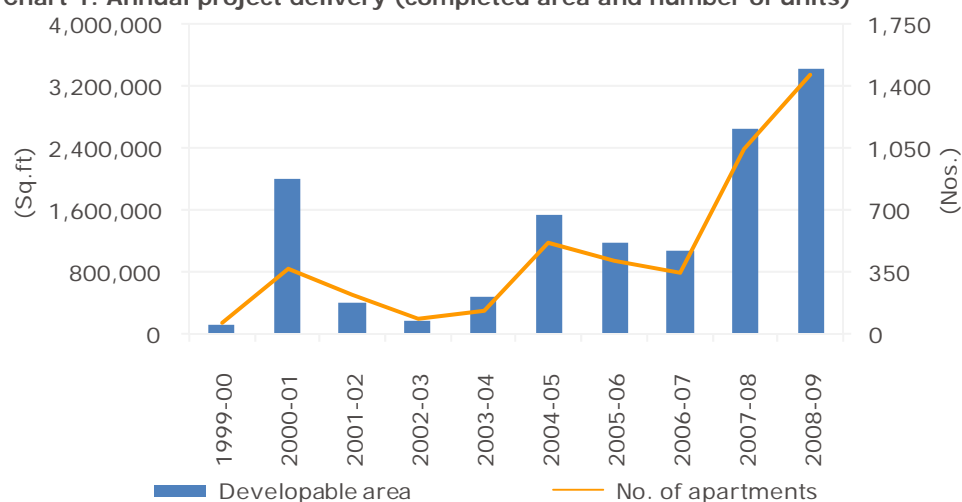
Source: Company, Edelweiss research

Table 2: Geographical break-up of 12 completed commercial projects

Types	Geographical location	Total area (Sq ft)
Commercial	Central Bangalore	109,178
Factory Buildings	South East Bangalore	1,468,476
Club Houses	North Bangalore	63,813
Educational	North Bangalore	96,034
Total - Commercial		1,737,501

Source: Company, Edelweiss research

Chart 1: Annual project delivery (completed area and number of units)



Source: Company, Edelweiss research

Sobha is currently executing ~9 mn sq ft of real estate projects

■ Work in progress

Currently, Sobha has 32 ongoing projects, of which, 27 are residential (covering 9.12 mn sq ft of saleable area) and five commercial (0.30 mn sq ft of saleable area). Residential projects include presidential, super luxury, and luxury apartments, villas, row houses, and plotted development, with amenities such as club house, swimming pool, and shopping complex.

Table 3: Geographical break-up of 27 ongoing residential projects

Geographical location	Total no of apartments	Developable area (Sq ft)	Saleable area (Sq ft)
North Bangalore	1,138	4,936,606	3,230,105
East Bangalore	402	932,867	736,496
West Bangalore	696	1,397,652	1,076,049
South East Bangalore	363	833,907	659,871
South West Bangalore	648	1,233,285	1,044,461
Thrissur, Kerala	605	1,961,834	1,412,904
Pune	116	410,245	301,060
Coimbatore, Tamilnadu	205	871,035	657,207
Total	4,173	12,577,432	9,118,154

Source: Company, Edelweiss research

Table 4: Geographical break-up of five ongoing commercial projects

Project	Location	Developable area (Sq ft)	Saleable area (Sq ft)
Sobha Offices	Bangalore	203,655	125,925
Sobha Sundew	Bangalore	194,150	106,505
Lifestyle – Club House	Bangalore	23,100	23,100
Sobha City - Club House	Thrissur, Kerala	32,599	32,599
Sobha Emerald - Club House	Coimbatore, Tamilnadu	15,000	15,000
Total		468,504	303,130

Source: Company, Edelweiss research

■ Launch of 8 mn sq ft in next 12-18 months on the anvil

... and planning to launch 8 mn sq ft in next 12-18 months

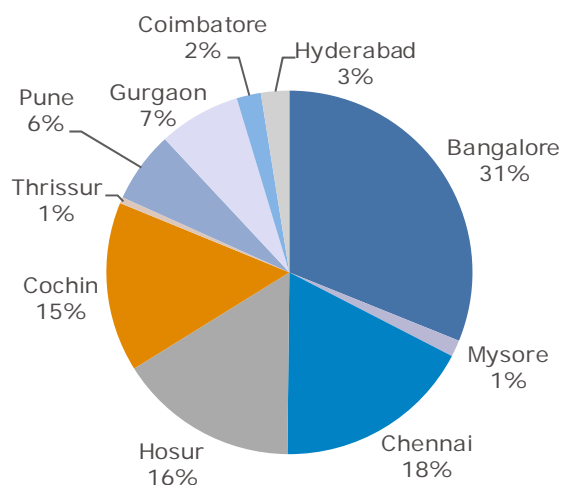
Sobha is planning to launch further 8 mn sq ft over the next 12-18 months, of which, 6.8 mn sq ft (~85% of planned developments) will be in Bangalore and 1.2 mn sq ft in other cities. Going forward, we expect the company to expand its footprint to over five cities by FY10-11 end. We expect these launches to drive the company's growth over the next three-four years.

■ Sufficient land reserves to service growth

Sufficient land reserves of 157 mn sq ft to service its growth

The company has a total land reserve of ~3,030 acres across 10 cities, with Sobha's potential saleable area of 157 mn sq ft, considering 1.25 FSI. Almost 64% of its land bank is situated in Bangalore, Chennai, and Kochi; another 22% in Hosur, Coimbatore, Mysore, Thrissur, and Hyderabad, and the balance 14% around Delhi and Pune. Total cost of this land bank is INR 24,147 mn, of which, the company has already paid 93% and is likely to pay the balance in the next two-three years.

Chart 2: Land bank break-up (88% in South India)



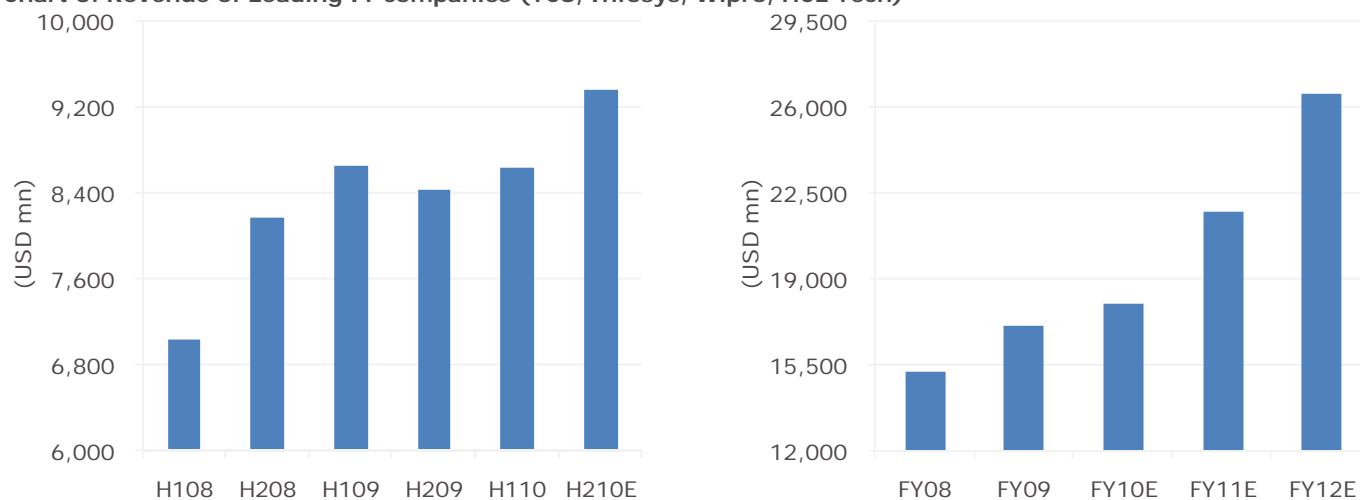
Source: Company, Edelweiss research

Leadership position in Bangalore makes it a prime beneficiary of uptick in IT sector

■ Uptick in IT/ITES industry to boost growth

According to the company, during past three months, IT/ITES industry accounted for 30 - 35% of its' real estate business. The industry, after a tough year, is reviving and this can boost real estate demand considerably. Our IT experts expect the sector to show strong growth with a 11% YoY growth for the H210.

Chart 3: Revenue of Leading IT companies (TCS, Infosys, Wipro, HCL Tech)



Source: Edelweiss research

This has also improved the recruitment scenario. With the resumption of pay hikes/promotions, albeit modest, and pick up in hiring plans of the Indian IT industry, volumes in South India are expected to improve going forward. By virtue of its established presence in the region, Sobha is poised to benefit from this uptick.

Table 5: Employee addition and salary hike in IT companies

	Employee count		Y-o-Y	Gross addition	Salary hike / Incentive
	Q2FY09	Q2FY10	increase (%)	planned FY10	
TCS	121,610	141,962	16.7	24,000	150% of variable pay paid in Q2 FY10
Infosys	100,306	105,453	5.1	20,000	Hike given; 8% for offshore and 2% for onsite
Wipro	97,552	97,891	0.3	7,600	To be decided in Q3FY10

Source: Edelweiss research

■ Brand equity and efficient marketing to boost growth

Strong brand equity...

Sobha has strong brand recall and an efficient in-house marketing team complementing its land bank. As of September 2009, the company had sold 55% of 4,006 saleable units under execution.

Further, from projects that are due for delivery in the next six-eight months, only 20% were left in books as at September 2009, indicating a robust performance of the sales team. Sobha's marketing team currently includes a sales force of 44 members and a CRM team of 42 members. The company is beefing up its marketing strength through additional channels and exploring new products categories with lower ticket size (by reducing area).

■ Beefing up marketing strength through additional channels

... and is now being marketed through additional channels

In the past, Sobha has always used its in-house sales force to market its projects. Now, the company plans to leverage brokers' network for marketing. It has also started selling products across different geographies; it has set up sales offices in Mumbai, Pune, and Coimbatore, which will market all properties of Sobha Developers. Sobha intends to open an office in Delhi as well.

• Reducing ticket size by cutting area; by-passing 'low-cost housing' segment

Sobha will continue to target the upper middle-class and high income segments for its residential projects. It, however, plans to offer a new 'value' category to its upper middle-class segment by reducing the apartment size. This category will have 3 BHK apartments measuring 1,450 sq ft, with a ticket size of INR 4.5 mn; so far, the lowest offering in Sobha's portfolio was 2 BHK of 1,250 sq ft with an average ticket size of INR 4.0 mn and 3 BHK of 1,450 sq ft with a ticket size of INR 5.5 mn. The company intends to launch 3 BHK categories with average of size of 1,450 sq ft at three locations through launch of 1 mn sq ft. The company, however, does not see adequate demand for 2BHK in Bangalore and intends to stay away from this market.

■ Contract business boasts marquee clients

Sobha's marquee clients in contracts business is an endorsement to the company's focus on quality

The company has a robust contracting business and is the preferred contractor for Infosys. Other clients include Hewlett Packard, Dell, Taj Group, Mico, Timken, HCL Technologies, Contel, and Bharat Forge. It has a multi-geography delivery experience by virtue of its contract business. As of September 2009, Sobha had executed 152 projects across 10 states covering ~20.47 mn sq ft.

Table 6: Completed contractual projects breakup – year wise

Financial year	No of projects	SBA (Sq.ft)
FY 00-01	1	76,500
FY 01-02	8	441,486
FY 02-03	12	944,849
FY 03-04	10	868,614
FY 04-05	17	2,951,957
FY 05-06	21	2,338,901
FY 06-07	27	2,490,471
FY 07-08	21	2,458,197
FY 08-09	23	5,725,065
FY 09-10 (Till 30th Sept 09)	12	2,174,135
Total completed	152	20,470,175

Source: Company, Edelweiss research

Contractual projects lend Sobha a multi-location execution team and scope to manage execution across geographies. The company is currently executing 31 projects across 12 cities with developable area of 4.4 mn sq ft.

Table 7: Completed contractual projects breakup – geography wise

S.No	Locations	No of projects	Developable area (Sq ft)
1	Bangalore	4	337,514
2	Mysore	4	634,624
3	Hyderabad	5	661,577
4	Chennai	6	958,511
5	Pune	3	675,481
6	Bhubaneshwar	1	108,443
7	Chandigarh	1	247,572
8	Trivendrum	3	493,543
9	Mangalore	1	200,000
10	National Capital Region	1	13,000
11	Kolkata (West Bengal)	1	17,015
12	Pallakad- Kerala	1	56,861
Total		31	4,404,141

Source: Company, Edelweiss research

Between contractual projects and real estate projects, Sobha has delivered ~33 mn sq ft of projects

■ Strong execution track record

By virtue of a strong management and highly capable execution team (comprising 1,926 employees as at September 2009 end), the company has always delivered projects on time with focus on quality. Over the past 14 years, Sobha has constructed 32.93 mn sq ft through 202 projects (real estate projects and contractual projects). The pace of execution increased FY07 onwards, when the company delivered on an average rate of more than 6 mn sq ft per annum.

• Robust processes defined for construction activities

The promoter, Mr. Menon, who comes with a rich experience in construction and allied activity, has been instrumental in introducing international quality standards and processes in the company. The company also has detailed documentation of processes and methodologies that ensure each activity of construction and development is as per the standards of quality defined.

- **Project execution according to well defined processes:** Sobha has adopted a project delivery model to ensure quality of execution and scalability. As per this model, project conceptualisation, design and monitoring is centralised, while the execution, project level costing, and adherence to timelines is managed at delivery centers. The execution team itself has a defined span of control for each employee at each level. Quality checks are maintained at each level through a system of quality ratings carried out by an independent team.

Table 8: Employee strength as end of September 2009

Category	No. of employees
Architects	51
CA/ICWA/CS	19
Diploma holders	507
German quality engineers	6
Graduate engineers	673
Post graduates	131
Graduates & others	539
Total	1,926

Source: Company, Edelweiss research

■ Integrated delivery model supports quality

Backward integration ensures supply of quality inputs. In addition to the processes implemented, Sobha has invested in manufacturing facilities that ensure supply of concrete, metal, and wood products, which are used as inputs in its projects—contractual and real estate. It manufactures wood-based products such as doors, windows, paneling, cabinets, cupboards, and furniture in its 'interiors unit'; metal fabrication, aluminium windows structural and architectural glazing in its 'glazing unit'; and a wide range of concrete products such as concrete blocks, pavers, kerbstones, water drainage channels, paving slabs, and elevated landscape products. Sobha manufactures most of these inputs in the plant (as against onsite) and they are taken to the construction site only for the final fitment.

Backward integration enables control on quality, time and cost

Table 9: Strong backward integration

Division	Features
Interiors and Furnishing Division	<p>Largest wood working / joinery facility in India.</p> <p>Two highly mechanised factories with total floor area of 2,55,000 Sq ft located at Bommasandra, Bangalore.</p> <p>State of the art factory with imported machineries from Spain, Italy, Germany.</p>
Spring Mattress Division	<p>Leading manufacture of world class spring mattress.</p> <p>Member of International Sleep Product Association (ISPA).</p> <p>Only mattress manufacture in entire Asia to have a 'mattress testing facility' to validate and strengthen warranty terms.</p> <p>Mattresses are produced on most advanced machineries imported from Germany, Italy, Spain, South Africa, Turkey, Belgium.</p>
Glazing & Metal Division	<p>Largest metal & glazing factory in India, spread across 7.3 acres of land with the factory covering area of 1,20,000 sq ft.</p> <p>Equipped with advanced sophisticated machineries like CNC profile cutting machine, TIG welding machines, ACP routing machine, milling machines etc.</p> <p>First of its kind in the industry for its style of operation and the quality of work.</p>
Concrete Products Division	<p>Fully automated production and control facility by using remote controlling systems.</p> <p>Imported technologies from Germany (Masa Plant) and England.</p> <p>No human touch from production to loading.</p> <p>Products are high compressive strength, precise dimensions as par with the Indian Standards.</p> <p>Production capacity of 28,000 nos of blocks/ day or 20mn nos of landscaping products.</p> <p>Blocks are load bearing > 5N/mm² and Pavers are > 40 N/mm²</p>

Source: Company, Edelweiss research

■ An unwavering commitment to the 'Sobha' quality

Sobha has always remained focused on providing quality to its customers and has built a solid reputation for itself as a quality player. While developers are looking at affordable housing segments, Sobha has chosen to abstain from the product category as it would lead to a compromise on the 'Sobha quality'. It has received several accreditations for its focus on quality and execution.

Table 10: Recognised for its quality by industry bodies

Organisation	Award	For	Location	Year
Magazine, Construction World,	Architect and Builders Awards 2008			2008
Builders Association of India, Pune Centre	Best of the Best	Employee Care Centre (ECC), Infosys Technologies	Hinjewadi, Pune	2008
CNBC, ICICI and CRISIL	Best Executed Project in India Award	Sobha Malachite	Jakkur, Bangalore	2007
Construction World	Construction World Awards 2007	India's top 10 builders		2007
Construction World	NICMAR Awards	India's most admired company		2007
South India by the Real Estate Observer	Best developer			2007

Source: Company, Edelweiss research

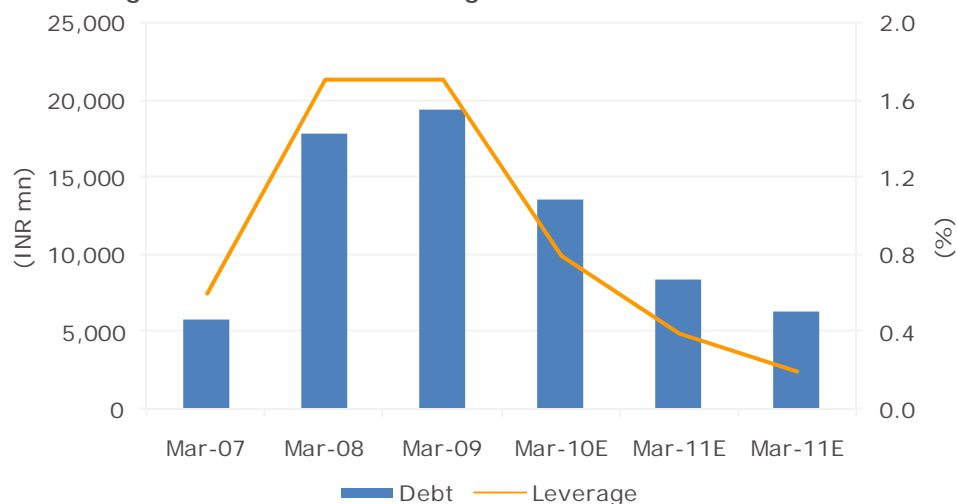
• Focus on deleveraging balance sheet

Sobha's leverage was at a comfortable level of 0.7x till FY07 end. Post that, it went in for massive land acquisition; primarily led by fresh debt, increasing the leverage to uncomfortable 1.8x at end of FY09. At beginning of FY09, company's debt was INR 19.3 bn with scheduled debt repayment liability of INR 9.6 bn and INR 4.6 bn in FY10 and FY11, respectively.

Sobha has deleveraged its balance sheet, will de-lever further

Sobha focused on this issue and in July 2009 it raised INR 5.3 bn through issue of 25 mn shares to qualified institutional investors at INR 209 per share. The company also raised INR 2.3 bn through entering into deals with private equity investors. With the increase in net worth by INR 6.6 bn (increase in share premium of INR 5 bn and expected net profit of INR 1.3 bn), we expect the leverage to decline significantly to 0.57x.

Chart 4: Significant reduction in leverage



Source: Edelweiss research

The company has also rescheduled its near-term debt liability, reducing its mandatory debt repayment to INR 4.5 and INR 6.8 for FY10 and FY11, respectively.

Table 11: Debt repayment liability rescheduled by INR 5.1 bn for FY10 (INR bn)

Fiscal year	At beginning of FY10	At the end of H1FY10
FY10	9.6	4.5
FY11	4.6	6.8

Source: Company, Edelweiss research

Sobha has aggressive plans to reduce this to 0.4x by FY11 through further fund raising activities and monetisation of assets/land sale worth INR 9–12 bn.

Valuations

Fair value is INR 316 per share

We value Sobha based on DCF value of cash flow from ongoing projects (9.4 mn sq ft) and forthcoming projects – to be launched over FY10-FY14 (13.6 mn sq ft) and value of its balance land reserves (134 mn sq ft). We expect Sobha to generate INR 43.6 bn net cash from its ongoing and forthcoming projects over 10 years, and value the same at INR 10.7 bn. We value the balance land reserves on land bank valuation at INR 27.5 bn, taking the total EV at INR 41.0 bn and a fair equity value of INR 30.9 bn, or 1.1 x 2011E P/BV. Consequently, we initiate coverage on the stock with a 'BUY' and rate it 'Sector Performer' on a relative return basis.

Table 12: Valuation summary		(INR mn)
Particular	Amount	
DCF for projects with high visibility	10,772	
Land value of other land bank	27,471	
Contractual business	2,408	
Total	40,650	
Less : Unpaid land cost	1,700	
Less: Debt	8,322	
Add: Cash	343	
Less: Adj of net current assets from NPV	0	
Total NPV	30,972	
Nos of shares	98	
Valur per share	316	

Source: Edelweiss research

Key Risks

■ Recovery in IT sector fails

We believe that the IT sector is recovery, which in turn will lead to job generation (and consequently, demand for real estate). However, if the economic environment in US turns inimical again, hampering recovery of the IT sector, valuations for Sobha can be negatively impacted.

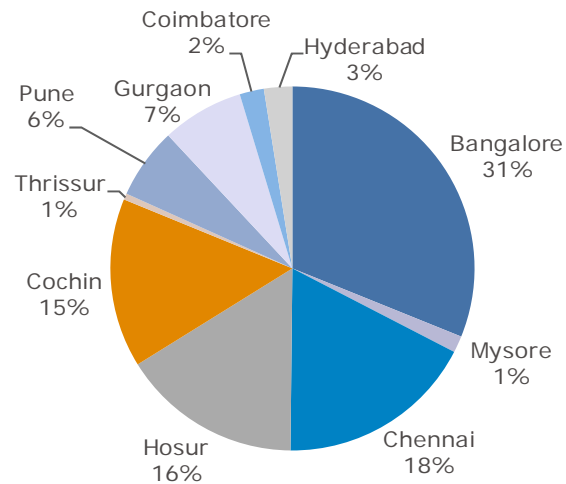
■ Inability to monetize assets

The leverage of Sobha Developers is still above comforting levels, and Sobha intends to ease pressure on cash flows by monetizing assets to raise ~INR 5 bn over the next 15 months. Inability of the company to effect the monetization can lead to strained cash flows and an imperative to conduct stress sales to meet cash flows.

Company Description

Sobha Developers is the largest real estate developer of South India with presence across 10 cities. Besides real estate, Sobha has a contracting business, wherein Infosys accounts for 90% of its contractual turnover. Till date, the company has delivered 12.5 mn sq ft of real estate projects and 20.5 mn sq ft of space in contractual projects. It has a total land bank of 3,030 acres, with 88% being in South India (32% in Bangalore).

Chart 5: Land bank mix



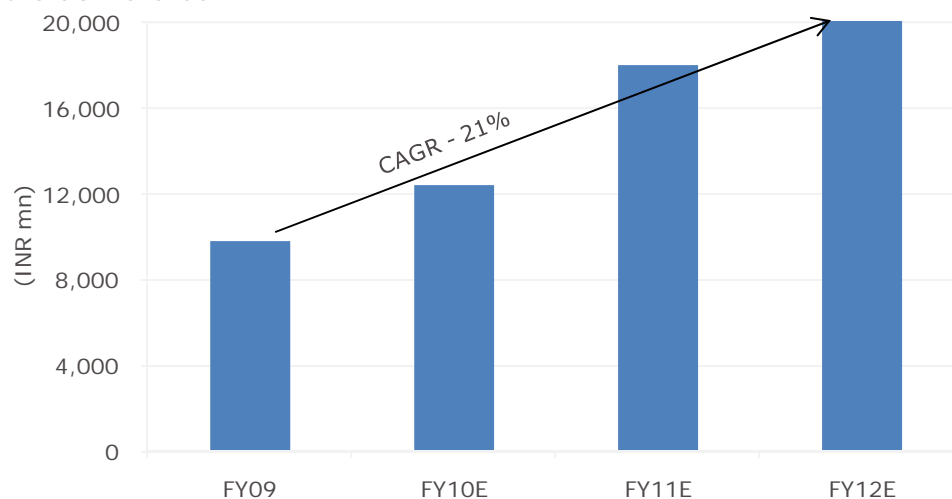
Source: Company, Edelweiss research

Financial Outlook

■ Revenues to register 21% CAGR over FY09-12E, assisted by asset monetisation

We expect Sobha to post revenues of INR 12.4 bn, INR 17.9 bn and INR 20.8 bn in FY10E, FY11E and FY12E, respectively, against INR 9.7 bn in FY09 (21% CAGR over FY09-12E). Revenue for FY10E/FY11E/FY12E includes revenue of INR 6.5 bn / INR 10.7 bn and INR 14.7 bn from real estate, INR 2.4 bn / INR 3.4 bn and INR 4.4 bn from contractual projects and INR 2.5 bn / INR 2.5 bn from asset monetization activities. Asset monetization activities are expected to be one-off event, and not expected to recur post FY11E.

Chart 6: Revenue

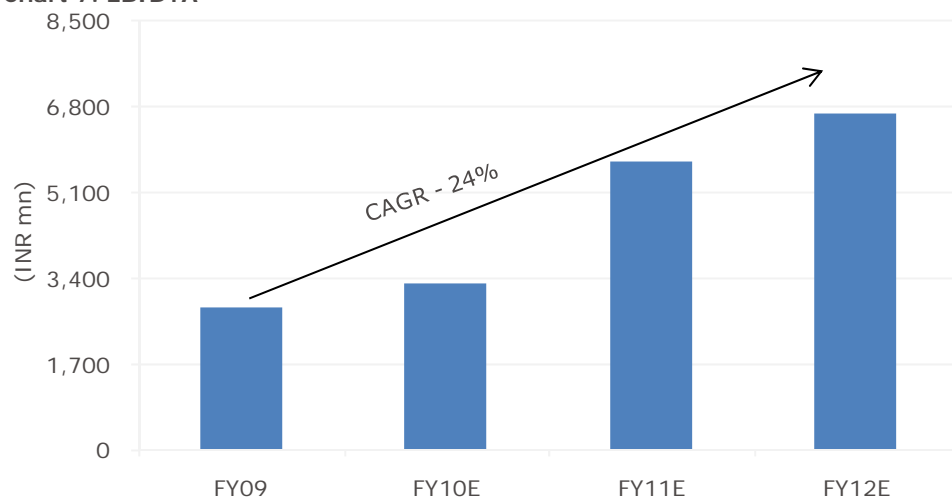


Source: Edelweiss research

■ EBITDA margins to expand; EBITDA of INR 15.6 bn cumulatively over FY10E-12E

Sobha has reported EBITDA margins of 22-29% historically, which is expected to expand to 32% by FY12E, on the back of monetization activities. Supported by a buoyant top line and a stable bottom line, we expect Sobha to report EBITDA of INR 15.6 bn over the next three years. We expect EBITDA to post a CAGR of 24% over FY09-12E.

Chart 7: EBITDA

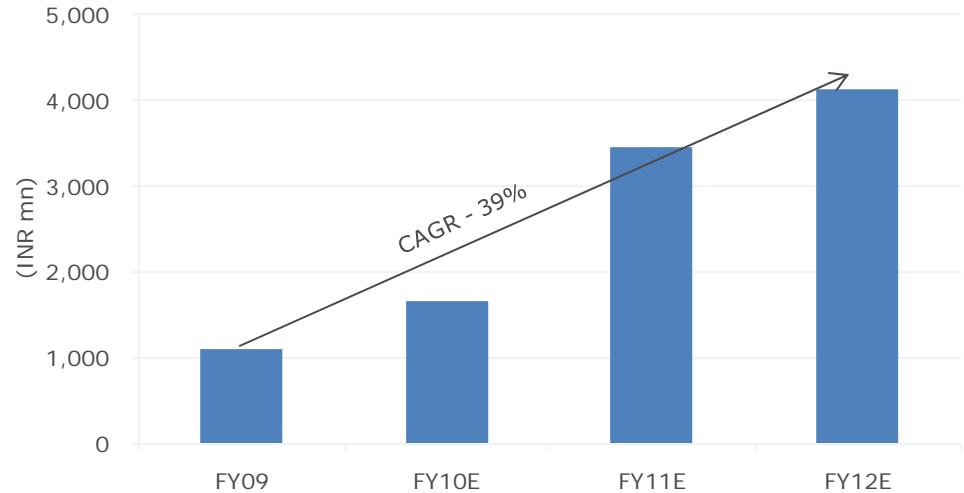


Source: Edelweiss research

■ **PAT likely to post 39% CAGR; . Book value to expand to INR 258 per share**

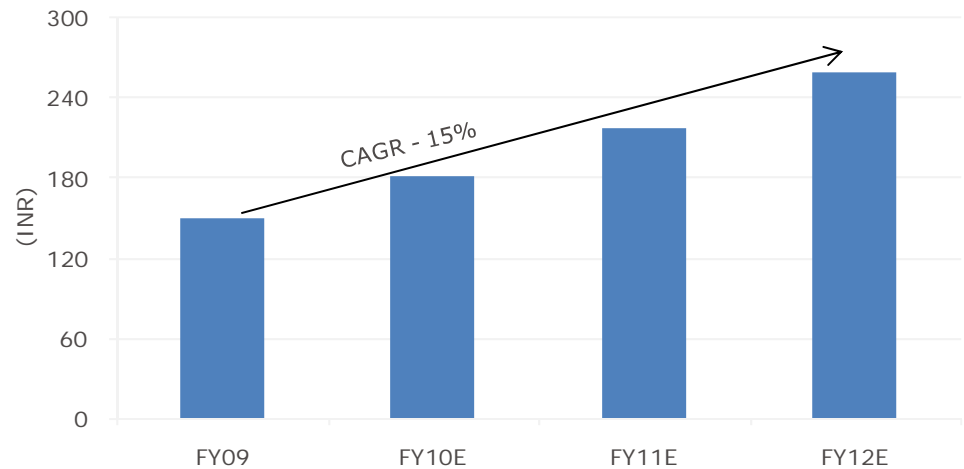
We expect Sobha to post PAT of INR 1.6 bn / INR 3.4 bn / INR 4.1 bn in FY10E / FY11E / FY12E – registering a PAT growth of 39% over FY09-12E. On the back of PAT growth, we expect Sobha to report a book value of INR 258 per share by FY12E, and the post QIP book value to expand at a CAGR of 32%.

Chart 8: PAT



Source: Edelweiss research

Chart 9: Book value



Source: Edelweiss research

Financial Statements

Income statement

(INR mn)

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Income from operations	14,310	9,740	12,366	17,983	20,758
Direct costs	7,642	4,398	6,800	9,781	11,475
Other expenses	2,965	2,554	2,280	2,494	2,656
Total operating expenses	10,608	6,953	9,080	12,275	14,132
EBITDA	3,703	2,787	3,287	5,707	6,626
Depreciation and amortisation	350	360	173	171	169
EBIT	3,352	2,427	3,113	5,537	6,457
Interest expenses	633	1,074	730	449	341
Other income	71	148	104	135	135
Profit before tax	2,791	1,502	2,487	5,222	6,251
Provision for tax	485	402	846	1,776	2,125
Core profit	2,306	1,099	1,641	3,447	4,126
Profit after tax	2,306	1,099	1,641	3,447	4,126
Minority interest	28	21	21	21	21
Adjusted net profit	2,278	1,078	1,620	3,425	4,104
Equity shares outstanding (mn)	73	73	98	98	98
EPS (INR) basic	31.2	14.8	16.5	34.9	41.9
Diluted shares (mn)	73	73	98	98	98
EPS (INR) fully diluted	31.2	14.8	16.5	34.9	41.9

Common size metrics- as % of net revenues

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Operating expenses	74.1	71.4	73.4	68.3	68.1
Depreciation	2.4	3.7	1.4	0.9	0.8
Interest expenditure	4.4	11.0	5.9	2.5	1.6
EBITDA margins	25.9	28.6	26.6	31.7	31.9
Net profit margins	16.1	11.3	13.3	19.2	19.9

Growth metrics (%)

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Revenues	20.6	(31.9)	27.0	45.4	15.4
EBITDA	44.2	(24.7)	17.9	73.7	16.1
PBT	49.6	(46.2)	65.6	110.0	19.7
Net profit	42.8	(52.3)	49.3	110.0	19.7
EPS	605.2	(52.7)	11.7	111.4	19.8

Balance sheet**(INR mn)**

As on 31st March	FY08	FY09	FY10E	FY11E	FY12E
Equity Share capital	729	729	981	981	981
Reserves & surplus	9,152	10,145	16,782	20,208	24,312
Shareholders funds	9,881	10,874	17,763	21,188	25,293
Secured loans	14,381	18,783	12,983	7,783	5,783
Unsecured loans	3,450	538	538	538	538
Borrowings	17,831	19,322	13,522	8,322	6,322
Minority interest	228	249	249	249	249
Sources of funds	27,940	30,445	31,534	29,759	31,863
Gross block	2,711	2,930	3,077	3,231	3,231
Depreciation	842	1,198	1,371	1,542	1,711
Net block	1,870	1,732	1,706	1,689	1,520
Capital work in progress	272	516	516	516	516
Total fixed assets	2,142	2,248	2,221	2,204	2,036
Investments	28	27	27	27	27
Inventories	8,393	11,394	12,027	12,641	10,955
Sundry debtors / (Advances from customers)	5,548	3,683	3,543	3,646	7,811
Cash and equivalents	287	214	1,190	343	745
Loans and advances	17,277	18,964	17,714	16,464	16,464
Total current assets	31,505	34,256	34,475	33,095	35,976
Sundry creditors and others	4,846	5,813	4,375	3,823	4,081
Provisions	899	305	846	1,776	2,125
Total CL & provisions	5,746	6,117	5,221	5,598	6,206
Net current assets	25,759	28,139	29,254	27,496	29,770
Net deferred tax	11	31	31	31	31
Uses of funds	27,940	30,445	31,534	29,759	31,863
Book value per share (INR)	136	149	181	216	258

Cash flow statement**(INR mn)**

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Net profit	2,306	1,099	1,641	3,447	4,126
Add: depreciation	350	360	173	171	169
Gross cash flow	2,656	1,459	1,814	3,617	4,294
Less: Changes in W. C.	14,618	2,452	140	(911)	1,871
Operating cash flow	(11,961)	(992)	1,674	4,528	2,423
Less: Capex	545	466	147	154	-
Free cash flow	(12,506)	(1,458)	1,528	4,375	2,423

Cash flow metrics

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Operating cash flow	(11,961)	(992)	1,674	4,528	2,423
Financing cash flow	10,304	1,214	(552)	(5,221)	(2,021)
Investing cash flow	(45)	(465)	(147)	(154)	0
Net cash flow	(1,702)	(244)	976	(847)	402
Capex	(545)	(466)	(147)	(154)	0
Dividend paid	555	85	0	0	0

Ratios

Year to March	FY08	FY09	FY10E	FY11E	FY12E
ROAE (%)	25.3	10.4	11.3	17.6	17.7
ROACE (%)	16.2	8.3	10.1	18.1	21.0
Current ratio	5.5	5.6	6.6	5.9	5.8
Debt/Equity	1.8	1.8	0.8	0.4	0.2
Debt/EBITDA	4.82	6.93	4.11	1.46	0.95
Adjusted debt/Equity	1.8	1.8	0.8	0.4	0.2

Operating ratios (x)

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Total asset turnover	0.7	0.3	0.4	0.6	0.7
Fixed assets turnover	7.7	5.4	7.2	10.6	12.9
Equity turnover	1.6	0.9	0.9	0.9	0.9

Du pont analysis

Year to March	FY08	FY09	FY10E	FY11E	FY12E
NP margin (%)	15.9	11.1	13.1	19.0	19.8
Total assets turnover	0.7	0.3	0.4	0.6	0.7
Leverage multiplier	2.3	2.8	2.2	1.6	1.3
ROAE (%)	25.3	10.4	11.3	17.6	17.7

Valuation parameters

Year to March	FY08	FY09	FY10E	FY11E	FY12E
Diluted EPS (INR)	31.2	14.8	16.5	34.9	41.9
Y-o-Y growth (%)	605.2	(52.7)	11.7	111.4	19.8
CEPS (INR)	36.1	19.7	18.3	36.7	43.6
Diluted P/E (x)	7.9	16.7	15.0	7.1	5.9
Price/BV(x)	1.8	1.7	1.4	1.1	1.0
EV/Sales (x)	2.5	3.8	3.0	1.8	1.4
EV/EBIDTA (x)	9.7	13.4	11.2	5.7	4.5
Diluted shares O/S	72.9	72.9	98.1	98.1	98.1

Company	Absolute reco	Relative reco	Relative risk
DLF	Buy	SP	L
Orbit corporation	Buy	SU	M
Indiabulls real Estate	Buy	SP	H
Unitech	Buy	SO	L
Anant Raj Inds.	Buy	SO	H

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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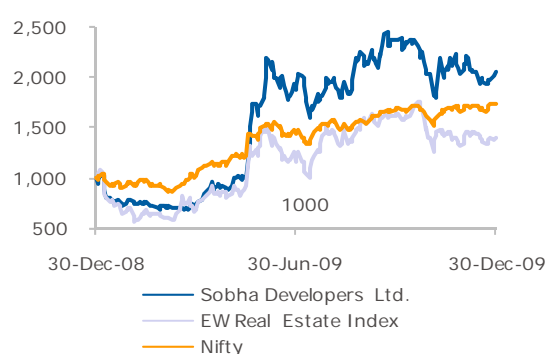
Coverage group(s) of stocks by primary analyst(s): Real Estate:

Anant Raj Industries, DLF, Indiabulls Real Estate, Orbit Corporation and Unitech

Sobha Developers



EW Indices



Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	87	51	13	153

* 2 stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	94	43	16

Recent Research

Date	Company	Title	Price (INR)	Recos
17-Dec-09	DLF	Buy the 'window of Undertainty' Event Update	365	Buy
08-Dec-09	Godrej Properties	Fully priced in; IPO Note	490-530	Do Not Subscribe
31-Oct-09	Unitech	On solid ground; Result Update	82	Buy

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