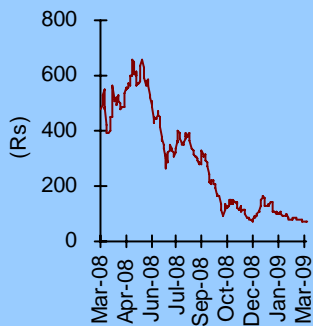


Shareholding pattern

	Jun '08	Sep '08	Dec '08
Promoters	61.5	61.5	61.5
Institutional investors	10.4	12.0	10.5
MFs and UTI	0.9	1.2	0.3
Insurance Cos.	0.1	0.1	0.1
FIs	9.3	10.7	10.0
Others	28.2	26.5	28.0

Source: NSE

Price chart



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Housing Development & Infrastructure

HOLD

Maintained

Rs63

Striking progress

Reason for report: Company visit

The key takeaway from our visit to Housing Development & Infrastructure's (HDIL) newly launched residential project in Kurla is that the demand for the project has been favourable and the pace of the construction is good. Also, the construction work on Kurla slum rehabilitation scheme (SRS) is going strong with ~3,000 workers developing ~28 buildings – though the pace of construction had decreased in Q3FY09 it has picked up since then. In spite of the initial response to HDIL's project being favourable, demand has to be sustained for further comfort. Further, the size of the project is small in comparison with the overall asset base and we would await demand response to the upcoming launches in Andheri West, Kurla East and Virar before turning positive. We maintain HOLD with Rs110/share target price. Based on our EPS estimates, HDIL is trading at FY09E, FY10E and FY11E P/E of 2x, 3.2x and 2.6x respectively.

- **Healthy demand at lower price point.** The visit to HDIL's residential site in Kurla has surprised us positively on the demand front – HDIL sold 390 apartments within three days of the launch. And our interaction with the buyers suggests that the demand for the project at the offered price points is genuine. HDIL has launched the project at Rs5,250/sqft with a ticket size of Rs4mn, at more than 25% discount to the ongoing projects in the vicinity. Sales have been booked on advance payment of 5-10% of the ticket size. The project is located in Kurla, within 5kms from the Mumbai airport and 20mins from Bandra-Kurla Complex. The 756-apartment project has a total saleable area of 0.6mn sqft. With a total saleable area of ~5mn sqft at the site, HDIL has the potential to increase the scope of the project 8x over a period of time.
- **Construction at a rapid clip.** The Kurla residential project site is nearing completion as regards ground excavation and delivery is expected in April '11. Work in Kurla SRS is going strong with ~3,000 workers and eight contractors working on ~28 buildings – The pace has picked up since Q3FY09.
- **Other developers too getting better response at lower price points.** Post the favourable response received by DLF on its below-market priced projects in Chennai, Bangalore and Hyderabad, other developers are following suit. Purvankara recently launched Cosmocity near Siruseri in South Chennai under its mid-income housing banner Provident. The 2,174-apartment project is priced at ~Rs1,600/sqft with ticket size below Rs2mn – Our discussion with the Purvankara management suggests that the initial response has been good.

Market Cap	Rs17.5bn/US\$336mn
Reuters/Bloomberg	HDIL.BO/HDIL IN
Shares Outstanding (mn)	275
52-week Range (Rs)	658/68
Free Float (%)	38.5
FII (%)	10.0
Daily Volume (US\$'000)	43,000
Absolute Return 3m (%)	(37.6)
Absolute Return 12m (%)	(87.2)
Sensex Return 3m (%)	(15.5)
Sensex Return 12m (%)	(48.8)

Year to March	FY08	FY09E	FY10E	FY11E
Revenue (Rs mn)	23,799	15,969	13,206	17,807
Net Income (Rs mn)	14,105	9,689	5,464	6,702
EPS (Rs)	51.2	31.2	19.8	24.3
% Chg YoY	68.0	(39.1)	(36.4)	22.7
P/E (x)	1.2	2.0	3.2	2.6
CEPS (Rs)	51.2	31.3	20.0	24.5
EV/E (x)	2.7	6.1	7.9	6.6
Dividend Yield	7.9	4.7	4.7	4.7
RoCE (%)	39.0	11.6	6.9	7.7
RoE (%)	64.6	21.1	11.5	12.8

HDIL site photographs

<p>Kurla Residential project (Ground excavation ongoing)</p> 	<p>Kurla Residential project (Ground excavation ongoing)</p> 
<p>Kurla SRS project</p> 	<p>Kurla SRS project</p> 
	

Source: Company

Financial Summary

Table 1: Profit and Loss Statement

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Operating Income (Sales)	23,799	15,969	13,206	17,807
of which Exports	0	0	0	0
of which Domestic	23,799	15,969	13,206	17,807
Operating Expenses	6,903	6,676	6,250	9,645
EBITDA	16,895	9,292	6,956	8,163
% margins	71.0	58.2	52.7	45.8
Depreciation & Amortisation	14	35	34	43
Gross Interest	1,385	425	873	861
Other Income	525	720	378	720
Recurring PBT	16,021	9,552	6,428	7,979
Add: Extraordinaries	0	1,092	0	0
Less: Taxes	1,916	955	964	1,277
- Current tax	1,910	0	0	0
- Deferred tax	7	0	0	0
Less: Minority Interest	0	0	0	0
Net Income (Reported)	14,105	9,689	5,464	6,702
Recurring Net Income	14,105	8,596	5,464	6,702

Source: Company data, I-Sec Research

Table 2: Balance Sheet

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Assets				
Total Current Assets	71,423	89,137	99,679	120,500
of which cash & cash eqv.	3,494	2,263	5,301	9,108
Total Current Liabilities & Provisions	6,629	7,399	13,149	26,574
Net Current Assets	64,795	81,738	86,530	93,926
Investments				
of which	2,126	4,464	4,910	5,401
Strategic/Group	2,126	4,464	4,910	5,401
Other Marketable	0	0	0	0
Net Fixed Assets	579	689	956	1,313
of which				
Capital Work-in-Progress	52	127	325	465
Total Assets	67,499	86,891	92,396	100,640
Liabilities				
Borrowings	31,127	41,789	42,789	45,289
Deferred Tax Liability	15	15	15	15
Minority Interest	0	0	0	0
Equity Share Capital	2,143	2,755	2,755	2,755
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	34,229	42,347	46,852	52,596
Less: Misc. Exp. #	15	15	15	15
Net Worth	36,357	45,087	49,592	55,335
Total Liabilities	67,499	86,891	92,396	100,640

*excluding revaluation reserves; # = not written off

Source: Company data, I-Sec Research

Table 7: Quarterly trends

(Rs mn, year ending March 31)

	Mar-08	Jun-08	Sep-08	Dec-08
Net sales	9,751	5,701	4,776	3,138
% growth (YoY)	120%	15%	-51%	-87%
EBITDA	8,639	4,655	2,706	950
Margin (%)	89%	82%	57%	30%
Other income	144	180	255	209
Add: Extraordinaries	0	0	0	1,092
Net profit	7,083	4,630	2,657	1,849

Source: Company data, I-Sec Research

Table 3: Cash Flow Statement

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Operating Cash flow	14,639	6,384	5,156	6,069
Working Capital Changes	(53,167)	(16,646)	(1,791)	(3,632)
Capital Commitments	(860)	(2,484)	(746)	(891)
Free Cash Flow	(39,388)	(12,746)	2,618	1,545
Cash flow from Investing				
Activities	525	720	378	720
Issue of Share Capital	343	612	0	0
Buyback of shares	0	0	0	0
Inc (Dec) in Borrowings	27,371	10,662	1,000	2,500
Dividend paid	(1,598)	(959)	(959)	(959)
Extraordinary Items	0	1,092	0	0
Chg. in Cash & Bank balance	3,437	(1,231)	3,038	3,807

Source: Company data, I-Sec Research

Table 4: Key Ratios

(Year ending March 31)

	FY08	FY09E	FY10E	FY11E
Per Share Data (Rs)				
EPS(Basic Recurring)	51.2	31.2	19.8	24.3
Diluted Recurring EPS	51.2	35.2	19.8	24.3
Recurring Cash EPS	51.2	31.3	20.0	24.5
Dividend per share (DPS)	5.0	3.0	3.0	3.0
Book Value per share (BV)	132.0	163.7	180.0	200.9
Growth Ratios (%)				
Operating Income	97.6	(32.9)	(17.3)	34.8
EBITDA	155.8	(45.0)	(25.1)	17.3
Recurring Net Income	157.1	(39.1)	(36.4)	22.7
Diluted Recurring EPS	68.0	(39.1)	(36.4)	22.7
Diluted Recurring CEPS	67.9	(38.9)	(36.3)	22.7
Valuation Ratios (x)				
P/E	1.2	2.0	3.2	2.6
P/CEPS	1.2	2.0	3.2	2.6
P/BV	0.5	0.4	0.4	0.3
EV / EBITDA	2.7	6.1	7.9	6.6
EV / Operating Income	1.9	3.6	4.2	3.0
EV / Operating FCF	(1.1)	(4.5)	21.0	34.7
Operating Ratio				
Raw Material/Sales (%)	26.7	37.5	41.8	49.9
SG&A/Sales (%)	1.8	3.2	4.1	3.2
Other Income / PBT (%)	3.3	7.5	5.9	9.0
Effective Tax Rate (%)	12.0	9.0	15.0	16.0
NWC / Total Assets (%)	90.8	91.5	87.9	84.3
Inventory Turnover (days)	1,842.7	3,508.5	4,361.7	3,068.0
Receivables (days)	28.2	22.6	50.5	58.7
Payables (days)	336.7	326.7	576.5	733.4
D/E Ratio (x)	0.9	0.9	0.9	0.8
Return/Profitability Ratio (%)				
Recurring Net Income Margins	58.0	51.5	40.2	36.2
RoCE	39.0	11.6	6.9	7.7
RoNW	64.6	21.1	11.5	12.8
Dividend Payout Ratio	9.8	9.6	15.1	12.3
Dividend Yield	7.9	4.7	4.7	4.7
EBITDA Margins	71.0	58.2	52.7	45.8

Source: Company data, I-Sec Research

ANALYST CERTIFICATION

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