

Buy for opportunity beyond Airport rehab

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Raise FY11 earnings on FSI sale; Reiterate Buy

HDIL reported net profit of Rs2.13bn, 10% ahead of our estimate due to higher margin. More importantly, HDIL sold ~1.2mn sq ft of FSI for Rs6.5bn in Goregaon in October and expects more such deals in near future, as demand for land in Mumbai by developers has increased considerably. We raise our earnings est for FY11 by 28% to Rs11.5bn (Rs8.9bn earlier) to account for the FSI sale and reiterate our Buy rating with a PO of Rs342, implying potential upside of 35%.

Development projects to drive NAV upgrades

We expect that, over next 6 months, the importance of residential and redevelopment projects will increase in the overall NAV for HDIL and drive NAV upgrades and stock performance. HDIL has already launched 7mn sq ft, with a sales value of Rs44bn, and is looking to launch another 9mn, with a sales value of Rs70bn. We estimate that 41% of the NAV currently is from development projects located in Mumbai. Also, an increase in FSI sales could further boost cash flow and earnings from non-Airport projects.

Airport relocation - the only hurdle

The relocation is expected to start in November and should allay investor concern about the Airport rehab project. HDIL has applied to the government for approval for the remaining phases (relocation of 50,000 families) and expects to start construction in the next 3-4 months. We expect the TDR market to remain stable and see no downside risk to our estimate of Rs13-15bn inflow annually from TDR sales over FY11-12.

Time to outperform

We expect HDIL to outperform from here on, as we believe that the negatives from the Airport project are already priced in, while cash flow from non-Airport projects will likely surprise the Street on the upside.

Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	7,874	5,709	11,458	17,024	19,626
EPS	28.37	15.75	25.98	38.60	44.50
EPS Change (YoY)	-56.7%	-44.5%	64.9%	48.6%	15.3%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(47.34)	(31.24)	(34.85)	30.66	37.55

Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	8.96x	16.14x	9.79x	6.59x	5.71x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	16.70x	16.90x	9.48x	6.37x	5.16x
Free Cash Flow Yield*	-11.63%	-10.00%	-13.70%	12.06%	14.77%

* For full definitions of *iQmethod*SM measures, see page 11.

Stock Data

Price	Rs254.30
Price Objective	Rs342.00
Date Established	11-Jun-2010
Investment Opinion	C-1-8
Volatility Risk	HIGH
52-Week Range	Rs201.70-Rs393.75
Mrkt Val / Shares Out (mn)	US\$2,531 / 441.0
Average Daily Volume	5,822,713
BofAML Ticker / Exchange	XGHSF / BSE
Bloomberg / Reuters	HDIL IN / HDIL.BO
ROE (2011E)	13.3%
Net Dbt to Eqty (Mar-2010A)	47.0%
Est. 5-Yr EPS / DPS Growth	11.9% / NA
Free Float	61.0%

Key Changes

(Rs)	Previous	Current
2011E EPS	24.09	25.98
2012E EPS	46.31	38.60
2013E EPS	57.47	44.50
2011E EBITDA (m)	11,588.2	14,693.1
2012E EBITDA (m)	21,785.9	21,853.9
2013E EBITDA (m)	27,003.2	26,988.1

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Refer to important disclosures on page 12 to 14. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9. Link to Definitions on page 9. 10993322

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iQprofileSM Housing Development and Infrastructure

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
(Rs Millions)					
Sales	17,284	15,021	21,400	35,694	45,718
Gross Profit	8,706	8,550	14,212	20,605	25,388
Sell General & Admin Expense	(604)	(658)	(803)	(892)	(1,143)
Operating Profit	8,296	7,514	14,625	21,788	26,838
Net Interest & Other Income	(582)	(462)	(820)	(770)	(670)
Associates	0	(13)	0	0	0
Pretax Income	7,715	7,039	13,805	21,017	26,168
Tax (expense) / Benefit	159	(1,330)	(2,347)	(3,993)	(6,542)
Net Income (Adjusted)	7,874	5,709	11,458	17,024	19,626
Average Fully Diluted Shares Outstanding	275	359	441	441	441

Key Cash Flow Statement Data

Net Income	7,874	5,709	11,458	17,024	19,626
Depreciation & Amortization	41	724	68	66	150
Change in Working Capital	(19,775)	(15,311)	(22,627)	28	5,635
Deferred Taxation Charge	9	28	50	84	138
Other Adjustments, Net	(616)	(1,075)	(1,284)	(2,142)	(2,743)
Cash Flow from Operations	(12,467)	(9,925)	(12,336)	15,061	22,806
Capital Expenditure	(576)	(1,286)	(3,033)	(1,538)	(6,244)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	362	345	1,284	2,142	2,743
Cash Flow from Investing	(214)	(941)	(1,749)	603	(3,501)
Shares Issue / (Repurchase)	612	1,614	42	0	0
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	9,924	18,029	20,207	(5,000)	(5,000)
Free Cash Flow	(13,043)	(11,212)	(15,369)	13,522	16,562
Net Debt	40,678	33,099	26,978	11,314	(7,991)
Change in Net Debt	13,062	(7,579)	(6,122)	(15,664)	(19,305)

Key Balance Sheet Data

Property, Plant & Equipment	598	1,830	1,762	3,127	8,258
Other Non-Current Assets	3,128	5,248	8,282	8,389	9,352
Trade Receivables	1,669	2,030	3,518	3,423	4,384
Cash & Equivalents	755	7,918	14,040	24,703	39,008
Other Current Assets	86,225	103,244	136,143	145,027	146,670
Total Assets	92,375	120,270	163,744	184,669	207,672
Long-Term Debt	41,433	41,017	41,017	36,017	31,017
Other Non-Current Liabilities	30	63	113	197	335
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	6,693	8,761	20,521	29,338	37,577
Total Liabilities	48,156	49,841	61,650	65,552	68,929
Total Equity	44,218	70,429	102,094	119,118	138,743
Total Equity & Liabilities	92,375	120,270	163,744	184,669	207,672

iQmethodSM - Bus Performance*

Return On Capital Employed	9.7%	6.2%	9.5%	11.8%	12.4%
Return On Equity	19.5%	10.0%	13.3%	15.4%	15.2%
Operating Margin	48.0%	50.0%	68.3%	61.0%	58.7%
EBITDA Margin	48.2%	54.8%	68.7%	61.2%	59.0%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	-1.6x	-1.7x	-1.1x	0.9x	1.2x
Asset Replacement Ratio	14.1x	1.8x	44.7x	23.2x	41.6x
Tax Rate (Reported)	NM	18.9%	17.0%	19.0%	25.0%
Net Debt-to-Equity Ratio	92.0%	47.0%	26.4%	9.5%	-5.8%
Interest Cover	14.3x	16.3x	17.8x	28.3x	40.0x

Key Metrics

* For full definitions of iQmethodSM measures, see page 11.

Company Description

HDIL is part of Wadhawan group which has been involved in real estate development in Mumbai Metropolitan region since last three decades. It is among the leaders in slum rehabilitation projects in Mumbai. It also has presence across all verticals including residential, office and retail

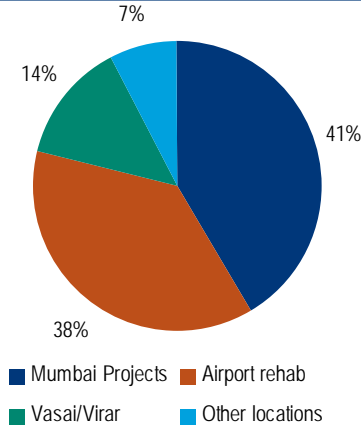
Investment Thesis

HDIL, a Mumbai name, is expected to benefit from the buoyant residential sales in Mumbai and expected revival in commercial real estate demand. We expect its earnings outlook to improve as TDR prices continue to rise on the back of revival in residential demand while most of the short-term debt has been refinanced for 3-5 years. Potential catalysts include timely execution of the Airport project and revival in commercial real estate demand.

Stock Data

Price to Book Value 1.1x

Chart 1: NAV by projects



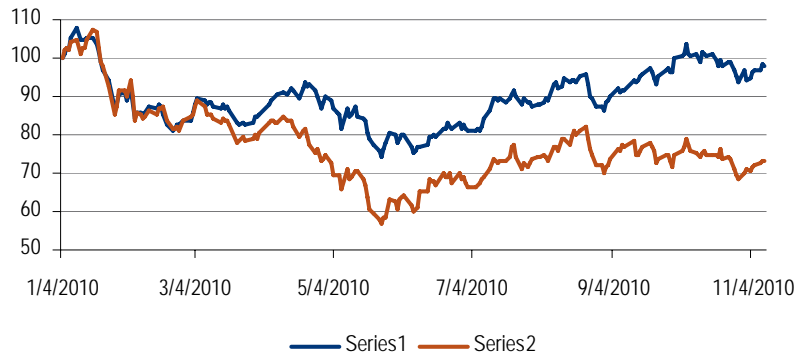
Source: BofA Merrill Lynch Global Research

HDIL - Underperformance set to change

HDIL has been a major underperformer in 2010, with the stock down 26% YTD while Realty index has been flat, even though the underlying asset - Mumbai property prices - have seen new peak this year. We believe this trend is set to change in next 6 months, as we believe that most of the negative news is already priced in, while the positive triggers are expected to play out.

- Development projects to drive NAV growth
- Airport project – expect positive news flow on relocation

Chart 2: Massive underperformance in 2010



Source: BofA Merrill Lynch Global Research

Value beyond Airport rehab

We believe the importance of residential and redevelopment projects is set to increase in the overall NAV for HDIL and will drive the NAV upgrades and stock performance from here on. We estimate 41% of the NAV currently is from development projects located in Mumbai. So far, the Street has been too focused on the Airport rehab project, while HDIL has exponentially grown its development portfolio and continues to add to it. HDIL had been highly dependent on the Airport rehab project over the last 2 years for cash flows and revenue, but this is set to change over next 12 months, as:

- HDIL launches more residential/commercial projects in the suburbs and MMR region, the focus will shift toward these projects from the Airport. HDIL is looking to launch ~5-6mn sq ft each year in the residential segment.
- We also expect, from FY12, that non-TDR revenues from residential projects launched in FY09 should kick in. Currently, over 90% of the revenue is driven by TDRs, but, from FY12, we expect the contribution of TDR to drop to 44%, and further to 34% in FY13. The revenue growth of 66% and 28% in FY12 and FY13 would mostly be supported by increase in non-TDR sales.
- We can also expect more FSI sales in near future, as developers in Mumbai are looking to add new projects and are flush with funds from the record sales seen in last 12-18 months.

Residential projects gaining traction

HDIL has launched 9 residential projects in last 18 months, primarily in suburban Mumbai, with saleable area of over 7mn sq ft, while another 2-3 projects are planned in next couple of months. Most of the projects have met with good response, having sold over 70%, as HDIL has priced the projects 10-15% lower than market prices. The total realization from the launched projects would be ~Rs44bn and we expect the operating margins to be upward of 50%. As per our estimate, these residential projects will account for more than 10% of NAV, with most of the projects having been pre-sold, therefore, providing strong visibility on cash flow.

Table 1: Details of launched projects

Project	Location	Launch Date	Area Avg Realization		Sale Potential
			mn sq ft	Rs/sq ft	Rs mn
Metropolis	Andheri West	Mar-09	0.7	9,000	5,850
Premier	Kurla West	Mar-09	1.0	5,700	5,700
Galaxy	Kurla East	Apr-09	0.5	4,500	2,138
Majestic Tower	Bhandup	Oct-09	1.3	6,500	8,450
Residency Park	Dongre Ph-I	Jan-10	1.3	2,600	3,250
Harmony	Goregaon, West	May-10	0.0	8,451	371
Meadows- Ph-I	Goregaon, Subhash Nagar	Jun-10	1.0	7,500	7,500
Premier Exotica	Kurla West	Jul-10	0.7	7,500	5,250
Whispering Towers	Mulund	Oct-10	0.8	6,850	5,480
Total			7.2	6,094	43,988

Source: BofA Merrill Lynch Global Research

Targeting 5-6mn sq ft of launches each year

HDIL management is looking at ~5-6mn sq ft of residential launches annually in suburban Mumbai and the Virar/Vasai region each year. We believe HDIL is well placed in terms of land bank to meet this guidance over the next 12-18 months, as the pipeline of projects is very strong. It is also looking to augment this pipeline with the addition of another 3mn sq ft of projects in suburban Mumbai, which could lead to a further upgrade in NAV.

Table 2: Project Pipeline over next 12 months

Projects	Area	ASP	Sale Potential
	mn sq ft	Rs/sq ft	Rs mn
Poppular Car - Andheri E	0.8	10,000	8,000
Goregaon - Ph II	3.6	8,000	28,800
Ghatkopar	0.5	6,000	3,000
Kandivili	1.5	6,500	9,750
Santa Cruz	0.8	10,000	8,000
Premier Kurla - Ph III	0.8	7,500	6,000
Whispering Towers - Mulund Ph II	0.8	6,850	5,480
Total	8.8	7,844	69,030

Source: BofA Merrill Lynch Global Research

Strong Cashflows over next two years

We expect the residential projects to generate strong cash flow over next 2 years. HDIL is currently generating cash inflow of Rs2.3bn each quarter from the pre-sold projects. We expect a 100% increase in FY12, as new projects are launched over next few months. It is also looking to sell FSI in Mumbai and the Vasai/ Virar region over next 2 years, which will further add to the cash flow. We expect HDIL to generate 15bn of cash flow post interest cost. Therefore, the stock is trading at just 7x its expected free cash flow in FY12.

Proven ability in adding projects in Mumbai

HDIL has successfully managed to add new projects in the suburbs in the last couple of years – redevelopment projects of ~10mn sq ft across Goregaon, Kandivili, Santa Cruz are cases in point. It is looking to add another 3mn sq ft in the next 6 months in the suburbs. We believe its expertise in executing large redevelopment and rehabilitation projects is a key differentiator, as it provides HDIL access to prime land at relatively lower cost to the market value with a minimum capital commitment. Some of the projects that HDIL is looking to acquire are:

- Abhiyudaya Nagar in Central Mumbai
- Motilal Nagar redevelopment in Goregaon

South Mumbai on the radar

HDIL is bidding for some of the redevelopment opportunities in South Mumbai, though management did not provide specific details, as the projects are still under process of acquisition. In case these projects materialize, these could further add to non-Airport NAV. HDIL indicated that they will not be bidding for land in auctions, but the focus would be primarily on redevelopment and slum projects in South Mumbai. Acquisition of these projects could further enhance NAV and improve cash flow visibility from non-Airport rehab projects beyond the next 3-4 years.

Longer-term land bank

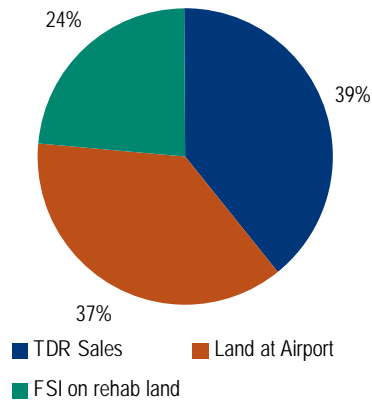
BKC slum rehab

The project accounts for 8% of NAV for HDIL, but has been delayed and will be ready for monetization only after 18-24 months, as per the management. HDIL took on this slum rehab project in BKC almost 3-4 years ago and part of the land was cleared and sold for Rs10bn in 2008; the remaining rehab is progressing somewhat slowly due to a change in the rehab area last year from 225sq ft to 270sq ft. Post the rehab of the remaining slums, HDIL will get development rights of ~1.7mn sq ft at the site. It is also proposing to develop a business hotel at the site under its hospitality venture.

Land bank in Vasai/Virar region/ Outside Mumbai

HDIL boasts a huge land bank of over 100mn sq ft in Vasai/ Virar and other suburban locations in the Mumbai Metropolitan Region (MMR), accounting for 21% of its NAV. We have valued the land conservatively and expect demand to improve in the coming year, as residential prices in suburban Mumbai are well beyond the reach of lower middle income families. HDIL currently is looking to monetize 3-4mn sq ft each year, partly through development and partly through sale of FSI. Last year, HDIL launched 2.75mn sq ft, while, in 1Q, it sold 2mn sq ft of FSI. It is also looking to launch a mega-township project in Palghar in FY11, with potential saleable area of 10-12mn sq ft. While the margins for the project will be lower, at 25-30%, it will accelerate monetization of its MMR land bank.

Chart 3: Valuation summary for Airport Project



Source: BofA Merrill Lynch Global Research

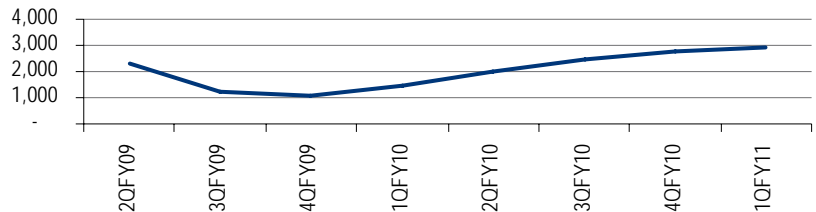
Airport project - negatives already discounted

The airport rehab project accounts for 38% of NAV and, thus, continues to have the largest bearing on HDIL's stock performance. We believe that, once the shifting of dwellers starts on November 10, most of the concerns about the project will be alleviated. We estimate that, from here on, the project will start generating cash, as most of the remaining capex will be funded through the QIP proceeds and sale of TDRs. As per our estimate, the airport project has the potential to generate a surplus of Rs35bn over next 4-5 years, assuming the sale of 6mn sq ft of TDRs annually, at an average realization of Rs2600/sq ft. The land at the airport site will further add to the cash flows.

TDR- conservatively estimate at Rs2600/sq ft

TDR prices have been very volatile in the last 3 years, though we expect the prices to stabilize around Rs2600/sq ft. Currently, HDIL is selling TDRs at Rs3000/sq ft and management expects the rates to increase further, by 5-10%. The TDR prices are primarily driven by the price of the finished apartments, the corresponding land prices and sales velocity in the suburban Mumbai residential market. While the apartment prices are unlikely to rise from here on, the sales velocity should remain stable. And we expect the land prices in Mumbai to further increase, as most of the developers are flush with funds due to strong sales volumes in the last 12-18 months and are aggressively looking to add land. Three more Mumbai developers are looking to raise capital, which will put further upward pressure on land prices.

Chart 4: TDR prices in last 2 years (Rs/sq ft)



Source: BofA Merrill Lynch Global Research

Investment in hospitality - an area of concern

HDIL has announced plans to develop two hotel properties in the Mumbai suburbs and has tied up with Hilton and Intercontinental to operate the hotels. As per initial estimates of the company, both the hotels would require an investment of Rs3.5-4bn over the next 2-3 years. While we are not too concerned as yet, in the previous cycle, most of the developers who tried to diversify into the hospitality segment didn't find the business too lucrative and have since been planning to divest. Therefore, large plans in hospitality could strain future cash flows.

Valuations

HDIL is currently trading at a 37% discount to NAV, while most of its peers are trading at lower discount of 10-25%. With asset prices in Mumbai crossing their previous highs, and with most of the concerns out of the way, we believe such a large discount is unjustified. Our PO of Rs342 is based on 1a 5% discount to our NAV of Rs402. The details are provided in the table 3

Table 3: NAV Summary

	Value (Rs m)	Value per share (Rs)	% of NAV (pre debt)
Projects in Mumbai			
-Residential projects	54,059	123	26.4%
-Retail projects	2,257	5	1.1%
-Commercial projects	104,909	238	51.3%
-of which 'Airport project'	76,813	174	37.6%
Projects in Vasai and Virar	28,084	64	13.7%
Projects in Hyderabad, Pune and Kochi	15,172	34	7.4%
Gross NAV	281,294	464	
<i>Less</i>			
- Debt/ (cash)	26,978	61	
Net NAV	254,317	402	
Assuming 15% discount to NAV		342	
Price Objective		342	

Source: BofA Merrill Lynch Global Research

FY11 Earnings raised by 28%

We have raised our FY11 earnings estimate by 28%, to Rs11.5bn, to account for the FSI sale of Rs6.5bn, to be recognized in 2HFY11. We also expect strong earnings growth of 48% in FY12, as HDIL starts recognizing some of the development projects launched in early FY10. We have also accounted for the dilution due to the recent QIP and the warrant issue to the promoters; thus, the EPS estimates have remained flat for FY11 and fallen for FY12 and FY13.

Table 4: Earnings Snapshot - Rs m

	FY07A	FY08A	FY09A	FY10E	FY11E	FY12E	FY13E
Total operating income	12,042	23,804	17,284	15,021	21,400	35,694	45,718
-growth	0%	0%	0%	-13%	42%	67%	28%
EBITDA	6,620	16,921	7,797	7,893	13,409	19,712	24,245
-growth	0%	0%	0%	1%	70%	47%	23%
Net Income	5474	14037	7815	5653	11458	17024	19626
-growth		157%	-44%	-27%	101%	49%	15%
Margins							
Gross margin	57%	73%	52%	59%	68%	59%	57%
EBITDA margin	55%	71%	45%	53%	63%	55%	53%
Net Income margin	45%	59%	45%	38%	54%	48%	43%

Source: BofA Merrill Lynch Global Research

Table 5: 2QFY11 Earnings Snapshot

	2QFY10	1QFY11	2QFY11	Change	
	Rs mn	Rs mn	Rs mn	YoY	QoQ
Sales and other receipts	3,537	4,509	3,727	5%	-17%
Construction cost	1,515	1,588	1,103	-27%	-31%
Gross margin	2,022	2,921	2,624	30%	-10%
<i>Gross margin (%)</i>	<i>57%</i>	<i>65%</i>	<i>70%</i>		
Staff costs	56	104	98	75%	-5%
Other expenses	169	144	154	-9%	7%
EBITDA	1,797	2,674	2,372	32%	-11%
<i>EBITDA margin (%)</i>	<i>51%</i>	<i>59%</i>	<i>64%</i>		
Depreciation	9	19	16	70%	-16%
EBIT	1,788	2,655	2,356	32%	-11%
Interest expense	185	214	212	15%	-1%
Other income	274	342	339	24%	-1%
EBT	1,876	2,782	2,483	32%	-11%
Tax	390	438	345	-12%	-21%
<i>Tax (%)</i>	<i>21%</i>	<i>16%</i>	<i>14%</i>		
PAT	1,486	2,344	2,138	44%	-9%
<i>PAT Margin</i>	<i>42%</i>	<i>52%</i>	<i>57%</i>		

Source: BofA Merrill Lynch Global Research

Price objective basis & risk

Housing Development and Infrastructure (XGHSF)

Our preferred valuation methodology is NAV, calculated by discounting the cash flow from each of the real estate projects. Our price objective for HDIL is based on the sum of core NAV and option value from long-dated projects. The price objective of Rs342 reflects a discount of 15% to our net NAV estimate of Rs402. We expect HDIL to trade at a discount of 15% to large developers like DLF on a discount to NAV basis, owing to its smaller size and exposure to only one market. Key assumptions underlying our NAV are WACC of 14.7%, capitalization rate of 11-12% and inflation of 5% from FY12 on both selling price and construction costs. On a P/E basis, at our PO of Rs342, the stock would trade at 14x FY11E earnings. Downside risks are lower-than-expected sales of TDR and a delay in the revival of demand for commercial real estate in Mumbai.

Link to Definitions

Financials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Gagan Agarwal, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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11 November 2010

India - General Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Aditya Birla Nu	ADYAF	ABNL IN	Reena Verma Bhasin, CFA
	Anant Raj Industries Ltd	XNRJF	ARCP IN	Gagan Agarwal
	Brigade Enterprises	XBDGF	BRGD IN	Gagan Agarwal
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	Cummins India	CUIDF	KKC IN	Sanjaya Satapathy
	DLF Limited	XVDUF	DLFU IN	Gagan Agarwal
	Exide Indus Ltd	XEDRF	EXID IN	Sanjaya Satapathy
	Fortis Healthcare Limited	XFFTF	FORH IN	Prasad Deshmukh
	Havells	HVLIF	HAVL IN	Sanjaya Satapathy
	Housing Development and Infrastructure	XGHSF	HDIL IN	Gagan Agarwal
	Indiabulls Real Estate Ltd	IBELF	IBREL IN	Gagan Agarwal
	Jaypee Infratech	XJAYF	JPIN IN	Gagan Agarwal
	Jet Airways	JTAIF	JETIN IN	Anand Kumar
	Motherson Sumi	XMSUF	MSS IN	Sanjaya Satapathy
	Puravankara Projects Ltd	XPJVF	PVKP IN	Gagan Agarwal
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy
	SINTEX INDUSTRIES LTD	SIXDF	SINT IN	Prasad Deshmukh
	Sobha Developers	SBDRF	SOBHA IN	Gagan Agarwal
	SpiceJet Ltd	MDLFF	SJET IN	Anand Kumar
	Voltas	VTSJF	VOLT IN	Sanjaya Satapathy
NEUTRAL				
	Jain Irrigation Systems Ltd	JNIDF	JI IN	Prasad Deshmukh
	Shree Cements	SREEF	SRCM IN	Reena Verma Bhasin, CFA
	Unitech Ltd	UTKIF	UT IN	Gagan Agarwal
UNDERPERFORM				
	Ambuja Cements	AMBUF	ACEM IN	Reena Verma Bhasin, CFA
	APIL	ANSFF	APIL IN	Gagan Agarwal
	Assoc. Cement	ADCLF	ACC IN	Reena Verma Bhasin, CFA
	Bajaj Hindusthan	BJJHF	BJH IN	Sanjaya Satapathy
	Balrampur Chini	BMPRF	BRCM IN	Sanjaya Satapathy
	Container Corp	CIDFF	CCRI IN	Sanjaya Satapathy
	India Cements	INIAF	ICEM IN	Reena Verma Bhasin, CFA
	India Cements -G	IAMUY	ICEM LX	Reena Verma Bhasin, CFA
	Jindal Saw	SWPFF	JSAW IN	Sanjaya Satapathy
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
	Omaxe Limited	XOMXF	OAXE IN	Gagan Agarwal
	Tata Chemicals Ltd	TTCXF	TTCH IN	Prasad Deshmukh
	Triveni Engg	TVIEF	TRE IN	Sanjaya Satapathy
	Welspun Corp Ltd	XUQRF	WLCO IN	Sanjaya Satapathy
RVW				
	Grasim	GRSJF	GRASIM IN	Reena Verma Bhasin, CFA
	Grasim -G	GRSJY	GRAS LX	Reena Verma Bhasin, CFA
	UltraTech Cemen	XDJNF	UTCEN IN	Reena Verma Bhasin, CFA

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A

Quality of Earnings

Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense

Valuation Toolkit

Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

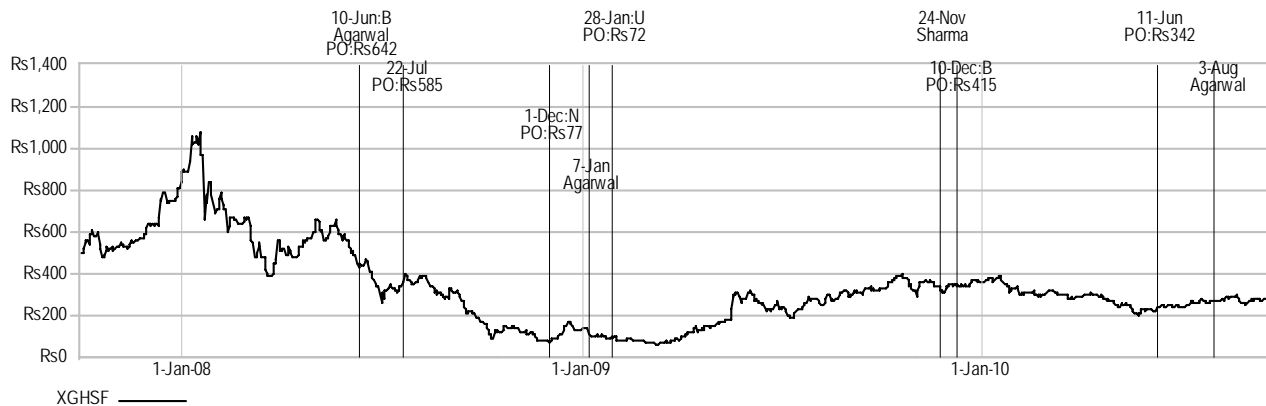
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XGHSF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of October 31, 2010 or such later date as indicated. BofA Merrill Lynch price charts do not reflect analysts' coverage of the stock at prior firms.

Investment Rating Distribution: Real Estate/Property Group (as of 01 Oct 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	63	54.78%	Buy	15	25.00%
Neutral	29	25.22%	Neutral	5	17.24%
Sell	23	20.00%	Sell	6	27.27%

Investment Rating Distribution: Global Group (as of 01 Oct 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1948	54.31%	Buy	821	46.73%
Neutral	891	24.84%	Neutral	397	49.07%
Sell	748	20.85%	Sell	259	37.16%

* Companies in respect of which MLPF&S or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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