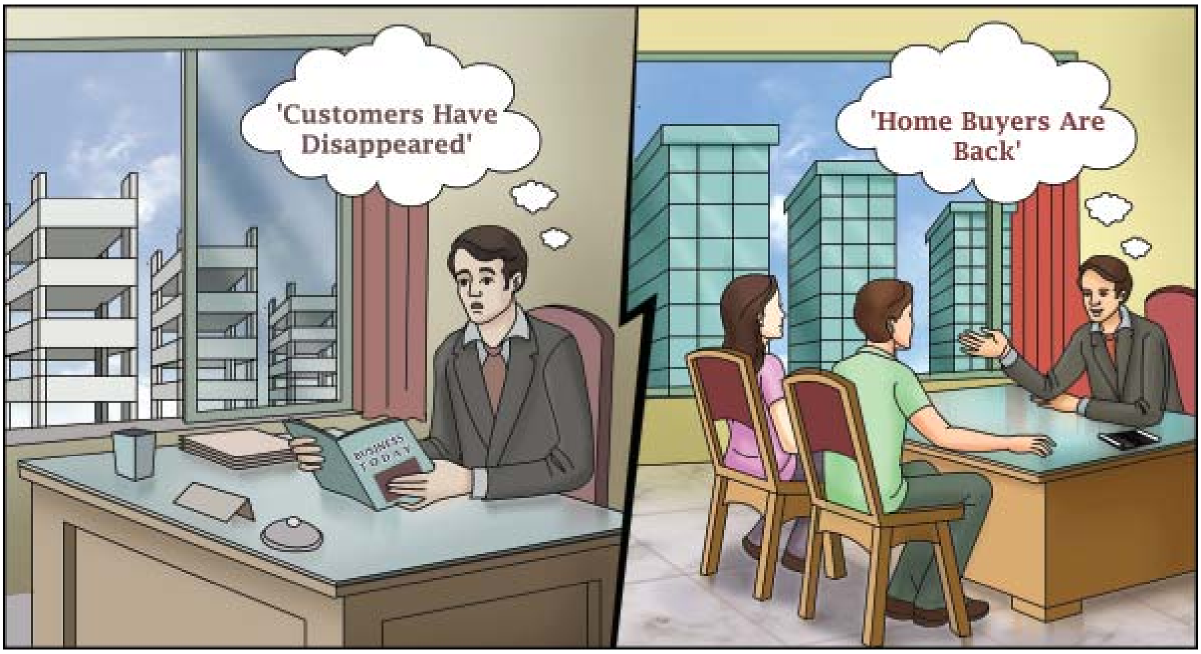
ANTIQUE

Real Estate

To Hell and Back



- **The worst is over –** Liquidity and demand concerns have abated and property stocks are back in the spotlight.
- **Home buyers are back –** After several months of subdued demand, home buyers are back.
- **Affordability has improved –** Lower property prices, small apartment sizes and lower mortgage rates have made homes more affordable.
- **Better buyer confidence –** Improved job security and income visibility is encouraging customers to buy homes.
- **Liquidity crunch has eased –** Developers are in better shape after debt restructuring, infusion of funds through QIPs and non-strategic assets sales.
- **Change in strategy –** Focus is on affordable homes and pre-sale of projects. Commercial and retail segments are yet to see meaningful recovery.
- **Catalysts and challenges –** Continued improvement in home demand, increase in property prices and revival of the office segment are catalysts going forward while scale up in construction activity and project execution will be a key challenge.
- **Initiate with BUY –** We initiate coverage on the sector with a BUY rating on four stocks DLF (Target Price INR520), Unitech (Target Price INR136), HDIL (Target Price INR411) and Indiabulls Real Estate (Target Price INR355).

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The worst is over

Fundamentals of the real estate sector are improving as seen by better liquidity and improved demand in the residential segment. Enhanced affordability, lower mortgage rates and better job security have helped revive demand for homes. The worst seems to be over and the sector is progressively recovering led by the residential segment.

The worst is over and the sector is progressively recovering led by the residential segment

Key signs of improvement include: 1) Attractively priced new launches in the residential segment have seen good bookings with some projects being sold out within a few days of launch; 2) Improved balance sheets of developers through infusion of funds from QIPs and sale of non-strategic assets.

While the residential segment is witnessing a recovery in demand, the office and retail segments are still sluggish and will take some time to recover as the economy gradually gets back on track.

Last year's slowdown has caused several developers to rethink their strategies: 1) Focus has shifted to affordable/mid-income housing from luxury housing; 2) In commercial projects, several developers are moving to 'sale model' to manage liquidity rather than leasing space. Some developers are also converting commercial projects into residential, where possible; 3) Developers are exiting low visibility large township projects and are instead targeting strategically located land parcels in and around key cities; 4) Developers are delaying SEZ projects, especially IT SEZs, because of poor demand.

Key triggers for the real estate sector going forward are: 1) Continued improvement in residential demand. The festive season will be an important indicator of this; 2) Increase in property prices; 3) Pick-up in construction activity; 4) Recovery in the office space segment.

We initiate coverage on the sector with a BUY rating on DLF (Target Price INR520), Unitech (Target Price INR136), HDIL (Target Price INR411), and Indiabulls Real Estate (Target Price INR355).

Fundamentals improving

Better liquidity conditions for developers

Several developers were facing a liquidity crisis in 2HFY09 given highly leveraged balance sheets. With property sales drying up and lack of funds to repay debt, developers approached lenders to reschedule/restructure loans. Although many developers were able to defer repayments, high interest costs and requirement of funds for project execution were still a concern.

QIPs give property developers new lease of life

With the rebound in stock markets and increase in investor risk appetite, developers turned to QIPs to raise much needed funds. Since Apr 2009, real estate developers have raised ~USD2.8bn through QIPs/promoter stake sale and proposed QIPs with plans to raise up to USD1.5bn are in the pipeline. In addition, warrants worth ~USD432m have been issued to promoters of property companies (25% paid upfront and balance payable on conversion).

Fund raising transactions completed

Company	US$m	Mth-Yr	Promoter Holding Pre	Promoter Holding Post	Comments
QIPs					
Unitech QIP - 1	325	Apr-09	65%	51%	32% equity dilution factoring in both QIPs
Unitech QIP - 2	575	Jul-09	51%	44%	
Indiabulls Real Estate	550	May-09	26%	17%	36% equity dilution
HDIL	350	Jul-09	61%	48%	20% equity dilution
Sobha Developers	110	Jul-09	87%	65%	26% equity dilution
Orbit Corp	30	Aug-09	60%	50%	18% equity dilution
Ackruti City	60	Sep-09	90%	82%	8% equity dilution
Parsvnath Developers	34	Oct-09	80%	75%	7% equity dilution
Promoter Stake Sale					
DLF	770	May-09	89%	79%	Promoters sold 9.9% stake in DLF
Total	**2,803**				
Issue of Warrants to Promoters					
Unitech	230	Jun-09	44%	49%	9% equity dilution. 25% paid upfront and balance on conversion.
HDIL	130	Jul-09	48%	52%	7% equity dilution. 25% paid upfront and balance on conversion.
Anant Raj Industries	35	Jul-09	61%	57%	6% equity dilution. 25% paid upfront and balance on conversion.
Orbit Corp	15	Sep-09	50%	54%	8% equity dilution. 25% paid upfront and balance on conversion.
Ansal Properties	23	Sep-09	57%	63%	12% equity dilution. 25% paid upfront and balance on conversion.
Total	**432**				

Source: Company, Bloomberg, Antique

While larger developers have completed their fund raising, QIPs of some smaller developers are still in the pipeline.

QIP transactions in the pipeline

Company	US$m	Promoter Holding Pre	Promoter Holding Post	Comments
Puravankara Projects	150	90%	70%	22% potential equity dilution. Shareholder approval received on 22 June
Anant Raj Industries	400	61%	42%	32% potential equity dilution. Shareholder approval received on 25 June
Ansal Properties	300	58%	23%	60% potential equity dilution. Shareholder approval received on 17 July
Omaxe	360	85%	46%	46% potential equity dilution. Shareholder approval received on 6 July
Peninsula Land	150	54%	40%	25% potential equity dilution. Shareholder approval received on 10 August
Sunteck Realty	100	68%	59%	13% potential equity dilution. Shareholder approval received on 11 Sep
Total	**1,460**			

Note: Potential dilution and pre and post promoter holding calculated based on 29 September 2009 prices
Source: Company, Antique

Improved net-debt/equity post fund raising

Infusion of funds through QIPs has helped bring down the net-debt/equity ratio of developers.

Improvement in net-debt/equity of real estate developers

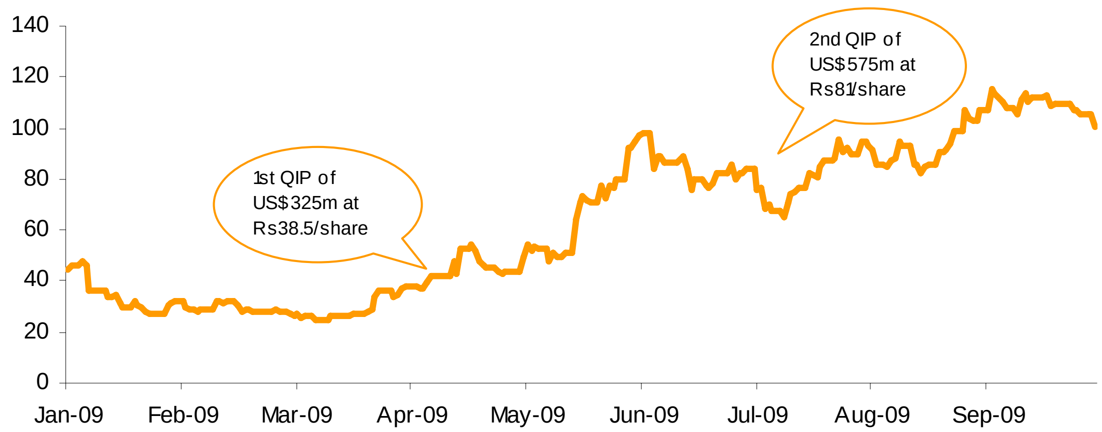
Net-Debt/Equity	Dec-08	Mar-09	Current
Unitech	1.7	1.6	0.6
HDIL	0.9	0.9	0.4
Sobha Developers	1.6	1.7	0.9
Orbit	1.2	1.2	0.8
DLF	0.6	0.6	0.5
DLF's Receivables from DAL (INR bn)	**55**	**50**	**26**

Source: Company, Antique

Strong uptrend in stock prices post QIP/promoter stake sale

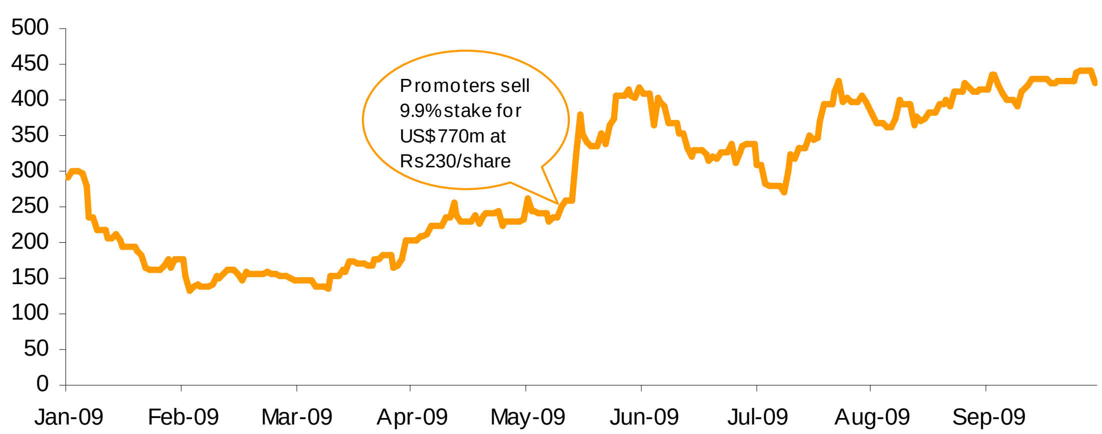
Most developers have used funds raised through QIPs to repay debt, thereby alleviating worries about defaults. With concerns about high debt levels dispelled, companies which have managed to raise funds have seen a sharp bounce back in their stock prices.

Unitech stock price performance



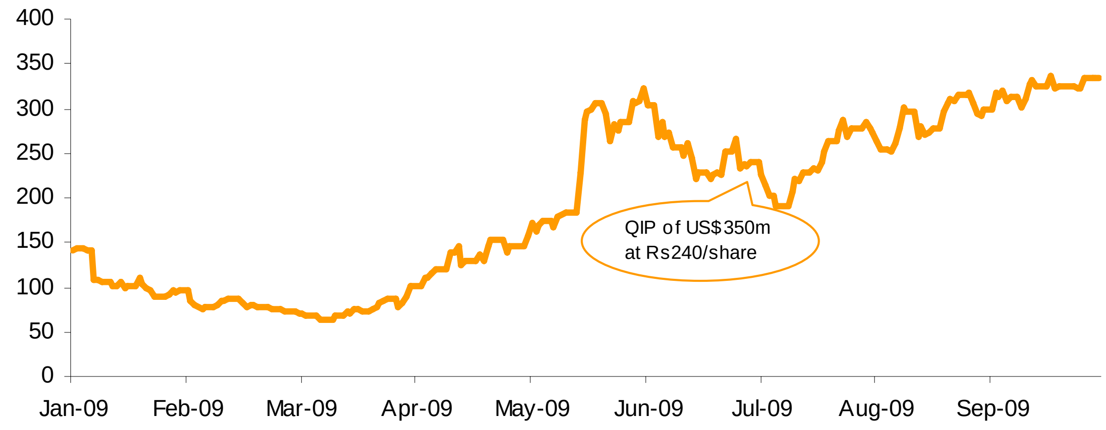
Source: Bloomberg, Antique

DLF stock price performance



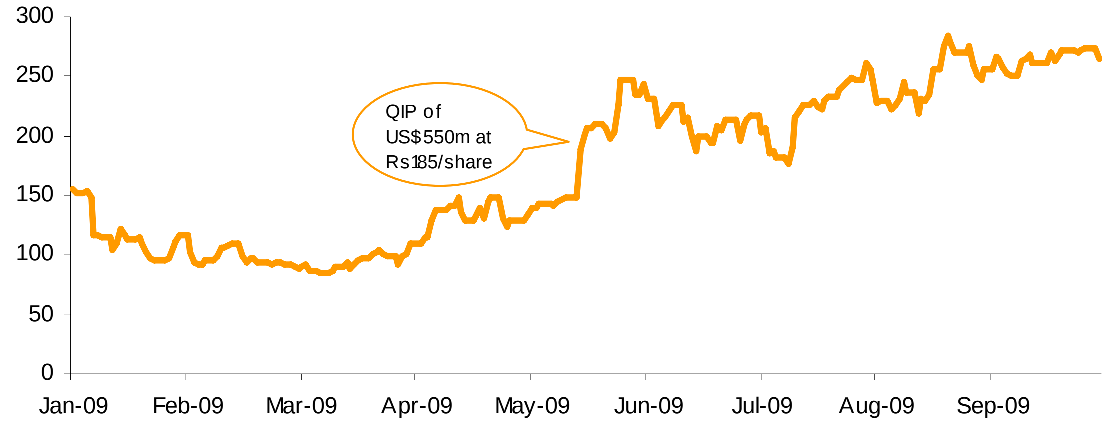
Source: Bloomberg, Antique

HDIL stock price performance



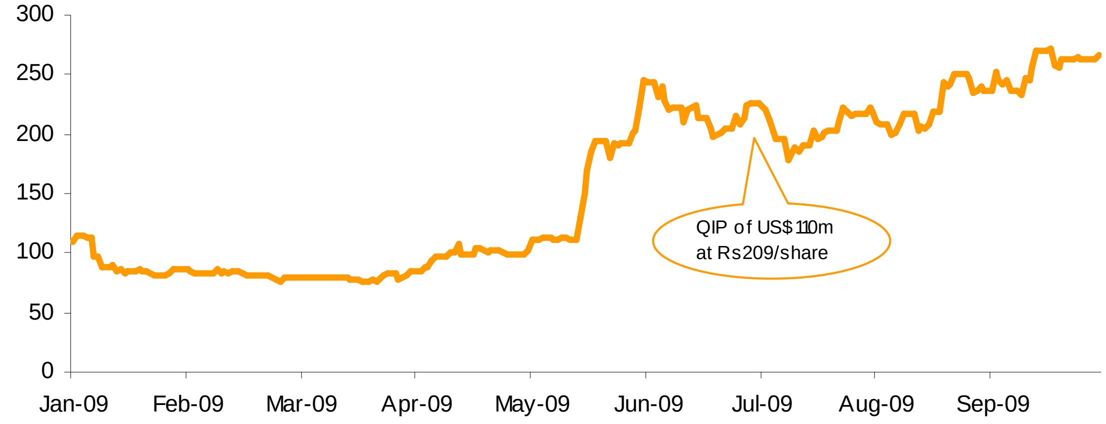
Source: Bloomberg, Antique

IBREL stock price performance



Source: Bloomberg, Antique

Sobha stock price performance



Source: Bloomberg, Antique

Sale of non-strategic assets helps improve cash flows

Apart from QIPs, developers are also working towards sale of non-strategic assets and land parcels to raise funds and reduce debt. Unitech has so far raised ~USD200m (~INR10bn) from the sale of two hotels and school plots in Gurgaon and an office building in Delhi and has received ~USD77m (INR3.86bn) by way of repayment of loans from Unitech Wireless after Telenor agreed to stake in the telecom business. In addition, Unitech plans to sell four more hotels in Noida, Kolkata, and Bangalore. On the other hand, DLF plans to raise ~USD1.1bn (INR55bn) in FY10 from the sale of non-strategic assets and land parcels, of which the company has clear visibility of ~USD700m (INR35bn) and action for ~USD400m (INR20bn) is underway.

Asset sale transactions completed/in advanced stages

Company	Asset	~Amt (US$ m)	Comments
Unitech	Telecom Business - Unitech Wireless	77	Repayment of loan by Unitech Wireless after Telenor agreed to take stake in the telecom business.
Unitech	Gurgaon Hotel	46	Courtyard by Marriott hotel sold.
Unitech	Gurgaon Hotel - Country Inn & Suites	40	Country Inn & Suites hotel sold.
Unitech	Office building in Delhi	100	Office building of ~0.2m sq ft in Saket in South Delhi sold.
DLF	Wind Power Business	180	Sale ofl wind power business.
DLF	Stake in Prabhadevi Land	62	Sale of 66% stake in 8-acre land in Prabhadevi which was intended to be used for developing a hotel in JV with Ackruti City.
DLF	Stake in Andheri Commercial Project	44	Sale of 50% stake in a JV with Ackruti City for developing a commercial building in Andheri (E).
DLF	Delhi Convention Centre Project	170	Negotiating with Delhi Development Authority to exit from project to build convention centre at Dwarka.
DLF	Bidadi and Dankuni Township Project	67	Exited from Bidadi and Dankuni township projects. Amount received in Apr 2009.

Source: Company, Economic Times, Business Standard, Business Line, Financial Express, Mint, Antique

Asset sale transactions being evaluated/in the pipeline

Company	Asset
Unitech	Plans to sell four hotels in Noida, Kolkata, and Bangalore.
DLF	Plans to raise INR55bn through sale of non-strategic assets and land parcels in FY10. Has clear visibility of INR35bn. (includes asset sales referred to in above table)
Sobha Developers	Looking to sell land parcels in Bangalore, Pune, and Kochi.
Parsvnath Developers	Has put four hotel projects in Hyderabad, Goa, Ahmedabad, and Lucknow on the block.

Source: Company, Economic Times, Business Standard, Business Line, Financial Express, Mint, Antique

Revival in residential demand

Better affordability and increased job security have helped revive home demand

After seeing a sharp slowdown in demand in 2HCY08, residential demand began picking up from March-April 2009 on the back of better affordability and increased job security. Improved affordability has been a function of lower property prices, smaller apartment sizes and lower interest rates.

Several new projects launched since March-April 2009, have seen good demand with many of the projects being sold out within a few days of launch.

Performance of new launches

Developer	Project	City	Location	Launch Mth/Year	Base Price INR/sq.ft.	~Units launched	~Units sold
Unitech	Uniworld Gardens II	Gurgaon	Sector 47	Mar-09	2,995	800	Sold Out
Unitech	The Residences	Gurgaon	Sector 33	Apr-09	3,295	1,200	Sold Out
Unitech	Sunbreeze	Gurgaon	Sector 69	Aug-09	2,764	1,000	600
Unitech	North Town Ananda	Chennai	Perambur	Apr-09	3,000	504	Sold Out
Unitech	North Town Brahma	Chennai	Perambur	Apr-09	3,000	572	Sold Out
Unitech	Unihomes Phase I	Noida	Sector 117	Jun-09	2,895	900	Sold Out
Unitech	Unihomes Phase II	Noida	Sector 117	Aug-09	2,960	1,200	75% Sold
Unitech	Uniworld Gardens	Noida	Sector 117	Aug-09	3,395	168	50% Sold
Unitech	Unihomes - Plots	Gr Noida	Nr Pari Chwk	Aug-09	1,778	360	Almost Sold Out
Unitech	The Residences	Mumbai	Chembur	Apr-09	5,225	110	Sold Out
Unitech	Unihomes	Chennai	Nalambakam	Aug-09	1,845	425	70-75% Sold
Unitech	Unihomes Phase I	Mohali	Sector 105	Aug-09	1,978	45	Almost Sold Out
Unitech	Vistas	Kolkata	Rajarhat	Apr-09	2,745	252	170
Unitech	Unihomes	Kolkata	Kona Expr	Aug-09	2,190	104	30
DLF	Capital Greens - Phase I	Delhi	Shivaji Marg	Apr-09	4,500-5,500	1,389	Sold Out
DLF	Capital Greens - Phase II	Delhi	Shivaji Marg	Sep-09	6,250-7,500	1,250	Sold Out
DLF	West End Heights	Bangalore	Bannerghatta	Feb-09	1,850-2,000	800	Sold Out
HDIL	Premier Residences	Mumbai	Kurla	Mar-09	5,450	950	85% Sold
HDIL	Metropolis	Mumbai	Andheri	Mar-09	7,650	414	95% Sold
HDIL	Galaxy Apartments	Mumbai	Kurla	Apr-09	4,250	450	65% Sold
IBREL	Indiabulls Greens	Chennai	OMR	Nov-08	3,000	400	296
IBREL	Centrum Park Phase I	Gurgaon	Sector 103	Mar-09	1,950	192	Almost Sold Out
IBREL	Central Park	Indore	Swadeshi Mls	Feb-09	2,000	128	50% Sold
IBREL	Central Park	Ahmedabad	Himadri Mills	Feb-09	1,412	288	182
IBREL	Vatika	Ahmedabad	DudeshwarRd	Jul-09	1,725	200	80
Puravankara	Cosmo City PH 1	Chennai	NrSisurerilTPark	Jan-09	1,720	518	Sold Out
Puravankara	Cosmo City PH 2	Chennai	NrSisurerilTPark	Apr-09	1,820	530	>75% Sold
Puravankara	Welworth City	Bangalore	Doddaballapur	Aug-09	1,760	1,024	637
Emaar MGF	Emerald Floors	Gurgaon	Sector 65	Jun-09	2,400	900	Sold Out
BPTP	Park Elite Floors	Faridabad	Sector 85	May-09	1,240	1,000	Sold Out
Jaypee Group	Jaypee Greens Aman	Noida	Sector 151	May-09	2,100	3,000	Sold Out
Nahar Group	Laurel/Jonquille	Mumbai	Chandivali	May-09	5,500	704	Sold Out
Lodha Dev	Casa Bella	Mumbai	Dombivali	Mar-09	2,241	3,500	2,000

Source: Company, Business Standard, www.allcheckdeals.com, Antique

Demand in the current festive season will be an important indicator of recovery in the residential segment.

Residential prices have declined substantially

Property prices have declined upto 25-30% from peak levels

Property prices rose rapidly from 2005 to early 2008 and became a deterrent for home buyers resulting in a sharp slowdown in the residential demand.

However, since 2HCY08, property prices began correcting and have declined up to 25–30% from their peak levels. This has helped bring back demand in the residential segment.

Increase in residential prices from 2005 to Jul 2008

City	% Increase
NCR	61%
Mumbai Metropolitan Region	121%
Bangalore	69%
Chennai	145%
Hyderabad	63%
Kolkata	100%
Pune	96%
Kochi	54%
Chandigarh	108%
Ahmedabad	116%

Source: Crisil

Mumbai residential prices

	INR/sq ft	Price Change	
Mumbai	**2QCY09**	**3mths**	**1Yr**
Colaba, Cuffe Parade	45,000-55,000	-1%	-6%
Altamount Road, Napeansea Road, Peddar Road	42,000-62,000	-3%	-11%
Lower Parel, Parel	12,000-24,000	-5%	-28%
Bandra, Santacruz, Juhu	13,000-19,000	0%	-6%
Andheri, Malad, Goregaon	7,500-10,500	6%	-1%

NCR residential prices

	INR/sq ft	Price Change	
NCR	**2QCY09**	**3mths**	**1Yr**
Amrita Shergil Marg, Prithviraj Road	40,000-45,000	0%	-20%
Shanti Niketan, Vasant Vihar	27,000-32,000	0%	-13%
Friends Colony, Greater Kailash-I and II	19,000-23,000	0%	-11%
New Friends Colony, Kalindi Colony	13,000-15,000	0%	-18%
Gurgaon	3,800-5,000	0%	-20%
Noida	3,000-4,500	0%	-17%

Bangalore residential prices

	INR/sq ft	Price Change	
Bangalore	**2QCY09**	**3mths**	**1Yr**
Lavelle Road, Richmond Road	12,000-15,000	-7%	-23%
Marathalli, Whitefield	2,400-2,700	-4%	-27%
Sarjapur Road, Outer Ring Road	2,500-3,500	-2%	-25%
Koramangala	6,400-8,000	-8%	-20%
Hebbal, Yelahanka	2,800-4,000	0%	-3%

Chennai residential prices

	INR/sq ft	Price Change	
Chennai	**2QCY09**	**3mths**	**1Yr**
Boat Club	18,000-22,000	0%	-5%
Nungambakkam	7,000-8,000	0%	-9%
Velachery	3,800-4,000	0%	-3%
OMR	2,500-2,800	0%	-12%

Hyderabad residential prices

	INR/sq ft	Price Change	
Hyderabad	**2QCY09**	**3mths**	**1 Yr**
Banjara Hills	5,500-6,100	-3%	-11%
Jubilee Hills	5,300-5,700	0%	-15%
Madhapur, Gachibowli	2,400-3,000	0%	-10%
Kukatpally	2,300-2,800	0%	-9%

Pune residential prices

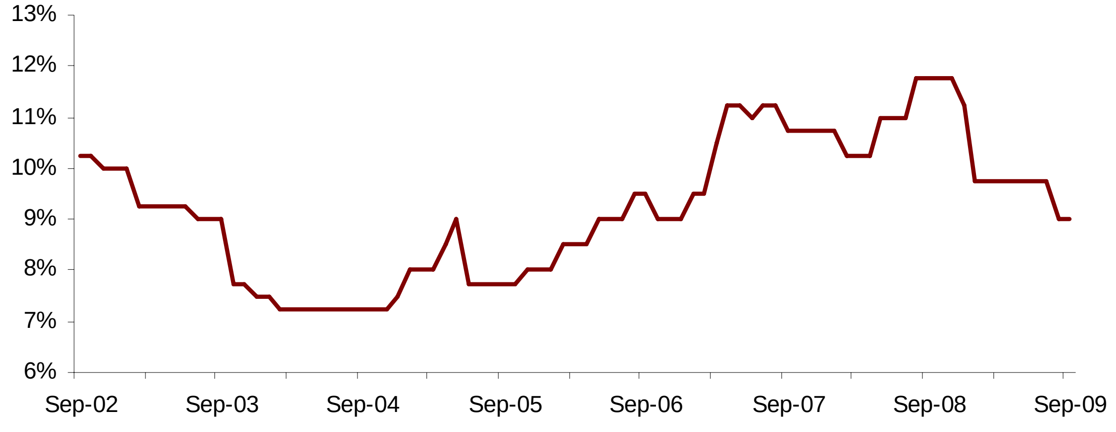
	INR/sq ft	Price Change	
Pune	**2QCY09**	**3mths**	**1Yr**
Koregaon Park, Bund Garden	6,000-9,000	-12%	-17%
Aundh	3,250-3,500	-6%	-10%
Wakad	2,000-2,200	-11%	-24%
Wanowrie	2,500-2,700	-2%	-16%

Source: Cushman & Wakefield, Antique

Lower mortgage rates

Home loan rates saw a steady increase in the last two years, till December 2008, with HDFC's floating rates increasing from 9% in December 2006 to 11.75% in November 2008. However, with the reduction in the repo rate from 9% to 4.75%, banks and housing finance companies too have reduced home loan rates substantially since December 2008.

HDFC floating home loan rates



Source: Bloomberg, Antique

Banks and Housing Finance Companies have been reducing home loan rates

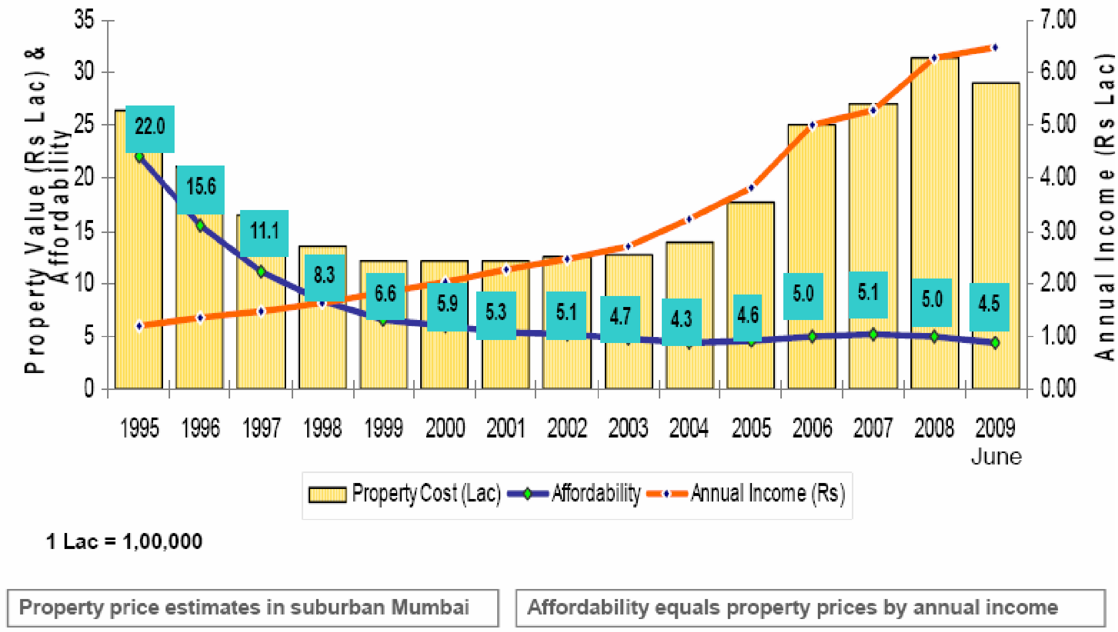
Month-Yr	Bank/HFC	Comments
Jul-09	State Bank of India	Cuts home loan rates for the first three years. 8% in the first year, 8.5% in the second year, 9.5% in the third year, and 1.25% below PLR from fourth year onwards.
Aug-09	HDFC	Cuts rates by 50bps from 9.5% to 9% for home loans between INR3-5m.
Aug-09	ICICI Bank	Cuts home loan rates to 8.75% for loans up to INR2m, 9.25% for loans between INR2-5m and 9.75% for loans above INR5m.
Aug-09	LIC Housing Finance	Cuts home loan rates for new borrowers. For loans up to INR7.5m rate fixed at 8.75% vs. 9.25%, for loans between INR3-7.5m.
Sep-09	Union Bank of India	Cuts home loan rates to 8.5% for the first three years and linked to PLR from fourth year onwards for loans up to INR5m.
Sep-09	IDBI Bank	Cuts home loan rates from 9% to 8.75% for loans up to INR3m.

Source: Economic Times, Business Standard, Financial Express, Indian Realty News, IBN Live

Better affordability

Decline in property prices together with lower interest rates has helped improve affordability of home buyers.

Affordability improves



Source: HDFC

Better job security

In 2008, in addition to high property prices and interest rates, possibility of job losses and pay cuts deterred customers from buying homes. Given lack of clarity on jobs and income levels, home buyers held back purchases. With improvement in the economic environment since April 2009 people have better visibility of their income levels and this has helped bring back demand in the residential segment.

According to a survey conducted by Hewitt Associates, only 6% of 137 surveyed companies reduced salaries

According to a survey conducted by Hewitt Associates, only 6% of 137 surveyed companies reduced salaries and 16% (mainly in the financial services and IT/ITES sector) have a salary freeze. Further, only 5% of the companies are considering layoffs in FY10.

Hewitt Associates Survey (May-Jun 2009): Sectors with highest salary increase

Sectors with Highest Salary Increase	%
Pharmaceutical Sector	11.1%
Manufacturing	10.8%
Telecom	9.5%
FMCG	9.3%

Source: Hewitt Associates

Hewitt Associates Survey (May-Jun 2009): Sectors with lowest salary increase

Sectors with Lowest Salary Increase	%
IT	2.9%
ITES	4.4%
Financial Services	5.2%

Source: Hewitt Associates

Government lends a helping hand

The government too has announced several measures to help revive the real estate sector.

Government measures for real estate sector

Mth/Yr	Measures
Dec-08	RBI allows initial restructuring of commercial real estate loans without classifying them as NPAs (till 30 Jun 2009). Also, loans by banks to Housing Finance Companies for on-lending to individuals for purchase of homes not exceeding Rs2m will be classified as priority sector advances.
Jan-09	RBI removes ban on raising ECB (External Commercial Borrowings) for development of integrated townships till Dec 2009.
Jan-09	Andhra Pradesh government exempts stamp duty on new apartments up to 1,200 sq ft from 1 Jan 2009 to 31 Dec 2010.
Feb-09	Karnataka government reduces stamp duty on immovable property to 6% from 7.5%.
Feb-09	Orissa government reduces stamp duty on apartments and multi-storey buildings to 5% from 7% earlier.
Jun-09	RBI allows ECBs for infrastructure facilities with SEZs.
Sep-09	RBI classifies loans to SEZs as infrastructure lending.
Sep-09	Government announces 1% interest subvention on home loans up to Rs1m for homes costing up to Rs2m. The first twelve instalments of all loans sanctioned and disbursed during the twelve months from the date of publication of the scheme will be eligible for interest subvention.

Source: RBI, Economic Times, Business Standard, Business Line, Financial Express

Further signs of resurgence in real estate

Renewed private equity interest in property

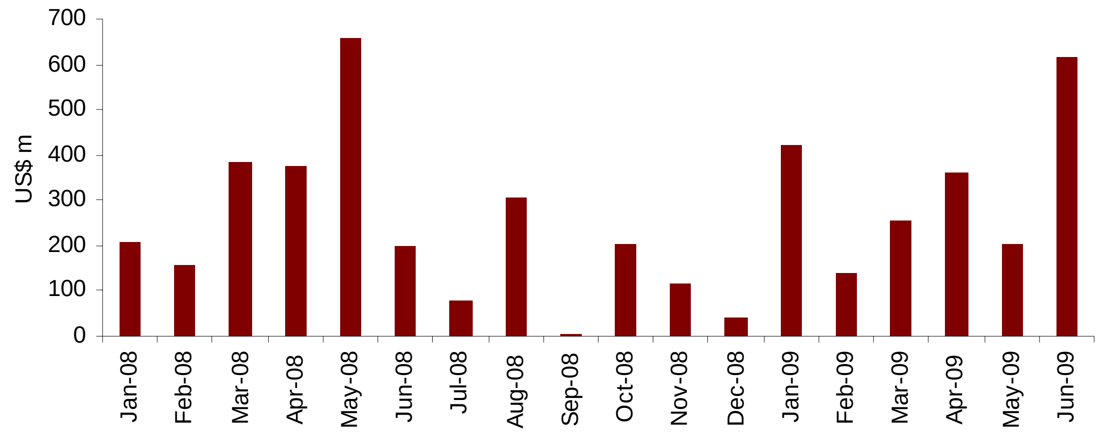
With the increase in investor risk appetite, in addition to QIPs, developers are also looking to raise funds from private equity investors.

Private equity deals in real estate in 2009

Investor	Company	Month/ Year	Invst (US$m)	Description
Sun-Apollo Ventures	Keystone Realtors	Jan-09	60	15% stake in company.
IL&FS Realty Fund	Akruti City	Feb-09	40	15% stake in SPV (Infrastructure Ventures India) for developing houses for Mumbai police in suburban Ghatkopar.
Standard Chartered Private Equity	Man Infraconstruction	Apr-09	NA	Acquisition of undisclosed stake in the company.
Purna Partners	Sobha Developers	May-09	45	Sobha to divest stake in certain land parcels to be developed through SPVs.
Red Fort Capital	Parsvnath Developers	Jun-09	18	18% stake in SPV developing residential project in Delhi.
Fund formed by former Old Lane Fund partners	Lodha Developers	Aug-09	25	26% stake in Dombivali project.
Red Fort Capital	3C	9-Aug	30	50% stake in residential project 'Lotus Boulevard' in Greater Noida.
Oman Investment Fund	Mohtisham Estates	Sep-09	125	50% in stake in 300 acre township on Mangalore-Bangalore highway.
IPRO	Ansal properties	Sep-09	18	10% stake in company.
Red Fort Capital	Parsvnath Developers	Sep-09	5	Acquisition of 4% additional stake in SPV developing residential project in Delhi

Source: Company, VCcircle, Economic Times, Business Standard, Business Line, Financial Express, Mint, Antique

FDI in housing and real estate



Source: Department of Industrial Policy and Promotion, Antique

Developers are once again eyeing land acquisitions but this time selectively with greater discretion

Land deals are back

With demand fading and developers facing a cash crunch for most part of FY09, land deals had dried up and in fact several developers began evaluating options to sell excess and non-strategic land parcels in an effort to improve cash flows and reduce debt. With signs of revival in demand, developers are once again eyeing land acquisitions but this time selectively with greater discretion.

While in the past 2 to 3 years developers were focused on acquiring land/bidding for large township and SEZ projects, the focus seems to have now shifted to strategically located land parcels in and around large cities.

Recent land transactions/bids

Month/ Year	City	Location	Size (acres)	Cost (Rs m)	Cost per acre (Rs m)	Reserve price (Rs m)	Purchaser/ Bidder	Comments
Sep-09	Chennai	Guindy (Mount Road)	0.5	160	342	NA	NAPC	
Sep-09	Ah'dabad	Jagatpur	100	NA	NA	NA	Godrej Properties	Acquisition for Godrej Garden City township project to be spread over 250 acres.
Aug-09	Mumbai	Mantralaya-Nariman Point	4	13760	3440	11000	IBREL	IBREL was the highest bidder for the Mantralaya redevelopment project but the govt is still to formally award the contract.
Aug-09	N.Mumbai	Airoli	NA	310	NA	NA	PiramalSunteck	2 plots with sizes ranging from 1500-3500 sq mt acquired.
Aug-09	Gurgaon	Sector 42, 53 and 54	351	17030	49	17000	DLF	Land to be used for setting up a recreation and leisure project comprising commercial, residential, sports and golf course activities.
Aug-09	Mumbai	Prabhadevi - Crown Mills	7	6000	857	NA	DB Group	
Jul-09	Bangalore, Chennai & Hyderabad	NA	135	8000	59	NA	Hiranandani Group	Acquisition of 80 acres in Bangalore, 35 acres in Chennai and 20 acres in Hyderabad for Rs8000m. Funds to be raised through private equity investments at SPV level.
Jul-09	Mumbai	Parel-FinlayMills	10	7100	689	7080	Lodha Developers	Lodha had the highest bid of Rs6579m which it later revised upwards to Rs7100m. However, NTC has refused to accept the bid.

Source: Economic Times, Business Standard, DNA, Indian Realty News, Business Standard, Times of India

In addition, there are several land assets/redevelopment projects that are expected to be put on the block.

Prospective transactions/redevelopment projects

Location	Size (acres)	Comments
Mumbai - Dadar	13	Kohinoor Mills 1 and 2
Mumbai - Dadar	8	Bharat Textiles
Mumbai - Worli	2.4	Podar Process
Mumbai - Kalachowkie	7.7	India United Mills 4
Mumbai - Dadar	12	India United Mills 6
Mumbai - Lalbaug	8	Jam Mills
Mumbai - Chinchpokli	8	Sitaram Mills
Mumbai - Worli	18	Madhusudan Mills
Mumbai - Lalbaug	9	Digvijay Mills
Mumbai - Bandra (East)	100	Project for redevelopment of state government staff quarters.
Mumbai - Lower Parel	85,000 sq ft	Mafatlal Industries has put Mafatlal Chambers B on the block.
Mumbai - Vile Parle	7.5	Golden Tobacco is looking to monetize its property. May explore opportunities to jointly develop property.
Mumbai - BKC	2.5	Jet Airways plans to sell 2.5 acres at BKC to reduce its debt burden.
Bangalore, Kanpur and Coimbatore	192	NTC plans to sell off surplus land in Coimbatore (19 acres), Kanpur (135 acres), Bangalore (38 acres).

Source: Economic Times, Times of India, Business Standard, Indian Express

Several IPOs in the pipeline

Improvement in stock market sentiment is also prompting several developers to raise funds through IPOs.

Company	Amt Targeted to be raised (USD m)
Lodha Developers	500-600
Emaar MGF	770
Sahara Prime City	700
DB Realty	400
Ambience Ltd	225
Raheja (Delhi based)	200
Oberoi Constructions	150-200
Shriram Properties	180
Nitesh Estates	110
Godrej Properties	100
EWDPL	100

Source: Economic Times, Business Standard, Financial Express, Financial Chronicle, Indian Realty News

Change in developers' strategy

Focus on affordable housing

In the golden period of Indian real estate from 2005 to 2008, developers were largely concentrating on luxury residential projects. However, with rising property prices and home loan rates and large ticket sizes, residential property became out of reach for the large majority of homebuyers. With affordability adversely impacted, residential demand saw a significant slowdown.

To bring back demand, developers shifted focus from luxury to affordable housing with the objective of reducing the overall cost of homes. This was achieved by launching new projects where in addition to lower prices per sq. ft., developers also offered smaller sized homes.

Recent project launches in the affordable/mid-income segment

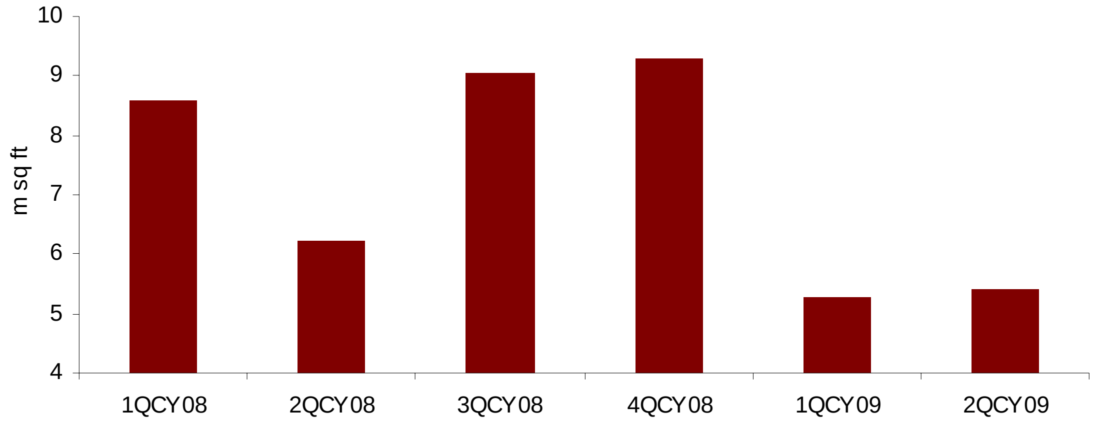
Developer	Project	CityLocation	Min unit size (sq.ft.)	Base Price (Rs/sq.ft)	Min unit cost (Rs m)
Vatika	Iris, Emilia, Primrose	GurgaonSector 82	1,092	1,966	2.1
ILD	Spire Greens	GurgaonSector 37C	910	2,100	1.9
Orris	Carnation Residency	GurgaonSector 85	1,050	1,980	2.1
Unitech	Unihomes	NoidaSector 117	580	2,960	1.7
Jaypee Group	Jaypee Greens Aman	NoidaSector 151	850	2,100	1.8
Omaxe	New Heights	FaridabadSector 78	850	1,904	1.6
BPTP	Park Elite Floors	FaridabadSector 85	1,296	1,240	1.6
Unitech	The Residences	MumbaiChembur	673	5,225	3.5
Lodha Developers	Casa Bella	MumbaiDombivali	585	2241	1.3
Lodha Developers	Casa Royale	MumbaiThane	585	3735	2.2
IBREL	Indiabulls Greens	MumbaiPanvel	683	2200	1.5
Puravankara	Provident Welworth City	BangaloreDoddaballapur	845	1760	1.5
Nitesh Estates	Hyde Park	BangaloreBannerghatta Road	688	2290	1.6
Ajmera Group	Infinity	BangaloreElectronic City	820	2200	1.8
DLF	West End Heights	BangaloreBannerghatta Road	1,085	2000	2.2
Unitech	Unihomes	ChennaiNallambakkam	700	1,845	1.3
ETA Star	Rosedale	Chennai OMR	789	2500	2.0
Puravankara	Provident Cosmo City	ChennaiNear Sisureri IT Park	848	1820	1.5
Unitech	Unihomes	KolkataKona Expressway	800	2190	1.8
Srijan Group	Srijan Midlands	KolkataJessore Road	824	1700	1.4
Eden Group	Eden Exotica	KolkataOff EM Bypass	876	2400	2.1
DLF	The Summit	HyderabadGachibowli	1,185	2000	2.4
Indu Projects	Indu Skies	HyderabadShamshabad	882	2100	1.9

Source: Company, www.allcheckdeals.com, Antique

Office and retail segments - not yet out of the woods

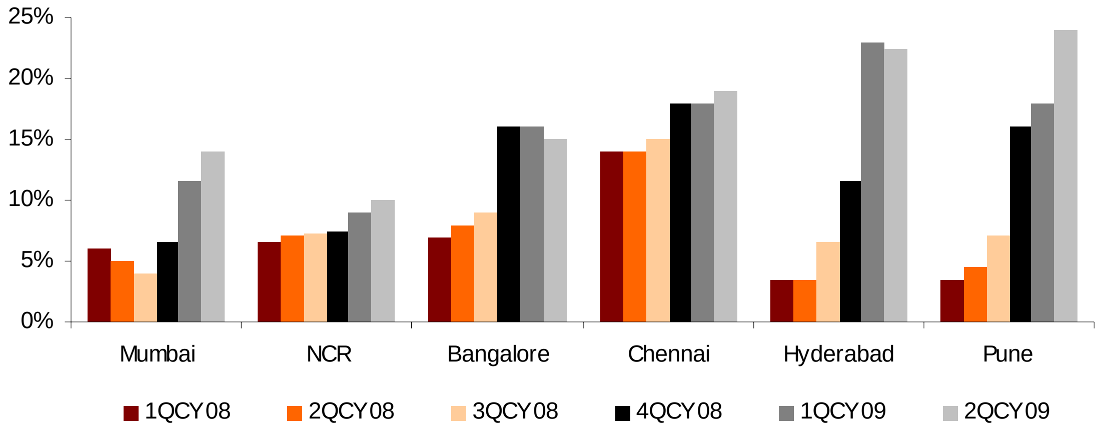
The office segment was badly hit by the slowdown in the economy, especially the IT/ITES and BFSI sectors. While developers planned substantial supply of office and retail space, there was a sharp contraction in demand resulting in correction in rentals. Office rentals have corrected up to ~40% from peak levels and seem to have now stabilized.

Office space absorption in key cities



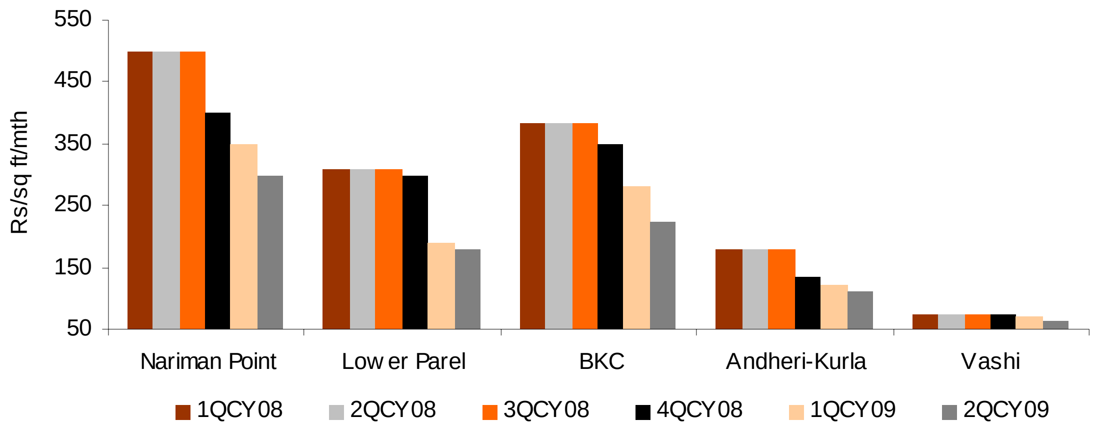
Note: Cities include Mumbai, NCR, Bangalore, Chennai, Hyderabad and Pune
Source: Cushman & Wakefield, Antique

Office space vacancy levels



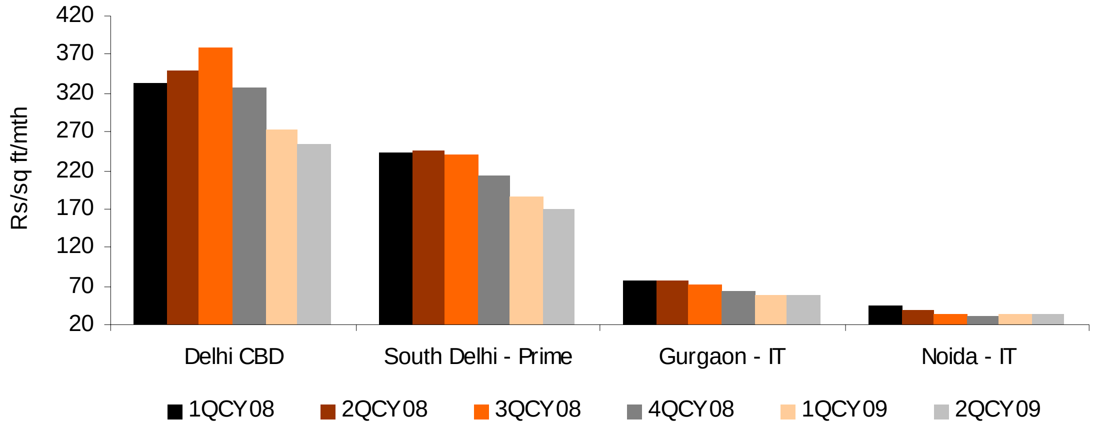
Source: Cushman & Wakefield, Antique

Mumbai office rentals



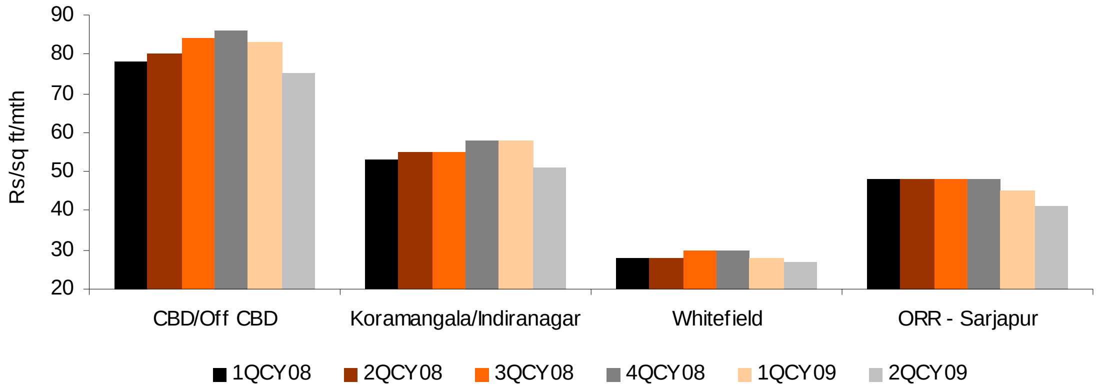
Source: Cushman & Wakefield, Antique

NCR office rentals



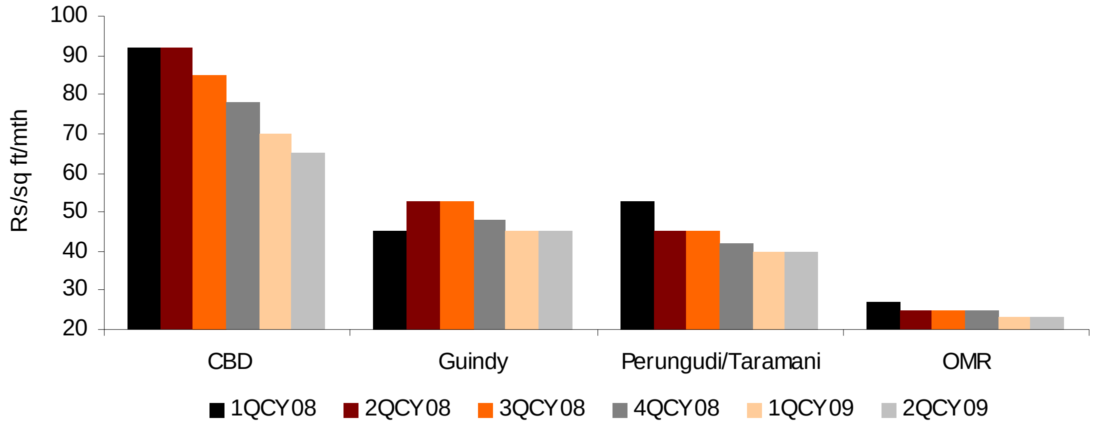
Source: Cushman & Wakefield, Antique

Bangalore office rentals



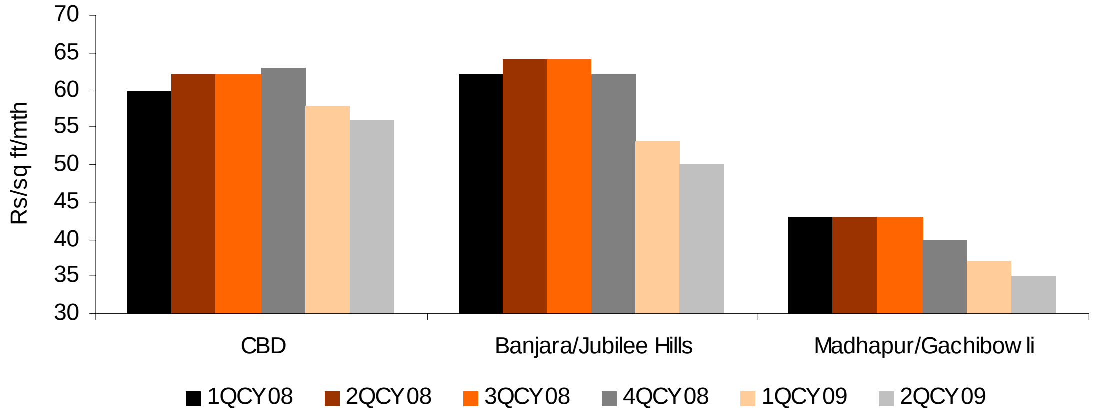
Source: Cushman & Wakefield, Antique

Chennai office rentals



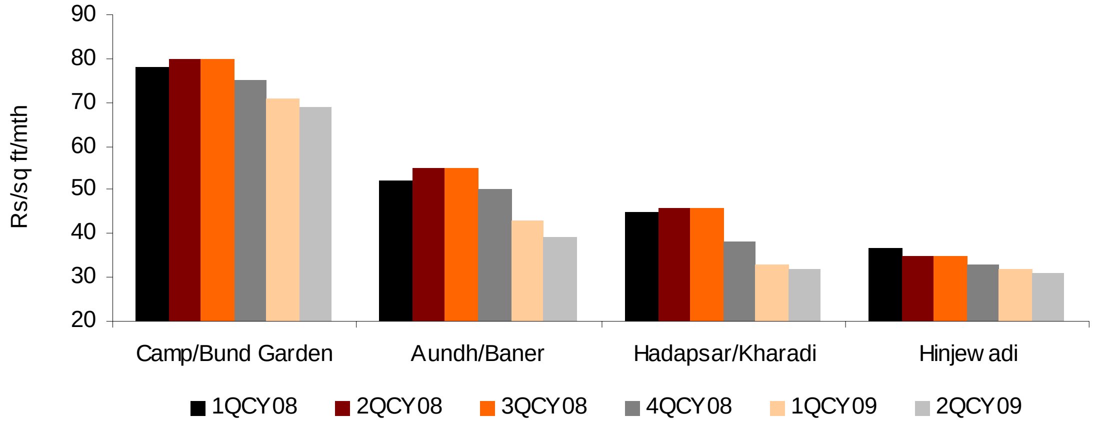
Source: Cushman & Wakefield, Antique

Hyderabad office rentals



Source: Cushman & Wakefield, Antique

Pune office rentals



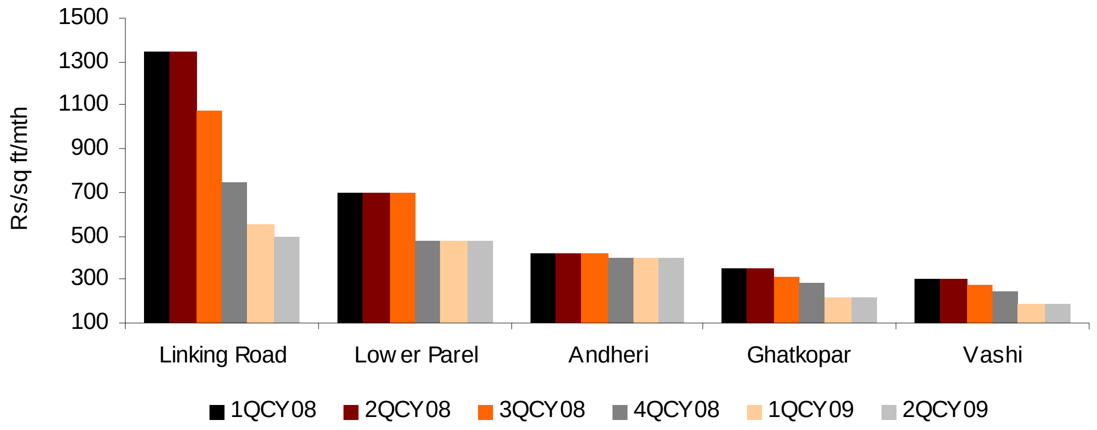
Source: Cushman & Wakefield, Antique

Demand for office space from Indian corporates has seen a pick up but demand from the IT/ITES sector is still subdued

While the residential segment has begun to see recovery, the office and retail segments are still lagging. There has been an increase in inquiries and demand for office space from Indian corporates has seen a pick up but demand from the IT/ITES sector is still subdued and this is likely to continue for the next 6 to 8 months.

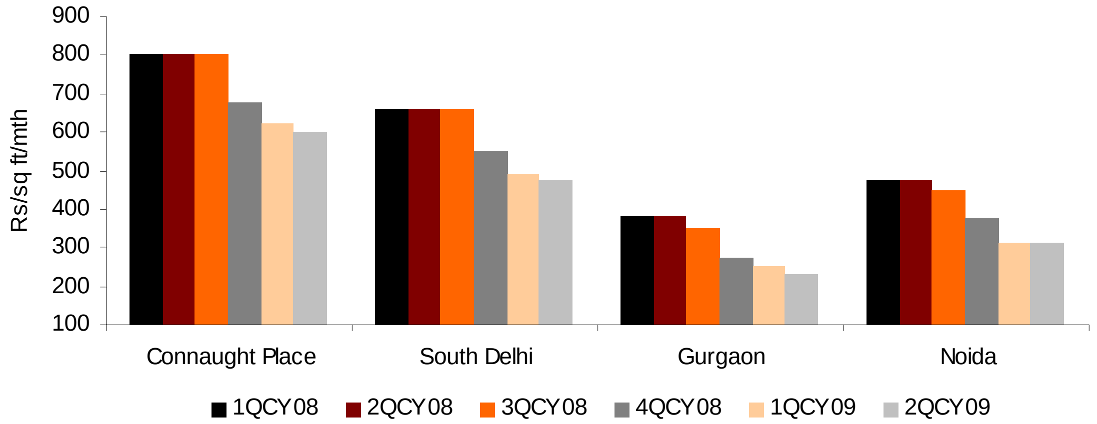
Leasing activity in malls too continues to be subdued. Retail rentals have corrected by up to ~65% from peak levels and in several cases retailers have re-negotiated for lower rentals or have moved to a revenue sharing model. Though the overall economic environment has improved, the retail segment will likely take some time to recover.

Mumbai retail rentals



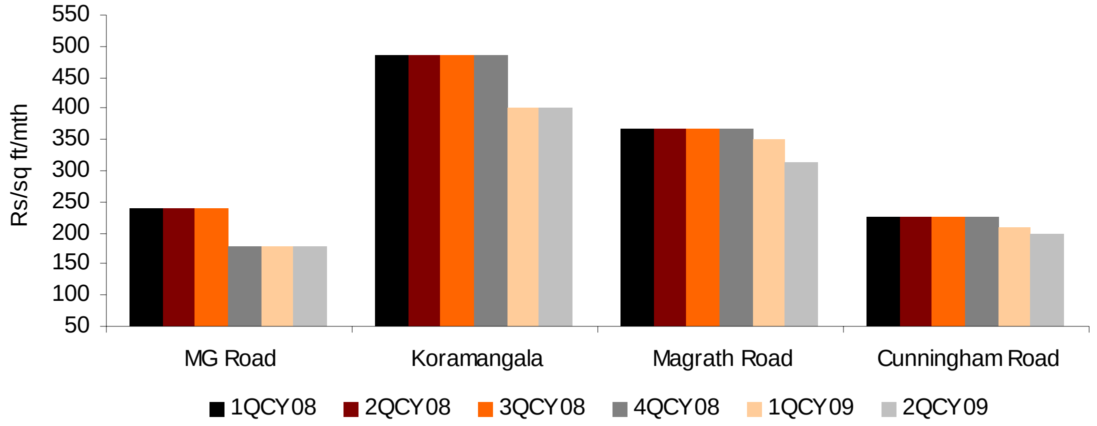
Source: Cushman & Wakefield, Antique

NCR retail rentals



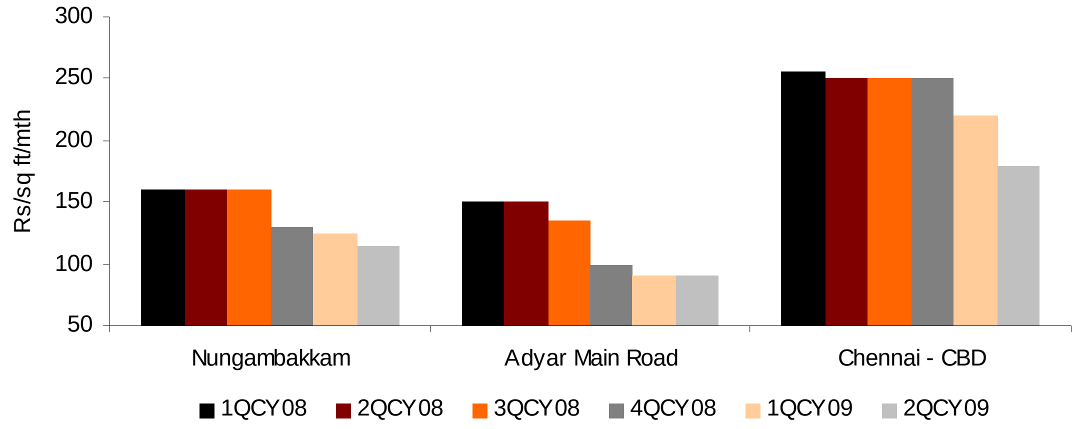
Source: Cushman & Wakefield, Antique

Bangalore retail rentals



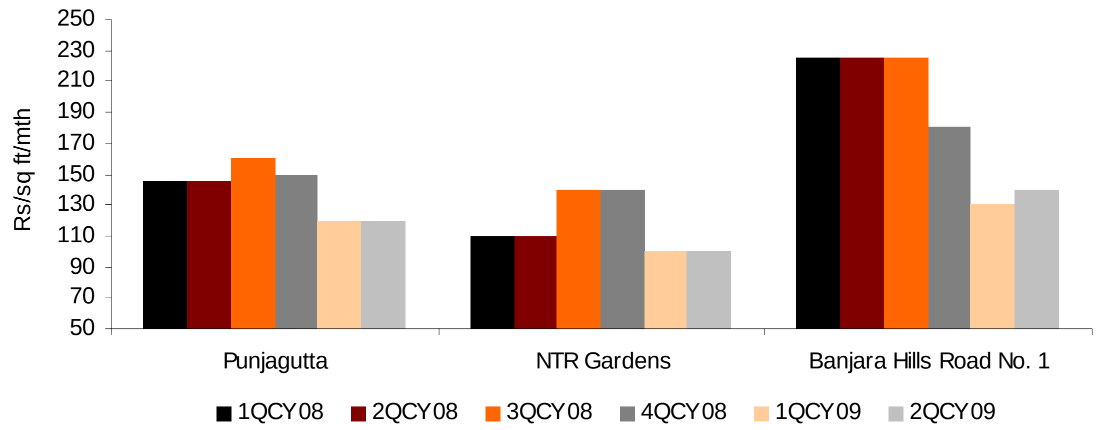
Source: Cushman & Wakefield, Antique

Chennai retail rentals



Source: Cushman & Wakefield, Antique

Hyderabad retail rentals



Source: Cushman & Wakefield, Antique

Given the slowdown in the commercial segment, developers are putting planned office and retail projects on hold and where possible are also trying to convert commercial projects into residential.

Exit from large township/SEZ projects with low visibility

From 2005 to early 2008, developers were focused on large township and SEZ projects. However, these projects had low visibility given issues of contiguous land acquisition and various government approvals. With the downturn in the real estate sector in 2008 and funding hard to come by, some developers have opted out of or deferred plans for these large projects. Besides large townships, developers are also trying to move away from SEZ projects, especially IT/ITES SEZs, given lack of demand. De-notification of SEZs allows developers the flexibility to use the land for projects that are in sync with the current environment.

Developers exit/defer SEZs/projects with low visibility

Company	Comments
DLF	Exited Bidadi (9,000 acres) and Dankuni (4,800 acres) projects.
DLF	De-notified 5 IT SEZ.
Unitech	Exited NKID (New Kolkata International Development) project which involved setting up of two SEZs, a cluster of industrial estates, a 100-km Expressway and a clutch of townships, spread over ~37,300 acres.
Unitech	10,000 acres SEZ at Kundli in Haryana put on hold.
BPTP	Exited 95-acre Noida project which at ~INR50bn was slated to be the most expensive land deal in the country.
Ansal Properties	Planning to de-notify 3 IT SEZs and convert them into residential projects.

Source: Company, Mint, Business Standard, Indian Express, DNA

Shift towards sale vs. lease model for commercial projects

developers now prefer to sell commercial projects rather than leasing them

With the slowdown in the office and retail segment, developers now prefer to sell commercial projects rather than leasing them. This strategy provides funds for construction of the project thereby reducing the need to take on debt. In some cases developers are also converting commercial projects into residential.

Key catalysts and challenges ahead

Price increase a key catalyst going forward

After successfully reviving residential demand through new launches at low price points, developers are now tempted to increase prices. Residential prices are beginning to firm up with developers increasing prices in select projects.

Price increases in select projects

					Rs/sq ft		
Company	**Project**	**City**	**Location**	**Launch Mth/Yr**	**Launch Price**	**Current Price**	**% Change**
HDIL	Metropolis	Mumbai	Andheri	Mar-09	7,650	10,000	31%
HDIL	Premier Resi	Mumbai	Kurla	Mar-09	5,250	6,000	14%
HDIL	Galaxy Apt	Mumbai	Kurla	Apr-09	4,250	4,450	5%
Lodha Dev	Casa Bella	Mumbai	Dombivali	Mar-09	2,000	2,240	12%
IBREL	Centrum Park	Gurgaon	Sector 103	Mar-09	1,950	2,400	23%
IBREL	Indiabulls Greens	Chennai	OMR	Nov-08	2,700	3,000	11%
Company	**Project**	**City**	**Location**	**Launch Mth/Yr**	**Phase I Price**	**Phase II Price**	**% Change**
DLF	Capital Greens	Delhi	Shivaji Marg	Phase I Apr-09, Phase II Sep-09	4,500-5,500	6,250-7,500	36-39%
Puravankara	ProvidentCosmo	Chennai	Near Sisureri IT Park	Phase I Jan-09, Phase II Apr-09	1,720	1,820	6%
Unitech	Unihomes	Noida	Sector 117	Phase I Jun-09, Phase II Aug-09	2,895	2,960	2%

Source: Company, www.allcheckdeals.com, Antique

Increase in property prices going forward is likely to be measured and cautious

While residential prices seem to have bottomed out and could begin to move upwards from here, increase in property prices going forward is likely to be measured and cautious so as not to dampen demand.

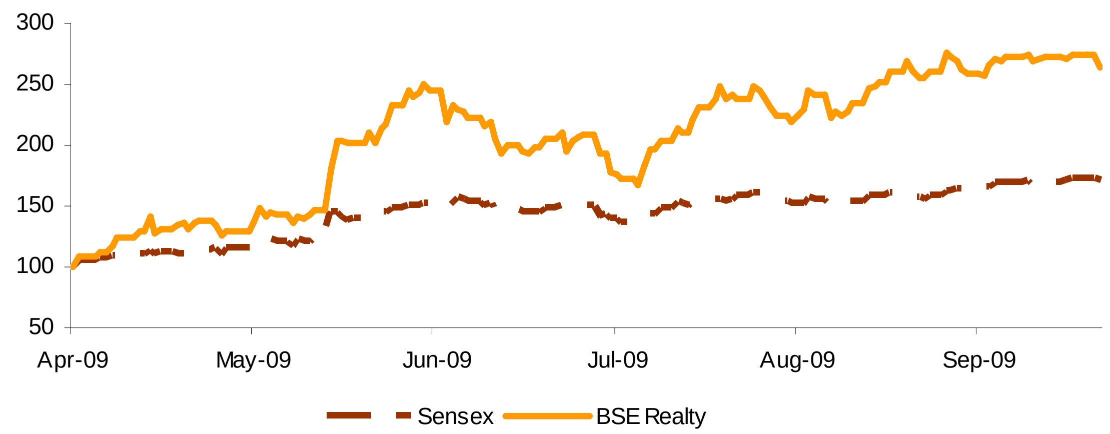
Timely project execution a key challenge

Developers have so far this year been focused on launching new projects at lower price points. However, going forward, timely execution of these projects is important, especially since payments from customers for most of these projects are linked to construction.

Valuation

Property stocks have bounced back sharply since their Mar 2009 lows given that concerns on liquidity and residential demand have been addressed. BSE Realty has increased 135% in the past six months and has outperformed the sensex by 47%.

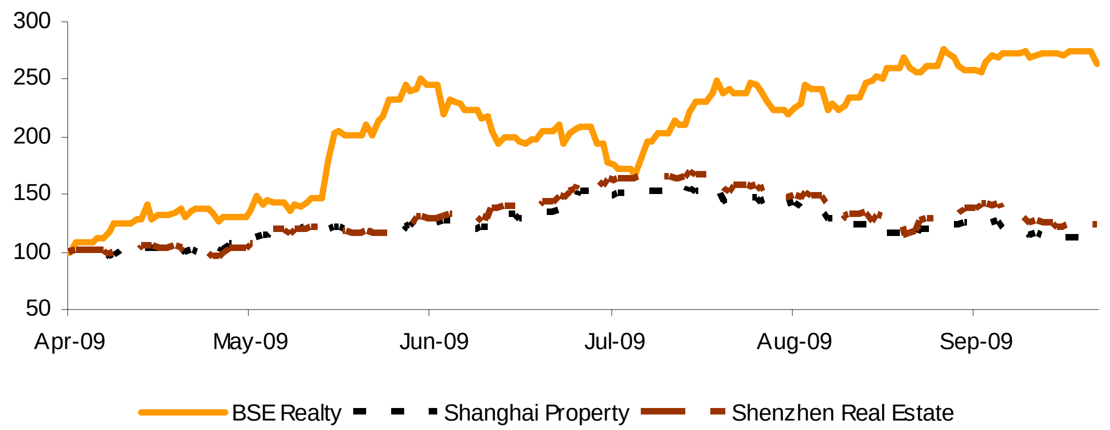
BSE Realty vs. Sensex



Source: Bloomberg, Antique

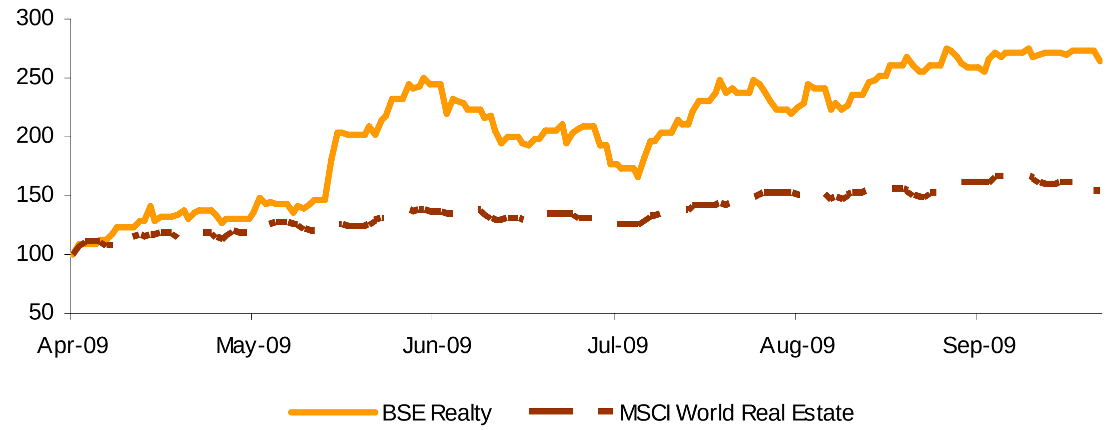
BSE Realty has also outperformed Chinese real estate indexes by 96-110% and the MSCI world real estate index by 70% in the past six months.

BSE Realty vs. Shanghai Property Index and Shenzhen Real Estate Index



Source: Bloomberg, Antique

BSE Realty vs. MSCI World Real Estate Index



Source: Bloomberg, Antique

Performance of real estate stocks

	Absolute				Relative to Sensex				Relative to BSE Realty			
Company	**1m**	**3m**	**6m**	**12m**	**1m**	**3m**	**6m**	**12m**	**1m**	**3m**	**6m**	**12m**
BSE Realty	**1%**	**37%**	**135%**	**31%**	**-6%**	**14%**	**47%**	**-3%**	**NA**	**NA**	**NA**	**NA**
DLF	2%	36%	102%	26%	-5%	13%	26%	-7%	1%	0%	-14%	-4%
Unitech	-6%	32%	173%	-11%	-13%	10%	71%	-34%	-7%	-3%	16%	-31%
HDIL	12%	47%	202%	105%	4%	23%	89%	53%	11%	8%	28%	57%
IBREL	3%	30%	130%	64%	-4%	8%	44%	22%	2%	-5%	-2%	26%
Ackruti	-7%	12%	-26%	-34%	-13%	-6%	-54%	-51%	-8%	-18%	-69%	-49%
Anant Raj	4%	36%	176%	45%	-4%	13%	73%	7%	2%	0%	17%	11%
Sobha	12%	19%	202%	68%	5%	-1%	88%	25%	11%	-13%	28%	29%
Peninsula	-14%	24%	178%	87%	-20%	3%	73%	39%	-15%	-9%	18%	43%
Phoenix	6%	60%	99%	21%	-1%	34%	25%	-10%	5%	18%	-15%	-8%
Puravankara	6%	39%	178%	-26%	-1%	16%	74%	-45%	5%	2%	18%	-43%
Parsvnath	17%	71%	243%	61%	9%	43%	114%	19%	16%	25%	46%	23%
Omaxe	8%	37%	147%	38%	0%	14%	54%	2%	7%	0%	5%	5%
Ansal Prop	7%	55%	192%	1%	0%	29%	82%	-25%	6%	13%	24%	-23%
Orbit	44%	69%	325%	65%	34%	41%	166%	22%	42%	24%	81%	26%

Source: Bloomberg, Antique

Valuation of real estate stocks

Company	**Ticker**	**Currency**	**Last**	**Mcap**	**PE**		**PB**		**DIV Yield**	
			Prices	**USDmn**	**2010e**	**2011e**	**2010e**	**2011e**	**2010e**	**2011e**
DLF	DLFU IN Equity	INR	423	15,087	33.3	22.9	2.7	2.4	0.0%	0.0%
Unitech	UT IN equity	INR	100	5,035	23.2	21.9	2.2	2.0	0.0%	0.0%
HDIL	HDIL in equity	INR	334	2,430	31.6	18.5	1.7	1.6	0.0%	0.0%
Indiabulls Real Est	IBREL IN Equity	INR	264	2,228	76.3	30.9	1.2	1.2	0.0%	0.0%
Anant Raj Industries	ARCP IN Equity	INR	146	908	17.9	12.2	1.3	1.2	1.1%	1.3%
Ackruti City	AKCL IN Equity	INR	541	827	6.9	4.1	1.8	1.2	NA	NA
Sobha Developers	SOBHA IN Equity	INR	266	548	22.6	17.3	1.6	1.5	0.7%	1.5%
Parsvnath Dev	PARSV IN Equity	INR	141	546	24.6	19.9	1.2	1.1	1.1%	1.2%
Puravankara Proj	PVKP IN Equity	INR	121	545	27.2	22.1	1.8	1.7	0.8%	1.0%
Phoenix Mills	PHNX IN Equity	INR	168	513	27.3	19.3	1.6	1.5	0.6%	0.6%
Peninsula Land	PENL IN Equity	INR	81	476	9.8	9.3	1.8	1.6	1.0%	1.1%
Omaxe	OAXE IN Equity	INR	126	459	29.0	30.2	NA	NA	0.2%	0.0%
Orbit Corp	ORB IN Equity	INR	259	284	13.6	13.7	1.2	1.5	0.8%	0.9%
Ansal Properties	APIL IN Equity	INR	83	201	NA	NA	0.9	2.1	0.2%	0.4%
Average					**32.3**	**21.7**	**2.2**	**2.0**	**0.1%**	**0.1%**

Source: Bloomberg, Antique

We initiate coverage on the real estate sector with a BUY rating for DLF, Unitech, HDIL, and IBREL

In the current environment, we prefer large developers with established track record, quality land bank and healthier balance sheets. We believe smaller developers with land banks concentrated in Tier II and Tier III cities may find it difficult to raise funds and high debt levels and interest burden will continue to be a concern for such companies.

We value real estate stocks on an NAV-based methodology, which is based on discounting of cash flows that will accrue to the company from development of its land bank.

We initiate coverage on the real estate sector with a BUY rating for DLF, Unitech, HDIL, and IBREL.

DLF - DLF scores for its quality land bank and efforts to improve liquidity through asset sales and reduction in receivables from DAL. We rate DLF Buy with a target price of INR520 based on March 2011 NAV.

Unitech - Unitech is on the right track with its focus on affordable homes and lower gearing. The company's progress on new launches is encouraging. We recommend a Buy rating for the stock with a target price of INR136 which includes INR126 for the real estate business (based on 15% discount to March 2011 NAV of INR148) and INR11 for Unitech's 32.75% stake in Unitech Wireless.

HDIL - We are positive on HDIL given timely execution of the airport slum rehabilitation project and improved pricing and demand for TDRs. We suggest a Buy rating for the stock with a target price of INR411 based on 15% discount to March 2011 NAV of INR484.

IBREL - We like IBREL for its comfortable cash position and access to key properties including Jupiter and Elphinstone Mills in Mumbai. We recommend a Buy rating for the stock with a target price of INR355 which includes INR67 for 45% stake in Jupiter and Elphinstone Mills, INR124 for other land bank, cash of INR75 and INR90 for 59% stake in the power business.

Although the above stocks have increased 102-202% in the past six months, we still see upside potential of 23-36% based on March 2011 NAV estimates which factor in 5-10% annual increase in property prices and 5% annual increase in construction costs from FY11. Rise in property prices beyond what we have factored could provide additional upside to property stocks. Further, improvement in the office and retail segments going forward could be another positive trigger.

DLF

Core Holding

BUY | **CMP: INR423** | **Target Price: INR520**

ANTIQUE

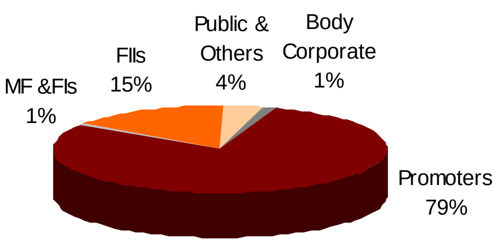
October 5, 2009 — Strictly confidential

Market Data		
Sector	:	Real Estate
Market Cap (INRbn)	:	718
Market Cap (USDbn)	:	15
O/S Shares	:	1,697
Free Float (m)	:	839
52-wk HI/LO (INR)	:	447/124
Avg Daily Vol ('000)	:	16,064
Bloomberg	:	DLFU IN
Reuters	:	DLF.BO

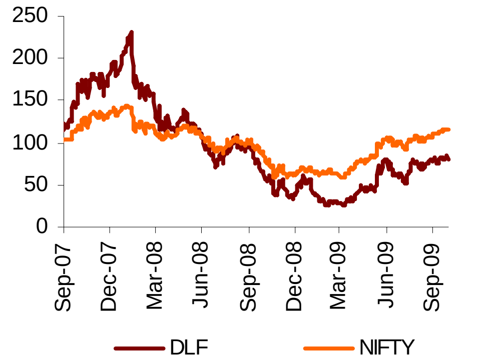
Price Performance

	1m	3m	6m	12m
Absolute	2	36	102	26
Relative	(5)	13	26	(7)

Shareholding Pattern (as at 30 June 2009)



Price Performance Vs NIFTY



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Investment highlights

Concerns on DAL Receivables eliminated

In 1QFY10, DLF received INR25bn from DAL after which receivables from DAL have come down to INR26bn from INR50bn in Mar 2009. This has helped alleviate investor concerns on receivables from DAL. DLF expects to receive a further sum of INR5bn from DAL in FY10.

Better visibility on asset sales

DLF plans to raise INR55bn in FY10 from sale of non-strategic assets and land parcels. It has clear visibility for asset sales worth INR35bn and has already received INR5bn in 1QFY10.

Lower debt

Funds received from DAL and asset sales have helped reduce net debt from INR14bn in March 2009 to 11.7bn in 1QFY10.

Focus on city centre projects

DLF plans to launch 15-16m sq. ft. in the residential segment in FY10, of which 8-9m sq. ft. will be city center projects. Nearly 5m sq. ft. has already been launched in Bangalore, Hyderabad, and Delhi (Capital Greens Phase Iand II); new city-center projects are expected to be launched in Chennai, Kochi, and Gurgaon.

Buy with target of INR520

With significant reduction in receivables from DAL, we believe negative sentiment surrounding the stock has been eliminated. Further, we expect DLF's new city-center launches to see good demand and believe the company will also be one of the first to benefit from recovery in the office and retail segments. We initiate coverage on DLF with a BUY rating and target price of INR520 which is our NAV estimate for March 2011.

Key financials

	2008a	2009a	2010e	2011e	2012e
Net Revenues (INR m)	144,329	100,354	70,645	95,040	128,759
EBITDA (INR m)	97,105	55,900	28,960	42,214	61,321
EBITDA growth (%)	552%	-42%	-48%	46%	45%
PAT (INR m)	78,133	44,682	21,572	31,320	44,238
PAT growth (%)	304%	-43%	-52%	45%	41%
EPS (INR/share)	45.8	26.3	12.7	18.5	26.1
EPS growth (%)	260%	-43%	-52%	45%	41%
PE (x)	9.2	16.1	33.3	22.9	16.2
PB (x)	3.7	3.0	2.7	2.4	2.1
EV/EBITDA (x)	8.9	15.5	30.0	20.6	14.2
ROE (%)	40%	18%	8%	11%	13%

Source: Antique

DAL update

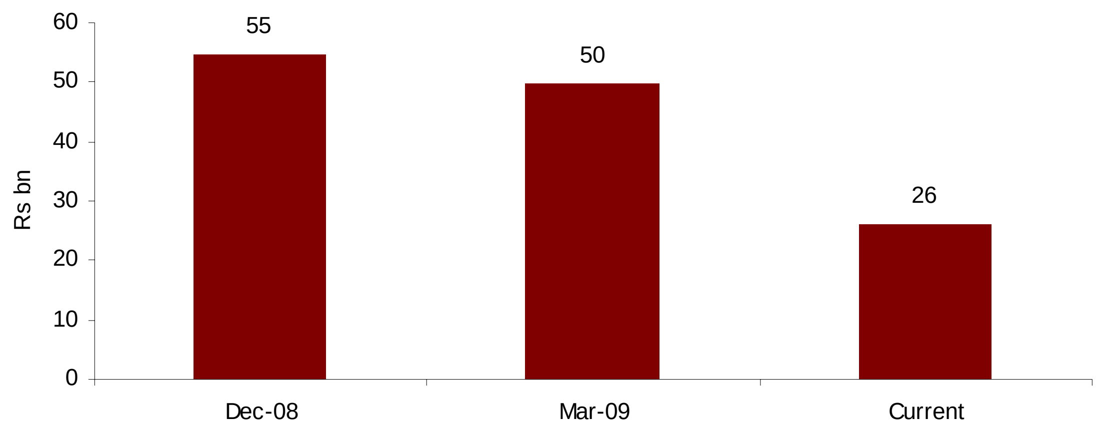
DAL accounted for approximately 37-38% of DLF's revenues in FY08-09. With DAL's Singapore listing/private equity funding delayed, investors' concern on high receivables from DAL was growing.

In May 2009, promoters sold nearly 10% of their stake in DLF for ~INR38.6bn and infused the funds into DAL for repaying DE Shaw (which has decided to exit 75% of its original investment of USD400m) and making payments to DLF. In 1QFY10, DLF received INR25bn from DAL, and with this, receivables from DAL reduced to INR26bn from INR55bn in Dec 2008. An additional INR5bn is expected to be received from DAL in FY10.

Given the slowdown in the office segment, sales to DAL have been capped at 13-14m sq. ft. While sales have been booked, DLF has delivered 5.1m sq. ft. to DAL till March 2009 and plans to deliver additional 1-2m sq. ft. in FY10. Delivery of balance area to DAL will depend on improvement in demand for office space.

Concerns over receivables from DAL have now abated and DLF's management is also exploring opportunities to merge DAL with DLF.

DLF's receivables from DAL



Source: Company, Antique

Traction on asset sales

DLF aims to raise INR55bn in FY10 through sale of non-core assets and disposal of non-strategic land bank. The company has clear visibility for asset sales worth INR35bn and has already received INR5bn in 1QFY10. Non-core assets include:

- Wind power business (INR9bn).
- Exit from Bidadi and Dankuni projects (INR3.36bn, received in April 2009).
- Exit from Delhi Convention Centre project (INR8.5bn)
- Hotel land parcels and other long gestation/non-strategic projects.

Reduction in debt levels

After receipt of INR25bn from DAL, DLF's net debt has reduced from INR14bn in March 2009 to INR11.7bn in 1QFY10 and net-debt/equity has reduced from 0.6x to 0.5x.

Focus on residential segment

DLF plans to launch 15-16m sq. ft. of residential projects in FY10, of which 8-9m sq. ft. will be city center projects. Approximately 5m sq. ft. has already been launched in Bangalore, Hyderabad, and Delhi (Capital Greens Phase I & II); other city center projects are scheduled to be launched in Chennai, Kochi and Gurgaon.

Bookings for new projects have been healthy with 1,389 and 1,250 apartments sold out in a single day in Capital Greens Phase I and II launched in April and September 2009 respectively. Besides, Phase I of 800 units in the Bangalore project has also been sold out. We expect demand to be healthy for the company's forthcoming launches, especially in the city center locations.

Focus on city center locations will give DLF better pricing power. The company has launched Phase II of its Delhi Capital Greens project at a notable premium (base price of INR6,250-7,500 per sq. ft.) to Phase I (base price of INR4,500-5,500 per sq. ft.).

Quality land bank

80% of the company's land bank is situated in and around large cities such as Delhi Metropolitan Region, Mumbai, Bangalore, Chennai, Hyderabad, and Kolkata. Moreover, the land bank is largely paid with only INR2.47bn is outstanding towards the land cost.

DLF Land bank

Million sq ft	Super Metros	Metros	Tier I	Tier II	Total
Office	52	12	1	2	67
Retail Mall	11	5	4	5	24
Commercial Complex	23	2	1	4	30
Residential	151	72	48	19	290
Hotel	4	5	2	1	12
Total	241	96	55.8	30.5	423

Source: Company, Antique

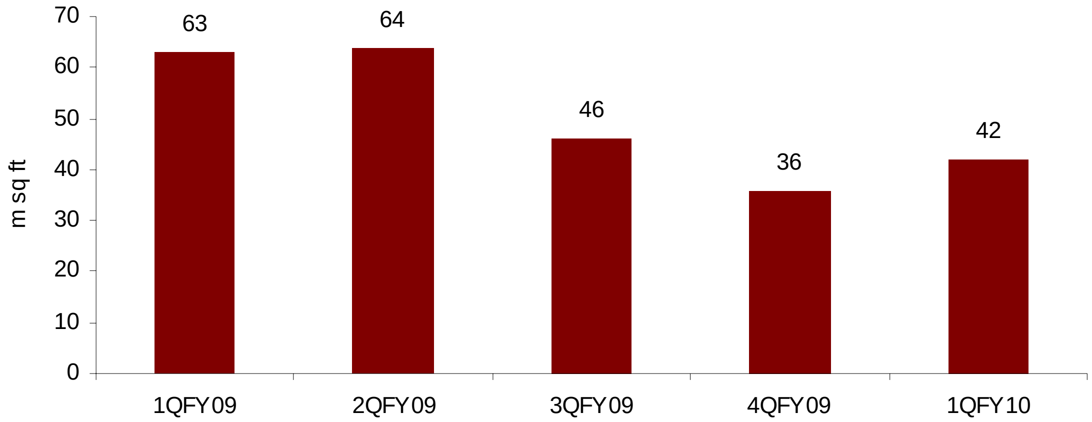
Strong lease portfolio

DLF is a pioneer of Grade A office space and retail space and has a lease portfolio of ~10m sq. ft., which generated rental income of ~INR5.5bn in FY09. With the slowdown in demand for office and retail space, DLF has shifted focus to commercial complexes in select locations, where it will sell commercial space rather than leasing it. Given DLF's strong track record and execution capability, we believe DLF will be one of the first to benefit from a recovery in the office and retail segments.

Improved execution

With improvement in liquidity, construction activity has also picked up. Area under construction has increased to 42m sq. ft. in 1QFY10 from 36m sq. ft. in 4QFY09. DLF had suspended construction of 11m sq. ft. in 2HFY09, but restored construction on 6m sq. ft. in 1QFY10.

DLF's area under construction



Source: Company, Antique

Financials

FY10 revenues and margins are expected to decline vs. FY09 given the absence of sales to DAL which formed ~38% of DLF's revenues in FY09. We expect revenues to grow in FY11 on the back of new launches and pick up in execution, but EBITDA margins will remain lower than those seen in FY07-09 given that revenues will be driven by the residential segment where new projects have been launched at lower prices.

Valuation

We recommend a BUY rating for DLF with a target price of INR520, which is our NAV for Mar 2011. Our NAV is based on the following assumptions: 1) 10% annual increase in property prices from FY11; 2) 5% annual increase in construction cost from FY11; 3) WACC of 12%; 4) Cap rate of 10%.

DLF Target Price Summary

	INR m	Per Share (Rs)
Gross NAV	**910,378**	**536**
Less: Outstanding land cost	2,470	1
Less: Net-Debt	116,860	69
Net NAV	**791,048**	**466**
Add: Value of 10m of leased commercial space	78,000	46
Add: Value of 12m sq ft of hotel plots	13,152	8
Total Value	**882,200**	**520**

Source: Antique

DLF Target Price Sensitivity

	Selling Price			
Construction Cost	0%	5%	10%	15%
0%	322	422	552	723
5%	289	390	**520**	692
10%	246	347	477	650

Source: Antique

Financials (INRM)

Profit and Loss Account (In INRM)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Revenues	144,329	100,354	70,645	95,040	128,759
Expenses	47,224	44,454	41,685	52,827	67,438
EBITDA	97,105	55,900	28,960	42,214	61,321
Depreciation & amortisation	901	2,390	294	248	201
EBIT	96,204	53,511	28,666	41,966	61,120
Interest expense	3,100	5,548	4,854	4,241	3,916
Other income	2,510	3,960	3,843	4,035	4,237
Profit before tax	95,614	51,922	27,656	41,761	61,441
Taxes incl deferred taxation	17,391	6,754	6,084	10,440	17,204
Profit after tax	78,223	45,168	21,572	31,320	44,238
Adjusted profit after tax	78,133	44,682	21,572	31,320	44,238
Recurring EPS (INR)	45.8	26.3	12.7	18.5	26.1

Balance Sheet (In INR M)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Share Capital	12,905	17,354	17,354	17,354	17,354
Reserves & Surplus	183,977	224,184	245,756	277,076	321,314
Networth	**196,883**	**241,538**	**263,110**	**294,430**	**338,668**
Minority Interest	3894.694	6336.266	6336.266	6336.266	6,336
Debt	122,771	163,201	135,490	125,490	115,490
Capital Employed	**323,548**	**411,076**	**404,936**	**426,256**	**460,494**
Gross Fixed Assets	51,626	84,867	87,262	90,956	96,515
Accumulated Depreciation	3,435	5,743	6,037	6,284	6,485
Net Assets	**48,191**	**79,124**	**81,225**	**84,672**	**90,030**
Capital work in progress	51,840	56,882	59,277	59,277	59,277
Investments	9,102	14,025	14,025	14,025	14,025
Current Assets, Loans & Advances					
Inventory	94,544	109,282	116,128	149,721	185,202
Debtors	19,780	21,648	15,484	19,529	26,457
Cash & Bank balance	21,421	11,956	3,175	16,957	38,106
Loans & advances and others	130,255	173,337	135,625	113,144	94,158
Current Liabilities & Provisions					
Creditors	17,046	23,249	16,452	22,133	29,985
Other liabilities & provisions	55,111	54,995	26,617	32,000	39,841
Net Current Assets	**193,843**	**237,980**	**227,344**	**245,218**	**274,098**
Deferred tax assets/(liabilities)	(359)	414	414	414	414
Goodwill	20,931	22,651	22,651	22,651	22,651
Application of Funds	**323,548**	**411,076**	**404,936**	**426,256**	**460,494**

Per share data

Year Ended 31st March	2008	2009	2010e	2011e	2012e
No. of shares (m)	1,705	1,697	1,697	1,697	1,697
BVPS (INR)	115.5	142.3	155.0	173.5	199.5
CEPS (INR)	46.4	27.7	12.9	18.6	26.2
DPS (INR)	4.0	2.0	-	-	-

Margins (%)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
EBITDA	67%	56%	41%	44%	48%
EBIT	67%	53%	41%	44%	47%
PAT	54%	45%	31%	33%	34%

Cashflow statement

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Adjusted PAT	**78,133**	**44,682**	**21,572**	**31,320**	**44,238**
Depreciation & amortisation	901	2,390	294	248	201
Minority Interest	355	275	-	-	-
(Inc)/Dec in working capital	(105,815)	(41,997)	1,855	(4,092)	(7,730)
Other Items	(533)	(3,597)			
Cash flow fm oprtng act	**(26,960)**	**1,753**	**23,720**	**27,476**	**36,709**
Capital expenditure	(47,678)	(32,488)	(4,790)	(3,694)	(5,559)
Inc/(Dec) in & inc fm inv	(12,464)	(3,413)	-	-	-
Cash flow fm invstng act	**(60,142)**	**(35,901)**	**(4,790)**	**(3,694)**	**(5,559)**
Inc/(Dec) in share capital	89,170	(1,424)	-	-	-
Inc/(Dec) in debt	23,177	29,568	(27,711)	(10,000)	(10,000)
Dividends paid	(7,979)	(3,720)	-	-	-
Cash flow fm fin act	**104,368**	**24,424**	**(27,711)**	**(10,000)**	**(10,000)**
Net cash flow	**17,266**	**(9,465)**	**(8,781)**	**13,782**	**21,149**
Opening balance	4,155	21,421	11,956	3,175	16,957
Closing balance	**21,421**	**11,956**	**3,175**	**16,957**	**38,106**

Growth Indicators

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
Revenue	447%	-30%	-30%	35%	35%
EBITDA	552%	-42%	-48%	46%	45%
PAT	304%	-43%	-52%	45%	41%
EPS	260%	-43%	-52%	45%	41%

Valuation (x)

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
PE	9.2	16.1	33.3	22.9	16.2
P/BV	3.7	3.0	2.7	2.4	2.1
EV/EBITDA	8.9	15.5	30.0	20.6	14.2
EV/Sales	6.0	8.7	12.3	9.1	6.7
Dividend Yield (%)	0.9%	0.5%	0.0%	0.0%	0.0%

Financial Ratios

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
RoE	40%	18%	8%	11%	13%
RoCE	30%	13%	7%	10%	13%
Debt/Equity (x)	0.6	0.7	0.5	0.4	0.3
EBIT/Interest (x)	31.0	9.6	5.9	9.9	15.6

Source: Antique

Unitech

Impressive Sales in New Launches

BUY **CMP: INR100** **Target Price: INR136**

ANTIQUE

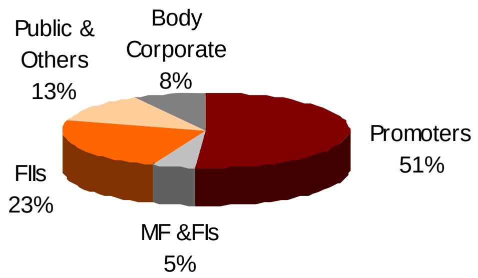
October 5, 2009 Strictly confidential

Market Data		
Sector	:	Real Estate
Market Cap (INRbn)	:	239
Market Cap (USDbn)	:	5
O/S Shares	:	2,386
Free Float (m)	:	2,148
52-wk HI/LO (INR)	:	118/22
Avg Daily Vol ('000)	:	54,453
Bloomberg	:	UT IN
Reuters	:	UNTE.BO

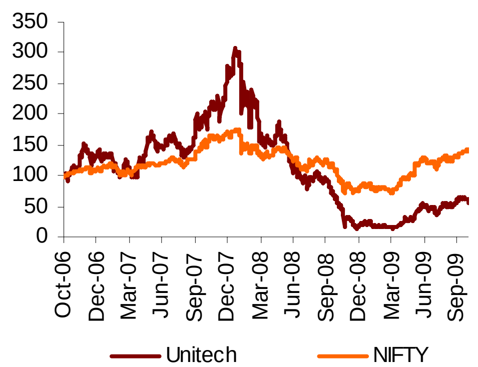
Price Performance

	1m	3m	6m	12m
Absolute	(6)	32	173	(11)
Relative	(13)	10	71	(34)

Shareholding Pattern (as at 30 June 2009)



Price Performance Vs NIFTY



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Investment highlights

Impressive performance of new launches

Unitech has an aggressive target of launching 30m sq. ft. and selling 20m sq. ft. in FY10. Progress on new launches has been commendable with nearly 21m sq. ft. launched and around 8.5m sq. ft. sold till the end of Aug 2009 and the company appears on track to achieve its target.

Strong traction on asset sales

Unitech has raised ~INR10bn from sale of two hotels and school plots in Gurgaon and sale of an office building in Delhi. It has also received INR3.86bn by way of repayment of loans from Unitech Wireless.

Improved

Unitech raised INR44bn through two QIPs in FY10. This together with funds from asset sales has helped bring down the company's net-debt/equity ratio to 0.6x currently from 1.7x in Dec 2008.

BUY with target of INR136

We initiate coverage on Unitech with a BUY rating and a target price of INR136 based on 15% discount to Mar 2011 NAV of INR148 and includes INR11 for Unitech's stake in the telecom business. The discount factors in execution risks given the company's aggressive launch plans. The company's shift in focus to affordable homes is a step in the right direction. Further, with debt levels now substantially lower and strong performance of new launches, negative sentiment related to liquidity issues have abated.

Mumbai landbank provides upside potential

Unitech has access to 308 acres of land in Mumbai through its 50% stake in JV with two slum rehabilitation developers in addition to its land bank of 7,467 acres. Our NAV of INR148, factors in only four projects, with a total area of nearly 0.24m sq. ft., launched in Mumbai till date, given limited visibility on the balance area.

Key financials

	2008a	2009a	2010e	2011e	2012e
Net Revenues (INR m)	41,152	28,502	32,502	43,813	53,150
EBITDA (INR m)	22,038	15,493	15,846	18,402	24,142
EBITDA growth (%)	20%	-30%	2%	16%	31%
PAT (INR m)	16,619	11,977	10,340	11,989	14,623
PAT growth (%)	27%	-28%	-14%	16%	22%
EPS (INR/share)	10.2	7.4	4.3	4.6	5.6
EPS growth (%)	27%	-28%	-41%	6%	22%
PE (x)	9.8	13.6	23.2	21.9	18.0
PB (x)	4.5	3.2	2.2	2.0	1.8
EV/EBITDA (x)	14.7	20.9	20.4	17.6	13.4
ROE (%)	46%	23%	9%	9%	10%

Source: Antique

Focus on mid-income and affordable housing segment

To keep in synch with changing market dynamics, Unitech has shifted focus from luxury and high ticket size homes to mid-income and affordable homes. It aims to provide value for money homes through a combination of competitive pricing and smaller unit sizes. Unitech recently launched the Unihomes brand, under which it will offer homes priced between INR1-3m with sizes ranging from 500-1,000 sq. ft.

Encouraging response to new launches

Customers' response to Unitech's new homes has been encouraging with some large projects, such as Uniworld Gardens II in Gurgaon (~800 units); Ananda, and Brahma in Chennai (1,176 units); and Phase I of Unihomes in Noida (~900 units) sold out within a few days of the launch. After the success of the first Unihomes project in Noida, Unitech has launched Unihomes projects in other cities such as Chennai, Kolkata, Bhopal, and Mohali, in addition to launching the second phase at Noida.

Some of Unitech's recent launches

Project	Location	m sq ft
Uniworld Gardens II	Gurgaon	1.0
The Residences	Gurgaon	1.8
Signature Towers - 2	Gurgaon	0.3
Unihomes - Phase I	Noida	0.8
Willows @ Grande	Noida	3.7
North Town - Ananda	Chennai	0.6
North Town - Brahma	Chennai	0.8
The Residences	Mumbai	0.1
The Chambers	Mumbai	0.1
Vistas	Kolkata	1.0
RB Connector Office & Retail	Kolkata	0.1
Singleton Floors	Mohali	0.2
Gardens Galleria	Lucknow	0.2
South City Gardens	Lucknow	0.2

Source: Company

Unitech is targeting 30m sq. ft. of new launches and 20m sq. ft. of pre-sales in FY10. Till the end of Aug 2009, Unitech launched ~21m sq. ft. of new projects and pre-sold ~8.5m sq. ft., which is encouraging, and the company is on track to achieve its stated target.

Strong traction on asset sales

In the past few years, Unitech was acquiring land parcels in an effort to build up its land bank. However, given rising pressure on cash flows, the company decided to sell assets selectively.

Unitech has been successful in its efforts to monetize assets and has raised ~INR10bn till date. Assets sold include:

- Gurgaon hotel - Marriott Courtyard for INR2.31bn.
- Gurgaon hotel - Country Inns and Suites for INR2bn.
- Office building in Saket, South Delhi for INR5bn.
- School plots in Gurgaon for INR350m.

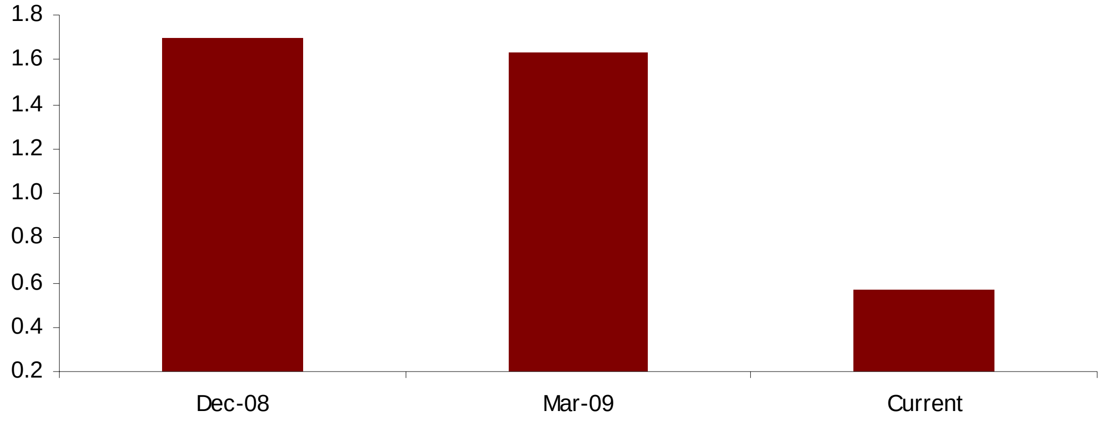
In addition to the above, Unitech is planning to sell four more hotel projects in Noida, Kolkata and Bangalore, which could help reduce debt further.

Besides, Unitech has also received INR3.86bn by way of repayment of loans from Unitech Wireless after the stake sale in the Telecom business to Telenor.

QIPs help reduce debt/equity

Unitech has raised INR44bn in FY10 through two QIPs resulting in equity dilution of 32%. In addition, the company has issued 227.5m warrants to promoters worth INR11.5m, of which 25% has been paid up front. The funds raised through the QIP and asset sales have helped reduce the company's net-debt/equity ratio to 0.6x currently, from 1.7x in Dec 2008.

Unitech's net-debt/equity



Source: Company, Antique

Execution will be a focus area

Unitech currently has 30m sq. ft. of area under construction across residential, commercial, retail, amusement park, and hospitality sectors. Residential area under construction is ~27m sq. ft., but this does not include new projects launched since Mar 2009. Area under execution is expected to increase once the company begins construction on new launches in 2HFY10.

Pan India land bank

Unitech has a land bank of 7,467 acres spread across the country and the amount outstanding towards land cost is approximately INR18bn. The company's current land bank is sufficient to meet its expansion plans over the next few years.

Land bank	Area (acres)
Gurgaon	1,184
Chennai	1,123
Hyderabad	676
Noida	405
Kolkata	385
Mohali	324
Maharashtra	273
Varanasi	246
Greater Noida	235
Agra	225
Ambala	150
Kochi	122
Chandigarh	74
Siliguri	72
Bangalore	68
Goa	67
Bhubaneshwar	36
Delhi	30
Nagpur	25
Bhopal	16
Gangtok	9
Dehradun	7
Pune	2
Visakhapatnam	1,715
Total	7,467

Source: Company

Financials

While Unitech has achieved strong pre-sales of new launches, they will have limited impact on current year revenues, given that construction activity is yet to begin for the new projects launched this year and these projects will begin contributing to revenues only from 2HFY10. With improvement in execution and strong pre-sales, revenues are expected to see healthy growth in FY11. However, EBITDA margins will be lower than previous years because of the focus on affordable homes with lower prices.

Valuations

We rate Unitech Buy with target price of INR136, which is at a 15% discount to our Mar 2011 NAV of INR148 and includes INR11 for Unitech's stake in the telecom business. The 15% discount factors in execution risks given the company's aggressive new project launch strategy. Our NAV is based on the following assumptions: 1) 10% annual increase in property prices from FY11; 2) 5% annual increase in construction cost from FY11; 3) WACC of 13%; 4) Cap rate of 10%.

Unitech target price summary

	INR m	Per Share (Rs)
Gross NAV	**419,480**	**176**
Less: outstanding land cost	17,910	7
Less: Net-Debt	48,480	20
Net NAV	**353,090**	**148**
Less: 15% Discount	52,964	22
NAV after Discount	300,127	126
32.75% stake in Telecom entity less 15% discount	25,333	11
Total Value	**325,460**	**136**

Source: Antique

Mumbai land bank provides upside potential

Apart from 7,467 acres of land across India, Unitech also has access to 308 acres of land in Mumbai through its 50% stake in JV with two slum rehabilitation developers-Shivalik and Omkar. The JVs have obtained LOI for 5m sq. ft. of saleable area, and of these, four projects of ~0.24m sq. ft. have been launched:

- Commercial project of 0.1m sq. ft. at Vile Parle.
- Two residential projects with a combined area of 0.38m sq. ft. at Dadar.
- Residential project of 0.1m sq. ft. at Chembur.

Our NAV of INR148 factors in only the above four projects, given limited visibility on the balance area since the projects are largely slum rehabilitation projects.

Target price sensitivity table

	Selling Price			
Construction Cost	0%	5%	10%	15%
0%	66	104	155	226
5%	46	85	**136**	207
10%	20	58	110	180

Source: Antique

Financials (INRM)

Profit and Loss Account (In INRM)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Revenues	41,152	28,502	32,502	43,813	53,150
Expenses	19,114	13,009	16,655	25,411	29,008
EBITDA	**22,038**	**15,493**	**15,846**	**18,402**	**24,142**
Depreciation & amortisation	205	209	177	188	150
EBIT	**21,833**	**15,284**	**15,669**	**18,214**	**23,993**
Interest expense	2,804	5,546	3,064	2,580	2,555
Other income	1,649	4,654	320	352	387
Profit before tax	**20,678**	**14,392**	**12,925**	**15,986**	**21,825**
Taxes incl deferred taxation	3,986	2,424	2,585	3,996	7,202
Profit after tax	16,692	11,968	10,340	11,989	14,623
Adjusted profit after tax	**16,619**	**11,977**	**10,340**	**11,989**	**14,623**
Recurring EPS (INR)	**10.2**	**7.4**	**4.3**	**4.6**	**5.6**

Balance Sheet (In INR M)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Share Capital	3,247	3,247	4,778	5,233	5,233
Reserves & Surplus	32,758	48,448	104,248	127,328	141,950
Networth	**36,005**	**51,695**	**109,025**	**132,560**	**147,183**
Minority Interest	1,159	615	615	615	615
Debt	85,524	90,558	66,558	65,758	65,258
Capital Employed	**122,687**	**142,868**	**176,198**	**198,933**	**213,057**
Gross Fixed Assets	11,120	22,502	24,734	26,845	29,122
Accumulated Depreciation	661	1,003	1,180	1,368	1,518
Net Assets	**10,459**	**21,500**	**23,554**	**25,477**	**27,604**
Capital work in progress	20,982	11,758	10,026	8,615	7,338
Investments	14,165	15,808	15,789	15,789	15,789
Current Assets, Loans & Advances					
Inventory	134,794	157,757	178,090	198,060	218,427
Debtors	7,460	9,310	10,240	10,803	10,921
Cash & Bank balance	14,083	6,448	30,647	48,264	57,669
Loans & advances and others	21,906	28,674	25,828	23,269	22,125
Current Liabilities & Provisions					
Creditors	8,497	22,549	25,823	33,610	41,501
Other liabilities & provisions	74,595	79,575	85,890	91,470	99,053
Net Current Assets	**95,150**	**100,066**	**133,092**	**155,316**	**168,589**
Deferred tax assets/(liabilities)	(19,196)	(17,936)	(17,936)	(17,936)	(17,936)
Goodwill	1,126	11,672	11,672	11,672	11,672
Application of Funds	**122,687**	**142,868**	**176,198**	**198,933**	**213,057**

Per share data

Year Ended 31st March	2008	2009	2010e	2011e	2012e
No. of shares (m)	1,623	1,623	2,389	2,616	2,616
BVPS (INR)	22.2	31.8	45.6	50.7	56.3
CEPS (INR)	10.4	7.5	4.4	4.7	5.6
DPS (INR)	0.3	0.1	-	-	-

Margins (%)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
EBITDA	54%	54%	49%	42%	45%
EBIT	53%	54%	48%	42%	45%
PAT	40%	42%	32%	27%	28%

Cashflow statement

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Adjusted PAT	**16,619**	**11,977**	**10,340**	**11,989**	**14,623**
Depreciation & amortisation	205	209	177	188	150
Minority Interest	129	(21)	-	-	-
(Inc)/Dec in working capital	(28,956)	(10,784)	(8,829)	(4,606)	(3,867)
Other Items	2,527	(2,816)	-	-	-
Cash flow fm oprtng activities	**(9,477)**	**(1,436)**	**1,688**	**7,571**	**10,906**
Capital expenditure	(23,479)	(1,988)	(500)	(700)	(1,000)
Inc/(Dec) in & inc fm inv	(9,617)	(8,362)	19	-	-
Cash flow fm inv activities	(33,096)	(10,350)	(481)	(700)	(1,000)
Inc/(Dec) in share capital	1,708	-	46,991	11,546	-
Inc/(Dec) in debt	45,126	4,626	(24,000)	(800)	(500)
Dividends paid	(406)	(475)	-	-	-
Cash flow fm fin activities	**46,428**	**4,151**	**22,991**	**10,746**	**(500)**
Net cash flow	**3,855**	**(7,634)**	**24,198**	**17,617**	**9,406**
Opening balance	10,227	14,083	6,448	30,647	48,264
Closing balance	**14,083**	**6,448**	**30,647**	**48,264**	**57,669**

Growth Indicators

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
Revenue	25%	-31%	14%	35%	21%
EBITDA	20%	-30%	2%	16%	31%
PAT	27%	-28%	-14%	16%	22%
EPS	27%	-28%	-41%	6%	22%

Valuation (x)

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
PE	9.8	13.6	23.2	21.9	18.0
P/BV	4.5	3.2	2.2	2.0	1.8
EV/EBITDA	14.7	20.9	20.4	17.6	13.4
EV/Sales	7.9	11.4	10.0	7.4	6.1
Dividend Yield (%)	0.2%	0.1%	0.0%	0.0%	0.0%

Financial Ratios

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
RoE	46%	23%	9%	9%	10%
RoCE	18%	11%	9%	9%	11%
Debt/Equity (x)	2.4	1.8	0.6	0.5	0.4
EBIT/Interest (x)	7.8	2.8	5.1	7.1	9.4

Source: Antique

HDIL

Rising TDR Prices Positive

BUY | **CMP: INR334** | **Target Price: INR411**

ANTIQUE

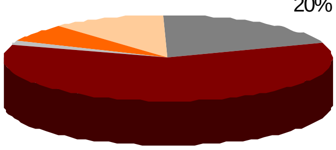
October 5, 2009 | Strictly confidential

Market Data		
Sector	:	Real Estate
Market Cap (INRbn)	:	116
Market Cap (USDbn)	:	2
O/S Shares	:	346
Free Float (m)	:	144
52-wk HI/LO (INR)	:	344/63
Avg Daily Vol ('000)	:	14,175
Bloomberg	:	HDIL IN
Reuters	:	HDIL.BO

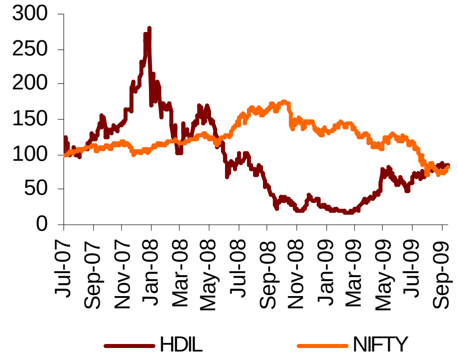
Price Performance

	1m	3m	6m	12m
Absolute	12	47	202	105
Relative	4	23	89	53

Shareholding Pattern (as on 30 June 2009)



Price Performance Vs NIFTY



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Investment highlights

Increasing TDR prices encouraging

With most of HDIL's revenues currently derived from TDRs generated from the Mumbai airport slum rehabilitation project, rising TDR prices bode well for the company. After reaching a bottom of ~INR1,100/ sq. ft. in 4QFY09, average TDR prices have increased to ~1,500/ sq. ft. in 1QFY10 and 1,800–2,000/sq. ft. during Jul–Aug 2009.

Phase I of airport project on track

HDIL is executing Phase I of the airport project to rehabilitate ~20,000–22,000 families across two locations in Kurla; more than 50% work has been completed on both sites and movement of the first set of families will begin from Jan 2010. In addition, HDIL intends to begin work on its Bhandup land (9 acres Kilburn factory) in Dec 2009–Jan 2010. It has also identified two other land parcels aggregating to ~18–19 acres for the airport project.

New residential launches in Mumbai successful

In Mar–Apr 2009, HDIL launched three residential projects (~1.9m sq. ft.) in Andheri and Kurla, which were quite successful with over 80% of 1,814 apartments sold. Considering strong demand, HDIL has raised prices by 5–14% in its Kurla projects and plans to launch further ~2m sq. ft. of residential projects in Mumbai in FY10.

QIP helps reduce leverage

In Jul 2009, HDIL raised ~INR16.88bn through a QIP issue, of which ~INR14bn has been used to repay debt. This has helped bring down HDIL's net-debt/equity ratio to 0.44x from 0.9x in Dec 2008.

We recommend BUY

We recommend a BUY rating for HDIL with a target price of INR411 based on 15% discount to our Mar 2011 NAV estimate of INR484. The discount factors in risks of concentration of land bank in Mumbai Metropolitan Region (87% of land bank) and possible delays in execution of airport slum rehabilitation project.

Key financials

	2008a	2009a	2010e	2011e	2012e
Net Revenues (INR m)	23,805	17,284	13,217	21,077	37,959
EBITDA (INR m)	16,922	7,797	5,325	9,791	19,292
EBITDA growth (%)	156%	-54%	-32%	84%	97%
PAT (INR m)	14,099	6,777	3,655	6,704	13,106
PAT growth (%)	157%	-52%	-46%	83%	95%
EPS (INR/share)	51.2	24.6	10.6	18.0	35.2
EPS growth (%)	125%	-52%	-57%	71%	95%
PE (x)	6.5	13.6	31.6	18.5	9.5
PB (x)	2.5	2.1	1.7	1.6	1.3
EV/EBITDA (x)	9.2	20.0	29.3	16.0	8.1
ROE (%)	39%	15%	6%	8%	14%

Source: Antique

Airport slum rehabilitation a key project for HDIL

In Oct 2007, HDIL entered into an agreement with Mumbai International Airport (MIAL) for rehabilitation of slums around the airport and development of part of the cleared land. The project is the largest urban rehabilitation scheme in India involving rehabilitation of nearly 80,000–85,000 families with the objective of clearing land for modernization and expansion of the airport. HDIL will be compensated for rehabilitating these families through Transferable Development Rights (TDRs) of nearly 45m sq. ft.

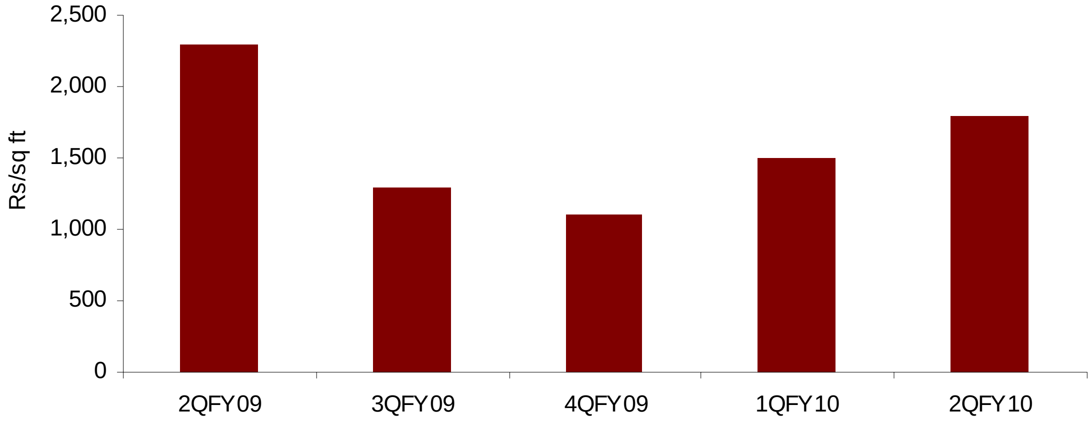
The airport project involves 276 acres of encroached land. Once this is freed, 118 acres will be used for real estate development, while the remaining 158 acres will be used for airport expansion. HDIL will get development rights for 55% of this 118 acres amounting to nearly 65 acres, which translates into saleable area of approximately 10m sq. ft.

In Phase I, HDIL has begun work on two sites in Kurla (Premier Factory and Bhandari Mills), which will rehabilitate 20,000–22,000 families. More than 50% of the rehabilitation work on these two sites has been completed and movement of the first set of families will begin from Jan 2010. In addition, HDIL intends to begin work on its Bhandup land (9 acres Kilburn factory) by Dec 2009–Jan 2010, which can rehabilitate nearly 2,500 families and has also identified two other land parcels aggregating to nearly 18–19 acres for the airport project.

Increasing TDR prices positive for HDIL

HDIL currently derives most of its revenues from the sale of TDR, generated from the airport rehabilitation project. Till end August 2009, HDIL received nearly 6m sq. ft. of TDR, of which approximately 5.3m sq. ft. has been sold. After reaching a bottom of ~INR1,100 per sq. ft. in 4QFY09, average TDR prices have increased to ~1,500 per sq. ft. in 1QFY10 and 1,800–2,000/sq. ft. in Jul–Aug 2009. In September 2009 HDIL closed a TDR transaction at Rs2,200/sq ft. Further, TDR volumes have also picked up. From less than 0.5m sq. ft. of TDR sold by HDIL in 3QFY09, it has increased to 1m sq. ft. in 4QFY09 and 1.8m sq. ft. in 1QFY10 and in Jul-Aug 2009 it sold 1m sq. ft. of TDR. With revival in the residential segment in Mumbai, we believe TDR demand and prices will remain strong going forward.

HDIL's Average TDR Price Realization



Source: Company, Antique

New residential launches successful

During March–April 2009, HDIL launched three new residential projects of nearly 1.9m sq. ft. in Andheri and Kurla. The new launches have been successful with over 80% of 1,814 apartments sold. This has prompted HDIL to increase prices for its Kurla projects by 5–14%.

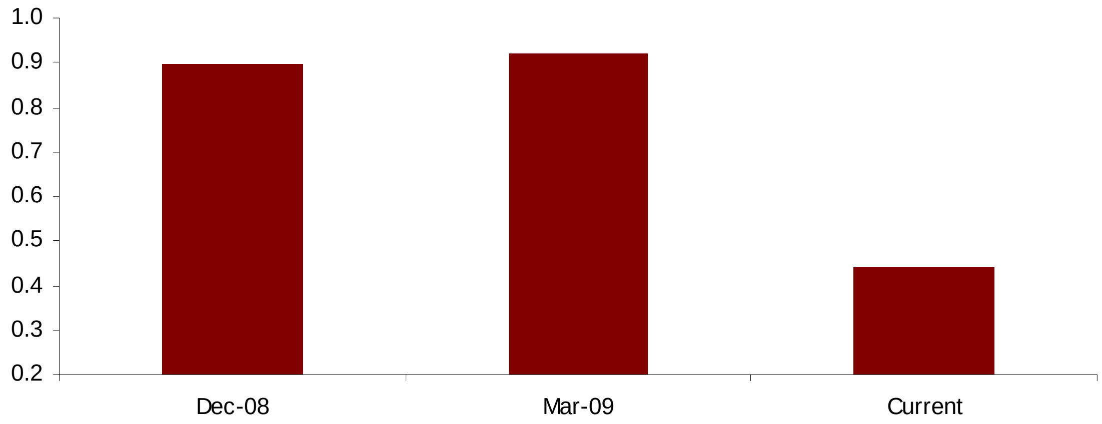
In FY10, HDIL is planning to launch an additional ~2m sq. ft. of residential projects in Mumbai at Goregaon and Phase II of its Premier Residences project at Kurla.

In addition, HDIL recently launched 1.5m sq. ft. of saleable area at its industrial park in Virar (E) at nearly INR2,000/sq. ft. Around 20% of this project has been sold.

Lower debt levels post QIP

In Jul 2009, HDIL raised INR16.88bn through a QIP, of which INR14bn has been used to repay debt. With this, HDIL's net-debt/equity ratio has reduced to 0.44x from 0.9x in Dec 2008. Moreover, debt repayment is not a concern in the near-term, since no debt is due for repayment till Oct 2010.

HDIL's net-debt/equity



Source: Company, Antique

Financials

HDIL follows completed project method of accounting i.e., revenue is recognized when projects are completed. This causes lumpiness in the company's revenues and earnings. In FY10, TDRs will be the primary source of revenues for HDIL. Although construction has begun on the three new residential projects launched in Andheri and Kurla, they will not contribute to FY10 revenues. Revenues from these projects will be recognized on completion in FY11/12. Accordingly, EBITDA margins are expected to improve in FY11 and FY12.

Virar rental housing project

In Jun 2009, HDIL entered into a JV with Mumbai Metropolitan Region Development Authority (MMRDA) for development of 525 acres of land under a rental housing scheme at Virar. As per the arrangement, HDIL will develop 13m sq. ft. of rental housing and hand it over to MMRDA free of cost, while it gets nearly 50m sq. ft. of area for free sale. The 525 acres of land is already part of the existing land bank, but the agreement will result in incremental area of approximately 28m sq. ft. The project is to be executed over a period of six years.

Valuation

We recommend a BUY rating for HDIL with a target price of INR411, which is based on a 15% discount to our March 2011 NAV estimate of INR484. The discount factors in risks of concentration of land bank in Mumbai Metropolitan Region (87% of land bank) and possible delays in execution of airport slum rehabilitation project. Our NAV estimate is based on the following assumptions: 1) 5% annual increase in property prices from FY11; 2) 5% annual increase in construction cost from FY11; 3) WACC of 13%.

HDIL's target price summary

	INR m	Per Share (Rs)
Gross NAV	**195,977**	**567**
Less: outstanding land cost	6,000	17
Less: Net-Debt	28,391	82
Net NAV	**161,586**	**467**
Add: Value of 2,300 acres for Vasai-Virar SEZ	2,300	7
Add: Value of incremental 28m sq ft in Virar for MMRDA rental housing project	3,494	10
Net NAV plus value of additional Vasai-Virar Area	167,380	484
Less: 15% Discount	25,107	73
Total Value	**142,273**	**411**

Source: Antique

Target price sensitivity table

	Selling Price			
Construction Cost	0%	5%	10%	15%
0%	344	442	557	692
5%	314	**411**	526	662
10%	279	377	492	627

Source:

Potential upside to NAV estimates

In addition, recently, the Civil Aviation Ministry and Airport Authority of India have doubled the maximum permissible height for constructions around airports which will result in increase in saleable area for some of the HDIL's projects. However, since the quantum of increase is still to be ascertained, we have not included this benefit in our NAV estimates.

Update on Income Tax enquiry

On 10 and 11 September 2009 the Income Tax Department raided HDIL's office premises. During the course of the raid, HDIL agreed to offer Rs3.5bn as income to be booked in the remaining quarters of FY10. The company has clarified that this is income based on initial entries in the books which it would have irrespectively booked during the current financial year on completion of transactions. It further clarified that there is no undisclosed income, tax evasion or penalty for previous years or the current year and that there will not be any substantial change to tax liability or revision in income booked of earlier accounting years.

Financials (INRM)

Profit and Loss Account (In INRM)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Revenues	23,805	17,284	13,217	21,077	37,959
Expenses	6,882	9,487	7,892	11,286	18,667
EBITDA	**16,922**	**7,797**	**5,325**	**9,791**	**19,292**
Depreciation & amortisation	22	41	34	36	38
EBIT	**16,900**	**7,756**	**5,290**	**9,755**	**19,254**
Interest expense	1,408	582	402	344	318
Other income	529	540	567	595	625
Profit before tax	**16,021**	**7,715**	**5,455**	**10,006**	**19,562**
Taxes incl deferred taxation	1,922	943	1,800	3,302	6,455
Profit after tax	14,099	6,772	3,655	6,704	13,106
Adjusted profit after tax	**14,099**	**6,777**	**3,655**	**6,704**	**13,106**
Recurring EPS (INR)	**51.2**	**24.6**	**10.6**	**18.0**	**35.2**

Balance Sheet (In INR M)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Share Capital	2,143	2,755	3,458	3,718	3,718
Reserves & Surplus	34,272	41,463	62,859	75,543	88,649
Networth	**36,415**	**44,218**	**66,317**	**79,261**	**92,368**
Minority Interest	0.086	0.032	0.032	0.032	0
Debt	31,127	41,433	27,433	25,433	23,433
Capital Employed	**67,543**	**85,651**	**93,750**	**104,694**	**115,801**
Gross Fixed Assets	576	654	687	721	757
Accumulated Depreciation	32	56	91	127	164
Net Assets	**544**	**598**	**596**	**594**	**592**
Capital work in progress	52	152	144	137	130
Investments	1,915	2,491	2,491	2,491	2,491
Current Assets, Loans & Advances					
Inventory	55,229	69,128	74,232	76,511	85,799
Debtors	567	1,669	1,267	1,732	2,600
Cash & Bank balance	3,505	755	5,109	13,355	20,567
Loans & advances and others	13,108	17,097	18,807	20,688	18,619
Current Liabilities & Provisions					
Creditors	3,878	3,293	3,983	4,042	4,680
Other liabilities & provisions	3,599	3,400	5,368	7,227	10,773
Net Current Assets	**64,932**	**81,957**	**90,065**	**101,018**	**112,133**
Deferred tax assets/(liabilities)	(15)	(24)	(24)	(24)	(24)
Goodwill	115	478	478	478	478
Application of Funds	**67,543**	**85,651**	**93,750**	**104,694**	**115,801**

Per share data

Year Ended 31st March	2008	2009	2010e	2011e	2012e
No. of shares (m)	275	275	346	372	372
BVPS (INR)	132.2	160.5	191.8	213.2	248.4
CEPS (INR)	51.3	24.7	10.7	18.1	35.3
DPS (INR)	3.0	-	-	-	-

Margins (%)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
EBITDA	71%	45%	40%	46%	51%
EBIT	71%	45%	40%	46%	51%
PAT	59%	39%	28%	32%	35%

Cashflow statement

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Adjusted PAT	**14,099**	**6,777**	**3,655**	**6,704**	**13,106**
Depreciation & amortisation	22	41	34	36	38
Minority Interest	-	(5)	-	-	-
(Inc)/Dec in working capital	(53,449)	(18,234)	(3,754)	(2,707)	(3,903)
Other Items	(198)	424	-	-	-
Cash flow fm oper activities	**(39,525)**	**(10,997)**	**(65)**	**4,033**	**9,242**
Capital expenditure	(455)	(1,197)	(25)	(27)	(29)
Inc/(Dec) in & inc fm inv	190	471	-	-	-
Cash flow fm inv activities	**(265)**	**(726)**	**(25)**	**(27)**	**(29)**
Inc/(Dec) in share capital	16,397	-	18,444	6,240	-
Inc/(Dec) in debt	27,327	9,724	(14,000)	(2,000)	(2,000)
Dividends paid	(491)	(751)	-	-	-
Cash flow fm fin activities	**43,233**	**8,973**	**4,444**	**4,240**	**(2,000)**
Net cash flow	**3,443**	**(2,750)**	**4,354**	**8,246**	**7,212**
Opening balance	61	3,505	755	5,109	13,355
Closing balance	**3,505**	**755**	**5,109**	**13,355**	**20,567**

Growth Indicators

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
Revenue	98%	-27%	-24%	59%	80%
EBITDA	156%	-54%	-32%	84%	97%
PAT	157%	-52%	-46%	83%	95%
EPS	125%	-52%	-57%	71%	95%

Valuation (x)

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
PE	6.5	13.6	31.6	18.5	9.5
P/BV	2.5	2.1	1.7	1.6	1.3
EV/EBITDA	9.2	20.0	29.3	16.0	8.1
EV/Sales	6.6	9.0	11.8	7.4	4.1
Dividend Yield (%)	0.9%	0.0%	0.0%	0.0%	0.0%

Financial Ratios

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
RoE	39%	15%	6%	8%	14%
RoCE	25%	9%	6%	9%	17%
Debt/Equity (x)	0.9	0.9	0.4	0.3	0.3
EBIT/Interest (x)	12.0	13.3	13.2	28.4	60.6

Source: Antique

IBREL

Cash on Books an Advantage

BUY | **CMP: INR264** | **Target Price: INR355**

ANTIQUE

October 5, 2009 | Strictly confidential

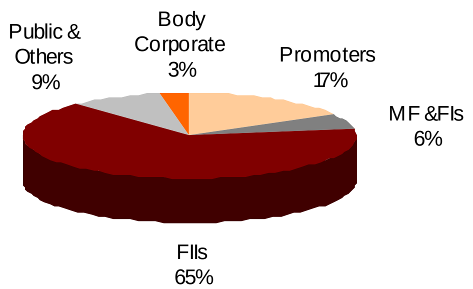
Market Data

Sector	:	Real Estate
Market Cap (INRbn)	:	106
Market Cap (USDbn)	:	2
O/S Shares	:	401
Free Float (m)	:	318
52-wk HI/LO (INR)	:	292/81
Avg Daily Vol ('000)	:	7,702
Bloomberg	:	IBREL IN
Reuters	:	INRL.BO

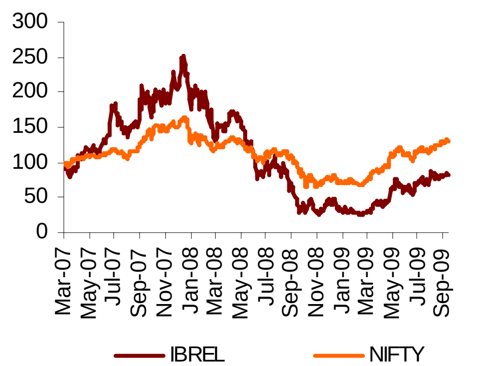
Price Performance

	1m	3m	6m	12m
Absolute	3	30	130	64
Relative	(4)	8	44	22

Shareholding Pattern (as on 30 June 2009)



Price Performance Vs NIFTY



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Investment highlights

Cash on books a key strength

Post QIP, through which it raised approximately INR26.5bn, IBREL has net cash of ~INR30bn (excluding the power business) amounting to INR75 per share. This is a key strength for IBREL given that most of its peers are net-debt companies and will allow it to bid for new projects/land parcels which can be value accretive.

IBREL best positioned to gain from resurgence in office demand

Area leased in Jupiter Mills is 0.7m sq. ft. but IBREL is witnessing improved interest in its Mumbai office properties with increasing enquiries and short-listing by prospective tenants. Given that Jupiter and Elphinstone Mill properties are in advanced stages of construction/completion, we believe IBREL will be best positioned to benefit from recovery in demand for office space in Mumbai.

New launches in the residential segment

In FY09 IBREL launched 9.5m sq. ft. of residential projects and plans to launch 9.8m sq. ft. in FY10, of which ~5m sq. ft. has already been launched. Of the total ~15m sq. ft. launched till date, ~15% has been sold. Besides, IBREL has also launched a premium residential project of 0.4m sq. ft. (~INR28,000/sq. ft) in Jupiter Mills.

Recommend BUY

We recommend a BUY rating for IBREL with a target price of INR355 which includes INR265 for real estate and INR90 for the power business.

Key catalysts

1) IBREL has emerged as the highest bidder for the Mantralaya redevelopment project, which could add ~INR29/share (not currently included in NAV); 2) Further, if IBREL increases its stake in IPIT to 62% vs. 45% currently by subscribing to 94% of the rights issue, it could add approximately INR17/share to its NAV.

Key financials

	2008a	2009a	2010e	2011e	2012e
Net Revenues (INR m)	1,407	2,086	3,890	11,467	25,133
EBITDA (INR m)	(20)	(570)	833	3,147	8,152
EBITDA growth (%)	na	-2800%	246%	278%	159%
PAT (INR m)	3,959	134	1,387	3,425	7,399
PAT growth (%)	3233%	-97%	936%	147%	116%
EPS (INR/share)	16.4	0.5	3.5	8.5	18.4
EPS growth (%)	2386%	-97%	565%	147%	116%
PE (x)	16.1	508.0	76.3	30.9	14.3
PB (x)	1.4	1.2	1.2	1.2	1.1
EV/EBITDA (x)	na	na	98.8	26.2	10.1
ROE (%)	9%	0%	2%	4%	8%

Source: Antique

Update on Jupiter and Elphinstone Mills

Area leased in Jupiter Mills continues to stand at 0.7m sq. ft. However, IBREL is witnessing improved interest in its Lower Parel office projects with rising enquiries and short listing by prospective tenants. Tenants have moved into the first building of Jupiter Mills, and rental income from this building has commenced. Average rentals continue to be approximately INR175 per sq. ft per month. In addition, IPIT has entered into an agreement to sell 15,730 sq. ft. to British Council for INR296m (~INR18,800/sq. ft.).

With the change in FSI entitlement from 2.66 to 4, the total area of Jupiter and Elphinstone Mills has increased to approximately 5m sq. ft. vs. 3.5m sq. ft. earlier. In order to take advantage of the notification, IBREL has submitted revised plans to regulatory authorities, which are currently pending for approval. We have not yet factored in incremental FSI entitlement of 1.5m sq. ft. due to limited visibility on the development.

The first building in Jupiter Mills is already occupied and the second building has also been completed except for the top floors, which are currently awaiting regulatory approval to accommodate additional FSI. Nearly 1.6m sq. ft. of space is available and ready to be handed over to tenants for fit-outs.

Given that Jupiter and Elphinstone Mills are in advanced stages of construction/completion, we believe these properties would be best positioned to benefit from revival in demand for office space in Mumbai.

IPIT's rights issue could be value accretive for IBREL

IPIT has announced a rights issue to raise SGD200m. The funds will be used to repay IPIT's debt, which currently stands at SGD258m. IPIT is offering the rights issue at SGD0.16 per unit vs. current market price of SGD0.31 per unit. IBREL currently holds 45% in IPIT and apart from subscribing to its share of the rights issue, it has agreed to subscribe up to 94% of the total rights issue, if other unit holders do wish to subscribe. In this case, IBREL's stake in IPIT will increase from 45% currently to 62%, and could lead to increase in IBREL's NAV by ~ INR17 per share.

New launches in the residential segment

In FY09, IBREL launched 9.5m sq. ft. of residential projects. The company is planning to launch 9.8m sq. ft. in FY10, of which it has already launched 5m sq. ft. Area pre-sold is nearly 15% of the ~15m sq. ft. launched till date. Most of the new launches are in the affordable housing segment to cater to a wide segment of the population. In addition, IBREL has launched a premium residential project of 0.4m sq. ft. at Jupiter Mills priced at ~INR28,000/sq. ft.

Projects launched in FY09

Project	Location	Area (m sq. ft.)
Castlewood	Delhi	1.3
Indiabulls Greens	Chennai	1.3
Centrum Park	Gurgaon	1.6
High Street	Vadodara	0.6
Central Park	Ahmedabad	0.6
Central Park	Indore	2.1
Indiabulls City	Sonepat	2.0
Total		**9.5**

Source: Company

Projects to be launched in FY10

Project	Location	Area (m sq. ft.)
Indiabulls Riverside	Ahmedabad	1.5
Indiabulls Greens	Navi Mumbai	1.1
Lake View Park	Chennai	0.9
Indiabulls Paramount	Gurgaon	2.6
Hillside View	Visakhapatnam	0.5
Indiabulls Metropolitan	Gurgaon	1.5
Indiabulls Orion	Gurgaon	0.7
Indiabulls City - Phase II	Sonepat	1.0
Total		**9.8**

Source: Company

Comfortable cash position: An important differentiator

While most developers are faced with a net debt situation, IBREL has a net cash of approximately INR30bn in the real estate business amounting to INR75 per share. This is a significant advantage and it allows the company to bid for new projects/land parcels, which could be value accretive.

Mantralaya redevelopment project could be NAV accretive

IBREL recently emerged as the highest bidder for a project involving redevelopment of Mantralaya and adjoining buildings for a total cost of INR13.76bn. The project entails refurbishing Mantralaya and the new administrative building; constructing an underground tunnel linking the buildings to Vidhan Bhavan; and building a rest house as well as six 30-plus-storey towers for ministers, judges, and bureaucrats. In return, IBREL will get a 4-acre plot at Nariman Point for free sale on a 99-year lease. The plot will have an FSI of five and will enable IBREL to develop 1.5m sq. ft. (assuming 70% loading).

Assuming sale price of INR40,000/sq. ft., the project is expected to generate revenues of INR60bn. IBREL will need to pay INR2.76bn upfront and spend INR11bn for renovation and construction of buildings. Besides, it will need to incur expenditure of ~INR6bn for construction of the free sale area. Assuming the project is executed over a period of six years, it could increase IBREL's NAV by ~INR29 per share. We have not included this project in our NAV estimate, since it is still to be formally awarded to the company.

IPO of power business: A key event

Indiabulls Power, a subsidiary of IBREL, has been formed with the intention of operating and maintaining power projects in India. The company plans to develop five thermal power projects with a combined capacity of 6,615mw and four medium-sized hydro power projects with a total capacity of 167mw. IBREL currently holds 71.4% stake in Indiabulls Power with the balance held by Farallon Capital and LNM India Internet Ventures. Indiabulls Power plans to dilute nearly 17% equity through its IPO, which will bring down Indiabulls Real Estate's stake in the power company to ~59%.

IPO proceeds will be used to part finance construction and development of Phase I (1,320mw) of the Amravati project and the Nashik project (1,335mw), for which total estimated expenditure is approximately INR129.4bn. In addition, the company has been sanctioned debt of INR51.66bn for the Amravati Phase I project and has received an underwriting commitment of INR34bn from Axis Bank for the Nashik project. We currently value the power business at 1.5x pre-IPO book value plus ~Rs25bn from proceeds of Indiabulls Power IPO, based on which our target price includes INR90 for IBREL's 59% stake.

Summary of thermal power projects

Project	Proposed Installed Capacity (mw)	Technology	Procurement Status	Land Availability	Water Supply	Fuel Supply	Off-take Arrangement	Expected Commissioning	Est Project Cost (INR m)
Amravati Phase I	1,320	Coal fired, super critical	Letter of award issued to EPIL and SEPCO for procurement of equipment and providing services	MIDC has allotted 1,350 acres of land	Allocation of up to 240mld of water for Amravati Phase I & II	Coal linkage of 1,320mw granted by the Ministry of Coal	Long-term PPA with TPTCL for sale of power aggregating 1,000mw. MoU with MSEDCL for sale of power aggregating 1,000mw	First unit expected to be commissioned by June 2012. Proposed commercial operation date: September 2012	68,880
Nashik	1,335	coal fired	To be finalised	IBREL has agreed to sublease 1,000 acres of land for the purposes of the project	Allocation of 100mld of water	Coal linkage of 1,320mw granted by the Ministry of Coal	Off-take arrangements yet to be ascertained	Five units of 135mw expected to be commissioned by September 2011. Proposed commercial operation date: February 2012	60,480
Bhaiyathan	1,320	Coal fired, super critical	EPC contracts entered into with CNTICZJ Energy Consortium, China	700 acres aquired. Acquisition of additional 700 acres in process	Allocation of 500m cubic meters of water per annum	Captive coal mines allocated by Ministry of Coal with reserves of 349.51mt	Long term PPA with Chhattisgarh State Electricity Board for sale of 65% of power generated, whilst balance is proposed to be sold through a combination of short-term and long-term arrangements	First unit expected to be commissioned by December 2012. Proposed commercial operation date: March 2013	67,960
Amravati Phase II	1,320	Coal fired, super critical	To be finalised	MIDC has allotted 1,350 acres of land	Allocation of up to 240mld of water for Amravati Phase I & II	Coal linkage to be applied for	Off-take arrangements yet to be ascertained	First unit expected to be commissioned by March 2013. Proposed commercial operation date: June 2013	55,866
Chhattisgarh	1,320	Coal fired, super critical	To be finalised	To be acquired	Water resources to be tied up	Coal supply is under consideration	Off-take arrangements yet to be ascertained	First unit expected to be commissioned by June 2013. Proposed commercial operation date: September 2013	57,338
Total	**6,615**								**310,524**

Source: Company

Financials

In FY10, IBREL's revenues will primarily be derived from management fees, while net profit will be boosted by interest income earned on the company's large cash balance. Residential projects launched in FY09 and FY10 will begin contributing meaningfully to revenues and profitability from FY11, as construction activity picks up pace.

Valuation

We recommend a BUY rating for IBREL with a target price of INR355. Our target price includes INR67 for 45% stake in Jupiter and Elphinstone Mills, INR124 for other land banks (at 10% discount to NAV to factor in execution risks given the company's limited track record), cash of INR75, and INR90 for the power business. Our NAV estimate is based on the following assumptions: 1) 5% annual increase in property prices from FY11; 2) 5% annual increase in construction cost from FY11; 3) WACC of 15%; 4) Cap rate of 10%.

IBREL target price summary

	INR m	Per Share (Rs)
Value of 45% stake in Jupiter & Elphintone Mills	26,766	67
Value of other landbank less 10% discount	49,571	124
Add: Cash attributable to real estate business	30,000	75
Net NAV	**106,337**	**265**
Add: 59% stake in Indiabulls Power	36,011	90
Total Value	**142,348**	**355**

Source: Antique

Target price sensitivity table

	Selling Price			
Construction Cost	0%	5%	10%	15%
0%	337	392	461	548
5%	300	**355**	424	511
10%	252	308	377	464

Source: Antique

Financials (INRM)

Profit and Loss Account (In INRM)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
Revenues	1,407	2,086	3,890	11,467	25,133
Expenses	1,426	2,656	3,057	8,321	16,981
EBITDA	(20)	(570)	833	3,147	8,152
Depreciation & amortisation	33	108	29	39	43
EBIT	(53)	(678)	804	3,107	8,109
Interest expense	522	244	-	-	-
Other income	6,240	2,313	1,830	1,810	1,539
Profit before tax	5,665	1,390	2,634	4,918	9,647
Taxes incl deferred taxation	1,598	698	869	1,623	3,184
Profit after tax	4,067	692	1,765	3,295	6,464
Adjusted profit after tax	3,959	134	1,387	3,425	7,399
Recurring EPS (INR)	16.4	0.5	3.5	8.5	18.4

Balance Sheet (In INR M)

Year Ended 31st March	2008	2009e	2010e	2011e	2012e
Share Capital	7,321	7,787	5,302	5,302	5,302
Reserves & Surplus	37,828	50,299	80,736	84,161	91,560
Networth	**45,149**	**58,086**	**86,038**	**89,463**	**96,862**
Minority Interest	11,671	11,159	11,159	11,159	11,159
Debt	3,389	0	0	0	0
Capital Employed	**60,209**	**69,245**	**97,197**	**100,622**	**108,022**
Gross Fixed Assets	1,532	1,631	1,794	1,973	2,170
Accumulated Depreciation	40	119	147	187	230
Net Assets	**1,493**	**1,512**	**1,646**	**1,786**	**1,940**
Capital work in progress	753	2,161	1,945	1,750	1,575
Investments	675	11,415	11,415	11,415	11,415
Current Assets, Loans & Advances					
Inventory	11,441	21,166	42,634	50,268	61,973
Debtors	1,165	863	1,066	1,257	2,066
Cash & Bank balance	16,219	23,565	30,172	25,647	21,599
Loans & advances and others	49,716	11,114	12,226	13,448	14,793
Current Liabilities & Provisions					
Creditors	0	211	426	471	1,033
Other liabilities & provisions	21,458	2,329	3,469	4,467	6,296
Net Current Assets	**57,083**	**54,168**	**82,202**	**85,681**	**93,102**
Deferred tax assets/(liabilities)	(7)	(10)	(10)	(10)	-10
Goodwill	213	0	0	0	0
Application of Funds	**60,209**	**69,245**	**97,197**	**100,622**	**108,022**

Per share data

Year Ended 31st March	2008	2009	2010e	2011e	2012e
No. of shares (m)	241	258	401	401	401
BVPS (INR)	187.5	225.6	214.5	223.0	241.5
CEPS (INR)	16.6	0.9	3.5	8.6	18.6
DPS (INR)	13.5	-	-	-	-

Margins (%)

Year Ended 31st March	2008	2009	2010e	2011e	2012e
EBITDA	-1%	-27%	21%	27%	32%
EBIT	-4%	-33%	21%	27%	32%
PAT	281%	6%	36%	30%	29%

Cashflow statement

Year Ended 31st March	2008	2009e	2010e	2011e	2012e
Adjusted PAT	**3,959**	**134**	**1,387**	**3,425**	**7,399**
Depreciation & amortisation	33	108	29	39	43
Minority Interest	65	398	-	-	-
(Inc)/Dec in working capital	(80,133)	10,261	(21,427)	(8,005)	(11,468)
Other Items	35,204	750	-	-	-
Cash flow fm opr activities	**(40,872)**	**11,650**	**(20,011)**	**(4,541)**	**(4,025)**
Capital expenditure	(2,041)	(1,506)	53	15	(22)
Inc/(Dec) in & inc fm inv	3,402	(10,740)	-	-	-
Cash flow fm inv activities	**1,360**	**(12,246)**	**53**	**15**	**(22)**
Inc/(Dec) in share capital	38,775	11,331	26,565	-	-
Inc/(Dec) in debt	1,451	(3,389)	-	-	-
Dividends paid	(191)	-	-	-	-
Cash flow fm fin activities	**40,035**	**7,943**	**26,565**	**-**	**-**
Net cash flow	**523**	**7,346**	**6,607**	**(4,526)**	**(4,047)**
Opening balance	15,696	16,219	23,565	30,172	25,647
Closing balance	**16,219**	**23,565**	**30,172**	**25,647**	**21,599**

Growth Indicators

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
Revenue	911%	48%	86%	195%	119%
EBITDA	na	-2800%	246%	278%	159%
PAT	3233%	-97%	936%	147%	116%
EPS	2386%	-97%	565%	147%	116%

Valuation (x)

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
PE	16.1	508.0	76.3	30.9	14.3
P/BV	1.4	1.2	1.2	1.2	1.1
EV/EBITDA	na	na	98.8	26.2	10.1
EV/Sales	58.5	39.5	21.2	7.2	3.3
Dividend Yield (%)	5.1%	0.0%	0.0%	0.0%	0.0%

Financial Ratios

Year ended 31st March	2008a	2009a	2010e	2011e	2012e
RoE	9%	0%	2%	4%	8%
RoCE	0%	-1%	1%	3%	8%
Debt/Equity (x)	0.1	-	-	-	-
EBIT/Interest (x)	(0.1)	(2.8)	na	na	na

Source: Antique

Equity Sales		
Anish Jhaveri	91-22-4031-3330	anish@antiquelimited.com
Dharmesh Dalal	91-22-4031-3331	dharmesh@antiquelimited.com
Manish Shah	91-22-4031-3332	manish@antiquelimited.com
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Chaitanya Kotadia	91-22-4031-3336	chaitanya@antiquelimited.com
Anuj Sonpal	91-22-4031-3326	anuj@antiquelimited.com
Derivative Sales		
Ashish Maheshwari	91-22-4031-3350	ashish.maheshwari@antiquelimited.com
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Ownership in Stock	No	No	No

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